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***JOHNSON COUNTY COMMUNITY  
COLLEGE***  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2015*

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Certified Public Accountants  
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## Independent Auditor's Report

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### Report On The Financial Statements

We have audited the accompanying financial statements of Johnson County Community College and its discretely presented component unit as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Johnson County Community College's basic financial statements as listed in the table of contents.

### *Management's Responsibility For The Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express 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 from material misstatement. The financial statements of Johnson County Community College Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Johnson County Community College as of June 30, 2015, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

The financial statements of the College and its discretely presented component unit as and for the year ended June 30, 2014 were audited by other auditors whose report dated November 4, 2014, expressed an unmodified opinion on those statements.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 10 and the schedule of funding progress on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Johnson County Community College's basic financial statements. The accompanying supplemental schedule of budgetary expenditures with appropriations, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required By Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of Johnson County Community College's internal control over financial reporting and 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 the 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 University's internal control over financial reporting and compliance.

*RubinBrown LLP*

November 5, 2015

## **Johnson County Community College**

### **Management's Discussion and Analysis Years Ended June 30, 2015 and 2014**

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#### **Introduction and Background**

This section of Johnson County Community College's (the College) annual financial report presents management's discussion and analysis (MD&A) of the College's financial activity during the fiscal years ended June 30, 2015 and 2014. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with them. Responsibility for the completeness and fairness of this information rests with the College.

The College prepared the financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that the financial statements be presented to focus on the College as a whole.

As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the College, as well as its discretely presented component unit, the Johnson County Community College Foundation.

#### **Using This Annual Report**

The financial statements focus on the College as a whole and are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The financial statements consist of four primary parts: (1) the statements of net position, (2) statements of revenues, expenses, and changes in net position, (3) statements of cash flow and (4) notes to the financial statements. The financial statements are prepared on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, expenses are recorded when incurred, and all revenues are recognized when earned in accordance with generally accepted accounting principles.

The Statement of Net Position is presented in the format where assets plus deferred outflows of resources equal liabilities plus deferred inflows of resources plus net position. Assets and liabilities are presented in order of liquidity and are classified as current (convertible into cash within one year) and non-current. This statement combines and consolidates current financial resources (short-term spendable resources) with long-term capital assets and deferred inflows and outflows of resources. The focus of this statement is to show the overall liquidity and health of the College as of the end of the fiscal year.

The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross and net costs of College activities, which are supported substantially by property taxes, state and federal grants and contracts, student tuition and fees, and auxiliary enterprises revenues. This approach is intended to summarize and simplify the user's analysis of the financial results of the various College services to students and the public.

The Statement of Cash Flow discloses net cash provided by or used for operating, non-capital financing and related financing activities. This statement shows that the College's cash flows are sufficient to pay current liabilities.

The Notes to the Financial Statements are an integral part of the basic statements and describe the College's significant accounting policies. The reader is encouraged to review the notes in conjunction with management's discussion and analysis of the financial statements.

## Johnson County Community College

### Management's Discussion and Analysis Years Ended June 30, 2015 and 2014

#### Financial Highlights

##### Statements of Net Position

The major components of the College's assets, deferred outflows, liabilities, and net position as of June 30, 2015 and 2014 are as follows (in millions of dollars):

	2015	2014	Increase (Decrease)	Percent Change
<b>ASSETS</b>				
Current assets	\$ 110.4	\$ 98.9	\$ 11.5	12%
Capital assets, net	137.3	142.8	(5.5)	-4%
Other noncurrent assets	1.6	1.4	0.2	14%
Total Assets	<u>\$ 249.3</u>	<u>\$ 243.1</u>	<u>\$ 6.2</u>	<u>3%</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	<u>\$ 0.5</u>	<u>\$ 0.6</u>	<u>\$ (0.1)</u>	<u>-17%</u>
<b>LIABILITIES</b>				
Current liabilities	\$ 13.6	\$ 13.8	\$ (0.2)	-1%
Noncurrent liabilities	28.2	31.4	(3.2)	-10%
Total Liabilities	<u>\$ 41.8</u>	<u>\$ 45.2</u>	<u>\$ (3.4)</u>	<u>-8%</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 109.3	\$ 111.5	\$ (2.2)	-2%
Restricted	9.4	7.1	2.3	32%
Unrestricted	89.3	79.8	9.5	12%
Total Net Position	<u>\$ 208.0</u>	<u>\$ 198.4</u>	<u>\$ 9.6</u>	<u>5%</u>

#### **Fiscal Year 2015 Compared to Fiscal Year 2014**

##### **Assets**

Total current assets increased to \$110.4 million as of June 30, 2015 from \$98.9 million as of June 30, 2014, primarily due to an \$11.1 million increase in cash and cash equivalents. This increase is due to favorable operating results.

Capital assets, net of accumulated depreciation, decreased by \$5.5 million due to capital expenditures offset by depreciation. There was no construction in progress as of June 30, 2015 or 2014.

The deferred outflow of resources decreased \$0.1 million in fiscal 2015. The deferred outflow of resources category includes the cost of deferred charges on bond refunding. The balances for the deferred charges are amortized over the life of the refunding bonds.

##### **Liabilities**

Total current liabilities were \$13.6 as of June 30, 2015 compared to \$13.8 million as of June 30, 2014. The change primarily relates to the \$1.3 million decrease in accounts payable, offset by the \$1.1 million increase in other accrued liabilities.

## Johnson County Community College

### Management's Discussion and Analysis Years Ended June 30, 2015 and 2014

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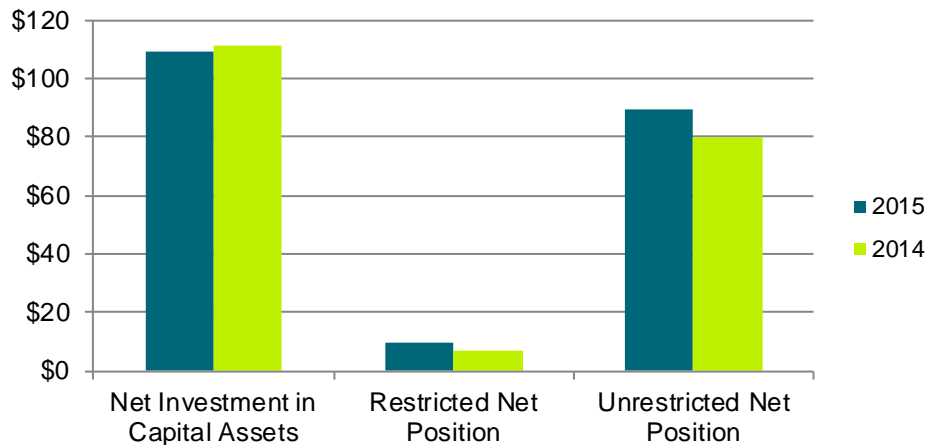
Total current assets at June 30, 2015 covered current liabilities 8.1 times. This means that for every dollar of current liabilities, the College has \$8.10 in current assets, indicating that the College is capable of funding its current liabilities.

Noncurrent liabilities decreased by \$3.2 million in fiscal year 2015 compared to fiscal year 2014. The decrease is related to the scheduled principal payments on the College's long-term obligations.

#### Net Position

Total net position increased by \$9.6 million over prior year. This increase is primarily due to higher revenues from property taxes and student tuition and fees, combined with the College's continued efforts to control operating expenses. Net Position includes three primary categories: Net Investment in Capital Assets, Restricted, and Unrestricted. The first category, Net Investment in Capital Assets, provides the College's equity in capital assets – the property, plant and equipment owned by the College. The next category is Restricted, which is available for expenditure by the College but must be spent for purposes as specified by donors and/or external entities that have placed purpose restrictions on the use of the assets. The final category, Unrestricted, is not subject to externally imposed stipulations and is available for use by the College for any legal purpose. The College's Unrestricted Net Position increased by \$9.5 million in the current year as a result of the net operating surplus.

**Comparison of Net Position  
Fiscal Years 2015 and 2014  
(\$ in millions)**



## Johnson County Community College

### Management's Discussion and Analysis Years Ended June 30, 2015 and 2014

#### Statements of Revenues, Expenses and Changes in Net Position

The following table presents the statements of revenues, expenses and changes in net position for the College for fiscal years 2015 and 2014 (in millions of dollars):

	2015	2014	Increase (Decrease)	Percent Change
Operating Revenues				
Student tuition and fees	\$ 35.8	\$ 34.5	\$ 1.3	4%
Gifts, grants and contracts	1.4	1.5	(0.1)	-7%
Auxiliary enterprises	10.7	11.0	(0.3)	-3%
Other operating revenues	5.5	5.3	0.2	4%
Total Operating Revenues	\$ 53.4	\$ 52.3	\$ 1.1	2%
Less Operating Expenses	175.4	179.6	(4.2)	-2%
Operating Income (Loss)	\$ (122.0)	\$ (127.3)	\$ 5.3	-4%
Non-Operating Revenues (Expenses)				
County property taxes	\$ 84.5	\$ 79.8	\$ 4.7	6%
State appropriations	30.5	32.7	(2.2)	-7%
Gifts, grants and contracts	17.3	17.7	(0.4)	-2%
Investment & other income	0.2	0.2	-	0%
Interest on capital asset debt	(0.9)	(0.9)	-	0%
Total Nonoperating revenues, net	\$ 131.6	\$ 129.5	\$ 2.1	2%
Increase in Net Position	\$ 9.6	\$ 2.2	\$ 7.4	336%
Net Position, Beginning of Year	\$ 198.4	\$ 196.2	\$ 2.2	1%
Net Position, End of Year	\$ 208.0	\$ 198.4	\$ 9.6	5%

#### Fiscal Year 2015 Compared to Fiscal Year 2014

##### Revenues

The College's operating and non-operating revenues were \$185.0 million for fiscal 2015, an increase of \$3.2 million from fiscal 2014. The College has three primary revenue sources that accounted for 81.2% of total revenues in fiscal 2015. Local property taxes continue to be the College's primary revenue source, accounting for \$84.5 million, or 45.5%, of fiscal 2015 total revenues. The second largest source of revenue was student tuition and fees, totaling \$35.8 million, or 19.3%, of total revenues in fiscal 2015. The third largest revenue source, state appropriations, totaled \$30.5 million and accounted for 16.4% of fiscal 2015 total revenues.

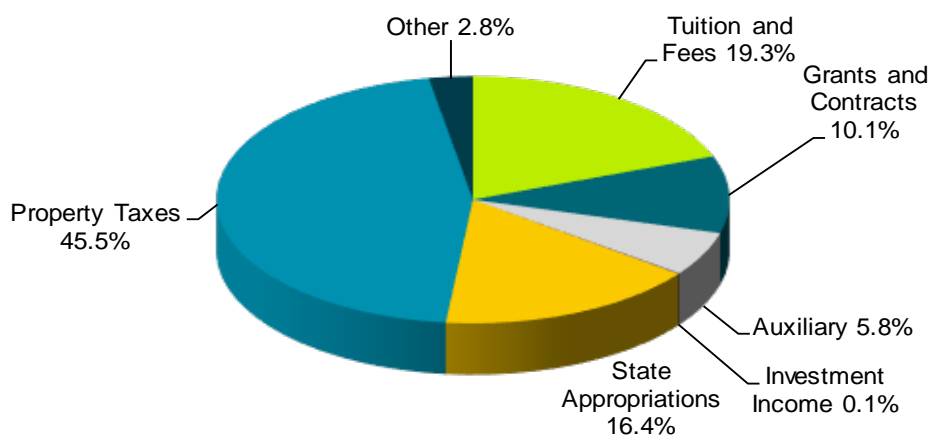


## Johnson County Community College

### Management's Discussion and Analysis Years Ended June 30, 2015 and 2014

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#### Operating and Non-Operating Revenues June 30, 2015



Operating revenues from student tuition and fees increased by \$1.3 million in fiscal 2015, primarily due to the \$3 per credit hour tuition increase for Johnson County and Kansas resident students and the \$8 per credit hour tuition increase for out of state students.

Non-operating revenues increased \$2.1 million from the prior year to \$131.6 million. Revenue from property taxes increased \$4.7 million from fiscal 2014 due to an increase in assessed valuation for the 2014 tax year. The College's tax levy decreased from 9.551 mills in 2014 to 9.461 mills in 2015. Revenue from the state of Kansas was \$30.5 million in fiscal 2015 compared to \$32.7 million in fiscal 2014, a decrease of \$2.2 million. This was primarily due to a decrease of \$2.1 million in the contributions that the state of Kansas makes on behalf of the college to the Kansas Public Employees' Retirement System (KPERs), which was \$8.3 million in fiscal 2015. The College records a revenue and expense for the payments made by the State. There was also a decrease of \$0.4 million in state appropriations during fiscal 2015 due to the February 2015 State of Kansas General Fund budget allotment plan, which included a 2% allotment of the Kansas Board of Regents, requiring the College to return 2% of its operating grant funding to the State.

#### Expenses

Total expenses for fiscal 2015 were \$175.4 million, a decrease of \$4.2 million compared to fiscal 2014. The decrease was primarily related to operating expenses, as non-operating expenses (interest on capital asset debt) remained consistent with the prior year. As previously discussed, the State's KPERs pension contributions included in operating expenses decreased by \$2.1 million in the current year. The State makes this contribution on behalf of the College. The College records an expense and revenue for the payment made by the State. Plant and maintenance costs decreased by \$1.4 million in fiscal 2015 due to decreases in utility costs and the fact that the College incurred costs to complete the Hospitality and Culinary Academy in fiscal 2014. Instruction costs, which are the largest component of the College's operating expenses, remained flat in fiscal 2015.

## Johnson County Community College

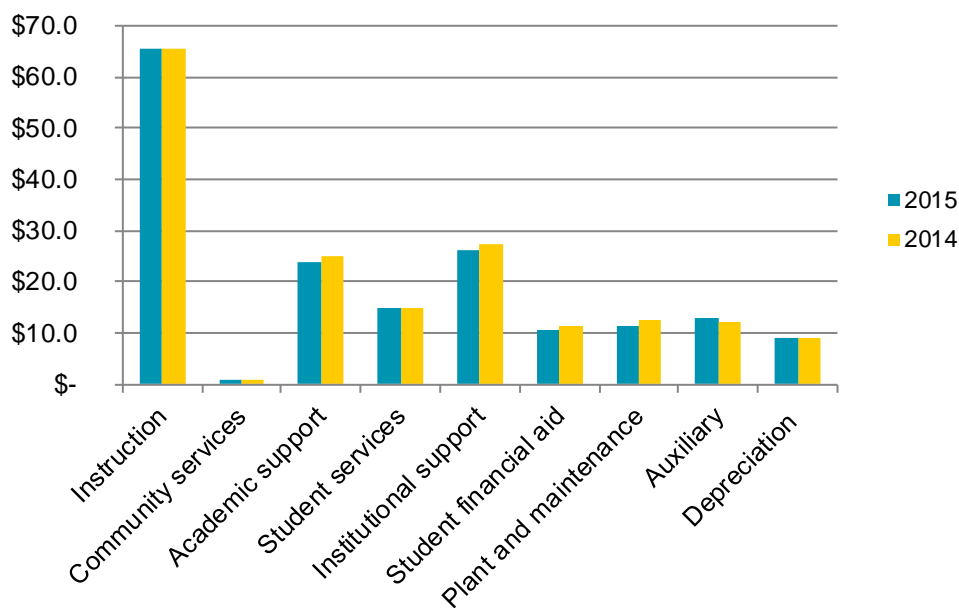
### Management's Discussion and Analysis Years Ended June 30, 2015 and 2014

#### Operating Expenses

The following table presents the College's operating expenses by function for fiscal years 2015 and 2014 (in millions of dollars):

	2015	2014	Increase (Decrease)	Percent Change
<b>Operating Expenses</b>				
Instruction	\$ 65.6	\$ 65.4	\$ 0.2	0%
Community services	1.0	1.0	-	0%
Academic support	24.0	25.2	(1.2)	-5%
Student services	14.9	15.1	(0.2)	-1%
Institutional support	26.1	27.5	(1.4)	-5%
Student financial aid	10.7	11.4	(0.7)	-6%
Plant and maintenance	11.3	12.7	(1.4)	-11%
Auxiliary	12.8	12.3	0.5	4%
Depreciation	9.0	9.0	-	0%
<b>Total Operating Expenses</b>	<b>\$ 175.4</b>	<b>\$ 179.6</b>	<b>\$ (4.2)</b>	<b>-2%</b>

#### Comparison of Operating Expenses Fiscal Years 2015 and 2014

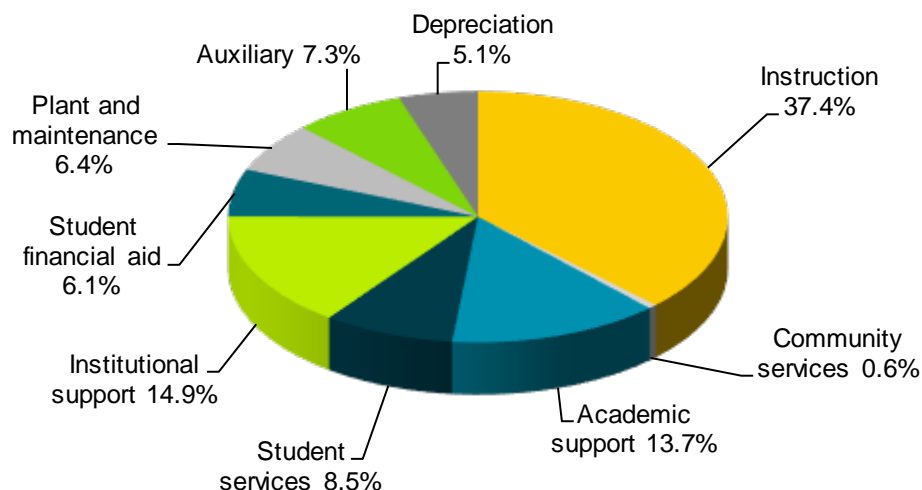


As shown in the charts above, fiscal 2015 Instruction costs were \$65.6 million. This category represents all of the direct costs associated with teaching students and is the largest component of operating expenses, accounting for 37.4% of total operating expenses.

**Johnson County Community College**

**Management's Discussion and Analysis  
Years Ended June 30, 2015 and 2014**

**Operating Expenses  
June 30, 2015**



**Statement of Capital Assets and Long-Term Debt**

The College's Capital Assets and Long-Term Debt as of June 30, 2015 and 2014 were as follows (in millions of dollars):

	2015	2014	Increase (Decrease)	Percent Change
<b>Capital Assets</b>				
Land	\$ 1.0	\$ 1.0	\$ -	0%
Works of art	3.6	3.6	-	0%
Land improvements	37.8	37.7	0.1	0%
Buildings and improvements	193.8	192.1	1.7	1%
Equipment	29.1	29.5	(0.4)	-1%
<b>Total Capital Assets</b>	<b>265.3</b>	<b>263.9</b>	<b>1.4</b>	<b>1%</b>
Less accumulated depreciation	128.0	121.1	6.9	6%
<b>Net Capital Assets</b>	<b>\$ 137.3</b>	<b>\$ 142.8</b>	<b>\$ (5.5)</b>	<b>-4%</b>
	2015	2014	Increase (Decrease)	Percent Change
<b>Long-Term Debt</b>				
Revenue bonds	\$ 19.2	\$ 20.3	\$ (1.1)	-5%
Certificates of participation	8.0	9.5	(1.5)	-16%
Loan obligations	1.3	2.0	(0.7)	-35%
<b>Total Long-Term Debt</b>	<b>\$ 28.5</b>	<b>\$ 31.8</b>	<b>\$ (3.3)</b>	<b>-10%</b>

## **Johnson County Community College**

### **Management's Discussion and Analysis Years Ended June 30, 2015 and 2014**

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#### **Fiscal Year 2015 Compared to Fiscal Year 2014**

As of June 30, 2015, the College had \$265.3 million invested in capital assets and \$128.0 million in accumulated depreciation, for total net capital assets of \$137.3 million. Total capital assets decreased by \$5.5 million in fiscal 2015, primarily due to depreciation charges in excess of additions to capital assets.

The College's long-term debt decreased \$3.3 million during Fiscal 2015 to \$28.5 million. On August 18, 2015 the College refunded its Series 2006 Student Commons and Parking System Refunding Revenue Bonds of \$4.9 million with the \$4.3 million issuance of the Series 2015 Student Commons and Parking System Refunding Revenue Bonds. Detailed information about the College's long-term obligations is presented in Note 4 to the financial statements. The college's outstanding revenue bond debt is rated AA+ by Standard & Poor's.

#### **Current Issues**

The College's Board of Trustees passed a \$140 million operating budget for fiscal year 2016. The budget included a \$3 per credit hour tuition increase for Johnson County and Kansas resident students, and an \$8 per credit hour tuition increase for out of state students. Management has noted that student credit hour and full time equivalent (FTE) enrollment was flat in fiscal 2015 compared to fiscal 2014. The College administration will continue to monitor and respond to enrollment trends.

On June 30, 2015 the College's Board of Trustees and the College's Faculty Association entered into a new master agreement which is effective for the period July 1, 2015 through June 30, 2018.

Management is not aware of any other currently known facts, decisions, or conditions that would have a significant impact on the College's financial position (net position) or results of operations (revenues, expenses, and other changes in net position).

#### **Economic Factors That Will Affect the Future**

The College continues to monitor the State of Kansas budget and consider the impact of the State's funding on the College's budget.

Health care costs will continue to rise, causing the College to explore options such as wellness, increased employee contributions, and other cost-containment measures. The full impact of the Affordable Care Act continues to be unknown.

Revenues from property taxes represent 45.5% of the revenues the College receives to support operations. The College continues to track residential and commercial property values and economic activity in the residential and office construction sectors to forecast future funding impact on the College.

#### **Contacting Financial Management**

This financial report is designed to provide our bondholders, students, community members, and other interested parties with a general overview of Johnson County Community College's finances and to demonstrate the College's accountability for the funds it receives. Questions concerning any information provided in this report should be addressed to Rachel Lierz, Associate Vice President, Financial Services/Chief Financial Officer, 12345 College Blvd., Overland Park, Kansas 66210, (913) 469-8500.

**Johnson County Community College**

**Statements of Net Position  
June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 102,036,567	\$ 90,912,573
Accounts receivable, net of uncollectible accounts 2015 \$3,956,765; 2014 \$3,453,695	6,179,042	5,127,047
Inventories	1,931,623	2,623,404
Other assets	83,402	158,338
Student loans receivable	141,815	118,035
<b>Total Current Assets</b>	<u>110,372,449</u>	<u>98,939,397</u>
<b>Noncurrent Assets</b>		
Student loans, net of allowance for uncollectible loans 2015 \$67,080 and 2014 \$67,080	1,046,454	1,171,224
Capital assets not being depreciated	4,647,327	4,586,112
Capital assets being depreciated	260,612,499	259,256,643
Less accumulated depreciation	(127,989,323)	(121,094,772)
OPEB assets	586,724	219,550
<b>Total Noncurrent Assets</b>	<u>138,903,681</u>	<u>144,138,757</u>
<b>Total Assets</b>	<u>249,276,130</u>	<u>243,078,154</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	516,817	566,846
<b>Total Deferred Outflows of Resources</b>	<u>516,817</u>	<u>566,846</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	2,287,661	3,576,437
Accrued salaries	2,704,475	2,726,148
Accrued compensated absences	385,014	457,018
Other accrued liabilities	1,611,142	477,737
Deferred student tuition and fee revenue	2,790,218	2,787,020
Deposits held in custody for others	511,569	552,859
Current portion of revenue bonds payable	1,140,000	1,100,000
Current portion of certificates of participation	1,520,000	1,490,000
Current portion of loan obligation	661,673	661,673
<b>Total Current Liabilities</b>	<u>13,611,752</u>	<u>13,828,892</u>
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	2,983,027	2,807,400
Revenue bonds payable	18,030,267	19,206,099
Certificates of participation	6,499,219	8,024,848
Loan obligation	661,672	1,323,345
<b>Total Noncurrent Liabilities</b>	<u>28,174,185</u>	<u>31,361,692</u>
<b>Total Liabilities</b>	<u>41,785,937</u>	<u>45,190,584</u>
<b>NET POSITION</b>		
Net investment in capital assets	109,274,488	111,508,864
Restricted, expendable for:		
Capital projects	4,736,126	2,751,776
Loan funds and other	4,722,346	4,377,498
Unrestricted	89,274,050	79,816,278
<b>Total Net Position</b>	<u>\$ 208,007,010</u>	<u>\$ 198,454,416</u>

See Notes to Financial Statements.

**Johnson County Community College**

**Johnson County Community College Foundation - Component Unit**

**Statements of Financial Position**

**June 30, 2015 and 2014**

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 1,126,537	\$ 1,557,962
Promises to give	611,357	807,249
Other receivable	40,651	6,516
Investments	23,899,685	23,092,972
Accrued interest receivable	69,326	66,434
Campus artwork	3,480,393	3,197,778
Cash surrender value of life insurance	7,227	11,189
Intangible assets	53,474	57,290
<b>Total Assets</b>	<u><u>29,288,650</u></u>	<u><u>28,797,390</u></u>
<b>LIABILITIES</b>		
Accounts payable	361,043	142,372
<b>Total Liabilities</b>	<u><u>361,043</u></u>	<u><u>142,372</u></u>
<b>NET ASSETS</b>		
Unrestricted, undesignated	1,789,423	1,833,641
Unrestricted, designated for scholarships and program support	1,552,283	1,398,727
Temporarily restricted	8,321,291	8,365,747
Permanently restricted	17,264,610	17,056,903
<b>Total Net Assets</b>	<u><u>28,927,607</u></u>	<u><u>28,655,018</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 29,288,650</u></u>	<u><u>\$ 28,797,390</u></u>

See Notes to Financial Statements.

Johnson County Community College

Statements of Revenues, Expenses and Changes in Net Position  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Student tuition and fees, net of scholarship allowances 2015 \$5,086,221; 2014 \$4,803,489	\$ 35,804,849	\$ 34,451,295
State grants and contracts	442,859	418,962
Private gifts, grants and contracts	874,221	982,852
Local grants and contracts	80,061	76,405
Auxiliary enterprises	10,712,289	11,005,939
Other operating revenue	5,534,583	5,362,273
<b>Total Operating Revenues</b>	<u>53,448,862</u>	<u>52,297,726</u>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Salaries	83,903,581	84,370,574
Benefits	35,329,172	37,028,551
Contractual services	10,796,944	10,715,941
Supplies and other operating expenses	11,904,265	12,471,146
Auxiliary enterprises	6,142,846	5,725,879
Utilities	3,162,640	3,384,567
Repairs and maintenance to plant	4,308,823	5,348,135
Scholarship and financial aid	10,928,985	11,620,617
Depreciation	9,004,016	8,974,222
<b>Total Operating Expenses</b>	<u>175,481,272</u>	<u>179,639,632</u>
<b>Operating Income (Loss)</b>	<u>(122,032,410)</u>	<u>(127,341,906)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
County property taxes	84,542,966	79,782,545
State appropriations	30,504,414	32,773,356
Federal grants and contracts	17,273,800	17,701,886
Investment income	89,029	80,641
Interest on student loans receivable	23,190	23,254
Interest on capital asset debt	(933,037)	(940,340)
Other nonoperating revenues (expenses)	84,642	97,141
<b>Total Nonoperating Revenues, Net</b>	<u>131,585,004</u>	<u>129,518,483</u>
<b>Increase in Net Position</b>	9,552,594	2,176,577
<b>Net Position at Beginning of Year</b>	<u>198,454,416</u>	<u>196,277,839</u>
<b>Net Position at End of Year</b>	<u>\$ 208,007,010</u>	<u>\$ 198,454,416</u>

See Notes to Financial Statements.

Johnson County Community College

Johnson County Community College Foundation - Component Unit

Statement of Activities

Year Ended June 30, 2015

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUE</b>				
Gifts and contributions	\$ 158,270	\$ 1,817,253	\$ 206,791	\$ 2,182,314
Contributed services	569,927	-	-	569,927
Dividend and interest income	137,670	483,356	-	621,026
Net realized and unrealized gains (losses) on investments	(32,669)	192,535	-	159,866
Net assets released from restrictions	2,566,684	(2,566,684)	-	-
Change in donor designation	(30,000)	30,000	-	-
<b>Total Support and Revenue</b>	<b>3,369,882</b>	<b>(43,540)</b>	<b>206,791</b>	<b>3,533,133</b>
<b>EXPENSES</b>				
<b>Program expenses:</b>				
Scholarship programs	1,077,373	-	-	1,077,373
Foundation programming	58,911	-	-	58,911
Performing arts programs	560,571	-	-	560,571
Visual arts programs	55,670	-	-	55,670
Capital project programs	4,624	-	-	4,624
Educational program support	500,936	-	-	500,936
<b>Total Program Expenses</b>	<b>2,258,085</b>	<b>-</b>	<b>-</b>	<b>2,258,085</b>
<b>Supporting Services</b>				
Fundraising	739,852	-	-	739,852
Management and general	262,607	-	-	262,607
<b>Total Supporting Services</b>	<b>1,002,459</b>	<b>-</b>	<b>-</b>	<b>1,002,459</b>
<b>Total Expenses</b>	<b>3,260,544</b>	<b>-</b>	<b>-</b>	<b>3,260,544</b>
<b>Change in Net Assets</b>	<b>109,338</b>	<b>(43,540)</b>	<b>206,791</b>	<b>272,589</b>
<b>Net Assets - Beginning of Year</b>	<b>3,232,368</b>	<b>8,365,747</b>	<b>17,056,903</b>	<b>28,655,018</b>
<b>Net Assets - End of Year</b>	<b>\$ 3,341,706</b>	<b>\$ 8,322,207</b>	<b>\$ 17,263,694</b>	<b>\$ 28,927,607</b>

See Notes to Financial Statements.



**Johnson County Community College**

**Johnson County Community College Foundation - Component Unit**

**Statement of Activities**

**Year Ended June 30, 2014**

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUE</b>				
Gifts and contributions	\$ 163,380	\$ 1,804,729	\$ 895,884	\$ 2,863,993
Contributed services	475,874	-	-	475,874
Dividend and interest income	123,384	341,028	-	464,412
Net realized and unrealized gains (losses) on investments	213,099	2,087,001	-	2,300,100
Net assets released from restrictions	2,628,666	(2,628,666)	-	-
Change in donor designation	-	(25,000)	25,000	-
<b>Total Support and Revenue</b>	<b>3,604,403</b>	<b>1,579,092</b>	<b>920,884</b>	<b>6,104,379</b>
<b>EXPENSES</b>				
<b>Program expenses:</b>				
Scholarship programs	1,049,433	-	-	1,049,433
Foundation programming	37,207	-	-	37,207
Performing arts programs	306,672	-	-	306,672
Visual arts programs	124,990	-	-	124,990
Capital project programs	3,982	-	-	3,982
Educational program support	729,575	-	-	729,575
<b>Total Program Expenses</b>	<b>2,251,859</b>	<b>-</b>	<b>-</b>	<b>2,251,859</b>
<b>Supporting Services</b>				
Fundraising	580,529	-	-	580,529
Management and general	246,595	-	-	246,595
<b>Total Supporting Services</b>	<b>827,124</b>	<b>-</b>	<b>-</b>	<b>827,124</b>
<b>Total Expenses</b>	<b>3,078,983</b>	<b>-</b>	<b>-</b>	<b>3,078,983</b>
<b>Change in Net Assets</b>	<b>525,420</b>	<b>1,579,092</b>	<b>920,884</b>	<b>3,025,396</b>
<b>Net Assets - Beginning of Year</b>	<b>2,706,948</b>	<b>6,786,655</b>	<b>16,136,019</b>	<b>25,629,622</b>
<b>Net Assets - End of Year</b>	<b>\$ 3,232,368</b>	<b>\$ 8,365,747</b>	<b>\$ 17,056,903</b>	<b>\$ 28,655,018</b>

See Notes to Financial Statements.

Johnson County Community College

Statements of Cash Flows  
Years Ended June 30, 2015 and 2014

	2015	2014
<b>CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>		
Student tuition and fees	\$ 35,352,245	\$ 34,514,906
Payments to suppliers	(25,576,232)	(28,571,447)
Payments to employees	(84,188,805)	(85,596,811)
Payments for scholarships and financial aid	(10,928,985)	(11,620,617)
Payments for employee benefits	(34,333,344)	(36,210,455)
Payments for utilities	(3,387,051)	(3,493,939)
Auxiliary enterprises	4,636,099	3,373,130
Grants and contracts	1,254,744	1,366,799
Other receipts, net	5,643,519	5,443,316
<b>Net Cash (Used in) Operating Activities</b>	<b>(111,527,810)</b>	<b>(120,795,118)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
County property taxes	84,071,522	79,964,812
State appropriations	30,504,414	32,773,356
Grants and contracts	17,142,703	17,821,745
Funds held for (returned to) others	(41,290)	(92,173)
<b>Net Cash from Non-Capital Financing Activities</b>	<b>131,677,349</b>	<b>130,467,740</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(4,894,398)	(5,876,035)
Proceeds from the sale of capital assets	3,522	7,300
Principal paid on bonds payable	(1,100,000)	(1,070,000)
Principal paid on certificates of participation	(1,490,000)	(1,460,000)
Principal paid on loan obligations	(661,673)	(661,673)
Interest paid on bonds payable	(631,797)	(505,191)
Interest paid on certificates of participation	(359,815)	(368,632)
<b>Net Cash (Used in) Capital and Related Financing Activities</b>	<b>(9,134,161)</b>	<b>(9,934,231)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	108,616	104,848
<b>Net Cash from Investing Activities</b>	<b>108,616</b>	<b>104,848</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>11,123,994</b>	<b>(156,761)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>90,912,573</b>	<b>91,069,334</b>
<b>Cash and Cash Equivalents - Ending of Year</b>	<b>\$ 102,036,567</b>	<b>\$ 90,912,573</b>

(Continued)

**Johnson County Community College**

**Statements of Cash Flows (Continued)  
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES</b>		
Operating (loss)	<b>\$ (122,032,410)</b>	\$ (127,341,906)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation expense	<b>9,004,016</b>	8,974,222
Changes in assets and liabilities:		
Accounts receivable, net	<b>(344,860)</b>	(582,633)
Other assets	<b>74,936</b>	-
Inventories	<b>691,781</b>	(618,846)
Accounts payable	<b>156,685</b>	(112,191)
Accrued salaries	<b>(21,673)</b>	(25,305)
Accrued compensated absences	<b>103,623</b>	39,817
Other accrued liabilities	<b>1,204,068</b>	(563,580)
Unearned student tuition and fee revenue	<b>3,198</b>	(142,043)
Postemployment benefit obligation	<b>(367,174)</b>	(422,653)
<b>Net Cash (Used in) Operating Activities</b>	<b><u>\$ (111,527,810)</u></b>	<b><u>\$ (120,795,118)</u></b>
 Schedule of Noncash Capital and Related Items, accounts payable and other liabilities related to capital asset acquisitions	 <b>\$ 1,445,461</b>	 <b>\$ 2,817,487</b>

See Notes to Financial Statements.

## Johnson County Community College

### Notes to Financial Statements

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#### **Note 1. Organization and Summary of Significant Accounting Policies**

The Johnson County Community College District (the College) includes all of Johnson County, Kansas, which is located immediately west of Kansas City, Missouri, and immediately south of Kansas City, Kansas. The College was organized and established in 1967 under the provisions of then Section 72-6901 et seq. of Kansas Statutes Annotated (now K.S.A. 71-201 et seq.). The College is governed by a Board of Trustees of seven members, all being elected at large. The College is a public two-year community college offering a comprehensive curriculum with liberal arts and sciences, as well as vocational and technical programs for credit and noncredit students from Johnson County and surrounding communities.

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The following is a summary of the more significant policies.

#### **Reporting entity:**

As defined by accounting principles generally accepted in the United States of America established by GASB, the financial reporting entity consists of the College, as well as its discretely presented component unit, the Johnson County Community College Foundation (the Foundation).

#### **Discretely presented component unit:**

The Foundation is considered to be a related organization to the College. The Foundation is a legally separate, tax-exempt organization that acts primarily as a fund raising organization to supplement the resources that are available to the College in support of its programs. Two members of the College's Board of Trustees also serve on the 35-member Board of Directors of the Foundation. The other five members of the College's Board of Trustees serve as members of the Foundation. In addition, the directors of the Foundation approve the election of the additional Foundation members, not to exceed 250 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests, are restricted to the activities of 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, the College has determined it would be misleading to exclude the Foundation which is considered a component unit of the College and is discretely presented in the College's financial statements. During the years ended June 30, 2015 and 2014, the College received direct contributions from the Foundation of \$2,250,434 and \$2,214,652, respectively. Contributions are included in the statement of revenues, expenses and changes in net position in the private gifts, grants and contracts line and in the other operating revenue line in the operating revenues section.

The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below:

The Foundation is a private not-for-profit organization that reports its financial results under FASB standards. Most significant to the Foundation's operations and reporting model are FASB Codification ASC 958, *Not-for-Profit Entities*, and FASB Codification ASC 958-605, *Revenue Recognition - Contributions Received*. 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; however, significant note disclosures (see Note 10) to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

Financial statements for the Foundation can be obtained by calling the Foundation at 913-469-3835.

## Johnson County Community College

### Notes to Financial Statements

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#### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

##### Measurement focus, basis of accounting and financial statement presentation:

The College's basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The College has classified revenues as either operating or nonoperating 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 and services of auxiliary enterprises, net of cost of goods sold, and (3) federal, state and local grants and contracts. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as state appropriations, federal grants and contracts, investment income and county property taxes.

The College maintains an encumbrance system for tracking outstanding purchase orders and other commitments for material or services not received during the year. Encumbrances at June 30, 2015 and 2014 were \$4,037,471 and \$2,616,118, respectively, which represent the estimated amount of expenses ultimately to result if unperformed contracts in process at fiscal year-end are completed. Encumbrances outstanding at June 30, 2015 and 2014 do not constitute expenses or liabilities and are not reflected in these basic financial statements.

The financial statements of the College are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The College adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year ended June 30, 2014. The adoption of this Statement reclassified certain items previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources and wrote off bond issuance costs that were insignificant to the financial statements and had previously been capitalized.

##### Property taxes:

The County Treasurer is the tax collection agent for all taxing entities within the county. Valuations are established and taxes are assessed on a calendar year basis. Taxes are levied and become a lien on the property on November 1<sup>st</sup> in the year of assessment and are revenue for the fiscal year the following June 30.

Taxes levied on November 1 become due and payable, generally on the following December 20 and May 10, followed by major distributions to the taxing units on January 20 and June 5. Smaller distributions are made to taxing units in March, September and October each year. Substantially all tax revenues applicable to the proceeding calendar year are received by the College by each June 30. Property taxes are recognized as revenue in the period for which the taxes are levied. The College received approximately 45.5% and 43.7% of its financial support (exclusive of investment income) from property taxes during the years ended June 30, 2015 and 2014, respectively.

The tax rates for the fiscal years ended June 30, 2015 and 2014, per \$100 of assessed valuation, are reflected in the following table:

## Johnson County Community College

### Notes to Financial Statements

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

Fund	2015	2014
General	8.926	9.016
Capital outlay	0.501	0.501
Special assessment	0.034	0.034
<b>Total Mill Levy</b>	<b>9.461</b>	<b>9.551</b>

**Federal grants and state appropriations:**

Funds from federal grants are recognized as revenue when eligibility requirements are met. Funds from state appropriations consist primarily of state grants and payments made by the state to the Kansas Public Employees Retirement System (KPERs) on behalf of the College. For state grants, the funds are recognized when eligibility requirements are met. The College recognizes the contributions made to KPERs by the state on behalf of the College as revenues and expenses in the Statements of Revenue, Expenses and Changes in Net Position (See Note 5).

**Student tuition and fees, net of scholarship allowances:**

Tuition and fees revenue is earned over the length of the course. Unearned revenue represents student tuition and fees received before year-end, which relate to subsequent periods. Student tuition and fees revenues are reported net of certain scholarship allowances in the Statements of Revenues, Expenses and Changes in Net Position.

**Scholarship allowances and student aid:**

Certain federal financial aid grants to students are reported as federal appropriations in non-operating revenue in the financial statements as prescribed by the National Association of College and University of Business Officers (NACUBO). Since certain of these grants, including Pell and Supplement Educational Opportunity Grants (SEOG), are for the payment of students' tuition and fees, a like amount is reported as scholarship allowance which is reported as an operating expense in the financial statements. Federal Work-Study grant expenses are reported as operating expenses as students work for compensation. Certain other student aid sources (loans, funds provided to students as awarded by third parties and Federal Direct Lending) are paid directly to the students or credited to the students' account and do not impact revenues or expenses reported in the financial statements.

**Operating and nonoperating activities:**

Operating activities, as reported in the statement of revenues, expenses and changes in net position, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nonoperating activities include Federal grants consisting primarily of Pell grants and SEOG grants, state appropriations, property taxes and interest earnings.

**Cash and cash equivalents:**

Cash and cash equivalents include deposits held at banks and all highly liquid instruments purchased with an original maturity of three months or less, plus small amounts of cash maintained for change funds.

## Johnson County Community College

### Notes to Financial Statements

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#### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

##### Investments:

It is the College's policy to invest in obligations of the U.S. Treasury, repurchase agreements, bank certificates of deposit, the Kansas Municipal Investment Pool and other instruments authorized by Kansas statutes. Investments other than certificates of deposit are reported at fair value.

##### Accounts receivable:

Accounts receivable consists primarily of property taxes receivable and enrollment receivables. Accounts receivable are carried at the unpaid balance of the original amount billed to students and student loans receivable are carried at the amount of unpaid principal. Both property tax and enrollment receivables are net of an allowance for doubtful accounts. Management determines the allowance for doubtful accounts by calculating a specific percent reserve on accounts based on historical experience. Property tax and enrollment receivable are written off when deemed uncollectible. Recoveries of property tax and enrollment previously written off are recorded when received.

##### Inventories:

Inventories consist primarily of items held for resale by the bookstore and supply inventories which are stated at the lower of cost (determined on a first-in, first-out basis) or market. The cost is recorded as expenses as the inventories are consumed.

##### Capital assets:

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

The College has elected not to capitalize its collection of library books. This collection adheres to the College's policy to (a) maintain them for public exhibition, education or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items.

Works of art are stated at cost, or if donated, at fair value at the date of the donation. The College does not depreciate artwork, as management believes the value of such has not diminished.

Capital assets of the College are depreciated using the straight-line method over the following useful lives (see Note 3 for further detail). Interest is capitalized on construction projects with construction periods of greater than one year.

## Johnson County Community College

### Notes to Financial Statements

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#### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

	<u>Years</u>
Buildings	40
Building improvements	15
Land improvements	10
Furniture	10
Equipment	5
Computer technology	4

#### Deferred outflow of resources:

In addition to assets, the Statements of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an expense until the future period. The College's deferred outflows represent deferred charges on advanced refunding which represents the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

#### Compensated absences:

The College records a liability for employees' vacation leave earned but not taken. Employees are allowed to carry over a limited number of vacation days from year to year. At June 30, 2015 and 2014, the College had recorded a vacation liability of \$3,368,041 and \$3,264,418, respectively.

Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits that employees have earned, but not yet realized as these benefits do not vest.

#### Net position:

Net position is presented in three major categories. The first is net investment in capital assets, which represents the College's investment in its capital assets, net of debt used to acquire or construct the capital assets. The second is restricted, and the third is unrestricted.

Restricted net position represents funds that are limited in terms of the purpose and time for which the funds can be spent. Restricted net position is further categorized between expendable and nonexpendable. Restricted expendable net position is available to be spent by the College after externally imposed stipulations have been fulfilled or after the passage of time. Restricted nonexpendable net position is endowments for which only the earnings can be spent. The College has no restricted nonexpendable net position at June 30, 2015 and 2014. Unrestricted net position is available to the College for any lawful purpose. The College first applies restricted sources when an expense or outlay is incurred for purposes for which both restricted and unrestricted sources are available.

#### Use of estimates:

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



## Johnson County Community College

### Notes to Financial Statements

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#### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

##### Reclassification:

Certain amounts in the June 30, 2014 Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows have been reclassified with no effect on net position in order to conform to June 30, 2015 classifications.

#### Note 2. Deposits, Investments and Risk

##### Deposits:

Deposits, depending on the source of receipts, are pooled, except when legal requirements dictate the use of separate accounts. The carrying amount of the College's deposits at June 30, 2015 and 2014, are reflected in the following table at cost. Actual bank statement balances for total deposits at June 30, 2015 and 2014, were \$100,051,236 and \$88,504,068, respectively. The difference between carrying amounts and bank balances represents primarily checks which had not cleared the bank and deposits in transit. The deposit balances and cash float from outstanding checks are deposited in interest-bearing accounts.

	2015	2014
Cash	\$ 8,637,184	\$ 9,258,044
Certificates of Deposit:		
Bank of Kansas City	11,000,000	21,500,000
Capital City Bank	10,000,000	9,000,000
Capitol Federal Savings	35,000,000	10,500,000
Commerce Bank	-	28,000,000
UMB Bank	34,000,000	9,000,000
<b>Total Deposits</b>	<b>\$ 98,637,184</b>	<b>\$ 87,258,044</b>

##### Custodial credit risk:

Custodial credit risk is the risk that, in the event of a bank failure, an entity's deposits may not be returned to it. The College's deposit policy for custodial credit risk exceeds the provisions of state law by requiring depository banks to pledge qualified securities with a market value equal to 105% of deposits in excess of FDIC coverage.

The College had no bank balances exposed to custodial credit risk at June 30, 2015 and 2014. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state of Kansas; bonds of any city, county school district or special road district of the state of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction the College will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Of the investments subject to custodial credit risk, none are considered uncollateralized as the investments are held by a trust department at a bank and registered in the College's name.

## Johnson County Community College

### Notes to Financial Statements

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#### Note 2. Deposits, Investments and Risk (Continued)

##### Investments:

Funds available for investment are pooled to maximize return and minimize administrative cost, except for funds authorized by the College administration to be separately invested or which are separately invested to meet legal requirements. It is the practice of the College that investments ordinarily be held to maturity at which time the par value of the investments will be realized. Short-term investments are investments with an original maturity of one year or less.

Kansas statute K.S.A. 12-1675 authorizes the College to invest in temporary notes, time deposits, open accounts, certificates of deposit, repurchase agreements, United States Treasury bills or notes, and the Kansas Municipal Investment Pool (MIP).

The State of Kansas Pooled Money Investment Board operates the MIP, which is invested in accordance with state statutes. The MIP is available for investment of funds administered by any Kansas municipality. The fair value of the MIP investment is the stated value of the MIP shares at June 30, 2015 and 2014 based on quoted market prices. All funds deposited in the MIP are classified as investments even though some could be withdrawn on a day's notice.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

At June 30, 2015 and 2014, the College had investments in Kansas Municipal Investment Pool – Overnight Pool, which mature in less than one year, of \$3,399,383 and \$3,654,529, respectively.

A summary of deposits and investments at June 30, 2015 and 2014 is as follows:

	2015	2014
Deposits:		
Cash	\$ 8,637,184	\$ 9,258,044
Certificates of Deposit	90,000,000	78,000,000
Investments:		
Kansas Municipal Investment Pool	3,399,383	3,654,529
<b>Total Deposits and Investments</b>	<b>\$ 102,036,567</b>	<b>\$ 90,912,573</b>

##### Credit risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The College's deposits and investments in the Kansas Municipal Investment Pool were rated AAf/S1+ by Standard & Poor's at June 30, 2015 and 2014.

**Johnson County Community College**

**Notes to Financial Statements**

**Note 3. Capital Assets**

The following tables present the changes in the various capital asset categories at June 30, 2015 and 2014:

	June 30, 2014 Ending Balance	Additions/ Transfers	Retirements	June 30, 2015 Ending Balance
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,028,265	\$ -	\$ -	\$ 1,028,265
Construction in progress	-	-	-	-
Works of art	3,557,847	61,365	(150)	3,619,062
<b>Total Assets not Being Depreciated</b>	<b>4,586,112</b>	<b>61,365</b>	<b>(150)</b>	<b>4,647,327</b>
<b>Capital assets being depreciated:</b>				
Land improvements	37,690,907	126,670	-	37,817,577
Buildings and improvements	192,074,917	1,663,715	-	193,738,632
Equipment, furniture and computer technology	29,490,819	1,676,809	(2,111,338)	29,056,290
<b>Total Assets Being Depreciated</b>	<b>259,256,643</b>	<b>3,467,194</b>	<b>(2,111,338)</b>	<b>260,612,499</b>
<b>Less accumulated depreciation:</b>				
Land improvements	18,693,705	1,702,384	-	20,396,089
Buildings and improvements	77,555,536	5,337,989	-	82,893,525
Equipment, furniture and computer technology	24,845,531	1,963,643	(2,109,465)	24,699,709
<b>Total Accumulated Depreciation</b>	<b>121,094,772</b>	<b>9,004,016</b>	<b>(2,109,465)</b>	<b>127,989,323</b>
<b>Capital Assets, Net</b>	<b>\$ 142,747,983</b>	<b>\$ (5,475,457)</b>	<b>\$ (2,023)</b>	<b>\$ 137,270,503</b>

**Johnson County Community College**

**Notes to Financial Statements**

**Note 3. Capital Assets (Continued)**

	June 30, 2013 Ending Balance	Additions/ Transfers	Retirements	June 30, 2014 Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,028,265	\$ -	\$ -	\$ 1,028,265
Construction in progress	11,758,515	(11,758,515)	-	-
Works of art	3,432,130	125,717	-	3,557,847
<b>Total Assets not Being Depreciated</b>	<b>16,218,910</b>	<b>(11,632,798)</b>	<b>-</b>	<b>4,586,112</b>
Capital assets being depreciated:				
Land improvements	37,350,541	340,366	-	37,690,907
Buildings and improvements	179,251,006	12,823,911	-	192,074,917
Equipment, furniture and computer technology	29,381,623	1,617,428	(1,508,232)	29,490,819
<b>Total Assets Being Depreciated</b>	<b>245,983,170</b>	<b>14,781,705</b>	<b>(1,508,232)</b>	<b>259,256,643</b>
Less accumulated depreciation:				
Land improvements	17,003,988	1,689,717	-	18,693,705
Buildings and improvements	72,322,638	5,232,898	-	77,555,536
Equipment, furniture and computer technology	24,301,638	2,051,607	(1,507,714)	24,845,531
<b>Total Accumulated Depreciation</b>	<b>113,628,264</b>	<b>8,974,222</b>	<b>(1,507,714)</b>	<b>121,094,772</b>
<b>Capital Assets, Net</b>	<b>\$ 148,573,816</b>	<b>\$ (5,825,315)</b>	<b>\$ (518)</b>	<b>\$ 142,747,983</b>

The College had no capitalized interest related to construction projects for the years ended June 30, 2015 and 2014, respectively.

**Johnson County Community College**

**Notes to Financial Statements**

**Note 4. Long-Term Obligations**

Long-term obligations consist of the following categories at June 30, 2015 and 2014:

<b>Long-Term Obligations</b>	July 1, 2014 Beginning Balance	Additions	Reductions	June 30, 2015 Ending Balance	Amounts Due Within One Year
Revenue Bonds:					
Series 2006	\$ 5,525,000	\$ -	\$ (600,000)	\$ 4,925,000	\$ 630,000
Series 2011	9,670,000	-	(45,000)	9,625,000	50,000
Series 2012	4,680,000	-	(455,000)	4,225,000	460,000
Premium on Series 2006 Bonds	79,587	-	(10,724)	68,863	-
Premium on Series 2011 Bonds	161,904	-	(11,565)	150,339	-
Premium on Series 2012 Bonds	189,608	-	(13,543)	176,065	-
<b>Total Revenue Bonds</b>	<b>20,306,099</b>	<b>-</b>	<b>(1,135,832)</b>	<b>19,170,267</b>	<b>1,140,000</b>
Certificates of Participation:					
Series 2009 COP	9,485,000	-	(1,490,000)	7,995,000	1,520,000
Premium on Series 2009 COP	29,848	-	(5,629)	24,219	-
<b>Total Certificates of Participation</b>	<b>9,514,848</b>	<b>-</b>	<b>(1,495,629)</b>	<b>8,019,219</b>	<b>1,520,000</b>
Loan Obligation, KBOR PEI	1,985,018	-	(661,673)	1,323,345	661,673
Other Accrued Liabilities:					
Compensated Absences	3,264,418	1,278,332	(1,174,709)	3,368,041	385,014
Net OPEB Obligation (Receivable)	(219,550)	739,826	(1,107,000)	(586,724)	-
<b>Total Other Accrued Liabilities</b>	<b>3,044,868</b>	<b>2,018,158</b>	<b>(2,281,709)</b>	<b>2,781,317</b>	<b>385,014</b>
<b>Total Long-Term Obligations</b>	<b>\$ 34,850,833</b>	<b>\$ 2,018,158</b>	<b>\$ (5,574,843)</b>	<b>\$ 31,294,148</b>	<b>\$ 3,706,687</b>

**Johnson County Community College**

**Notes to Financial Statements**

**Note 4. Long-Term Obligations (Continued)**

<b>Long-Term Obligations</b>	July 1, 2013 Beginning Balance	Additions	Reductions	June 30, 2014 Ending Balance	Amounts Due Within One Year
<b>Revenue Bonds:</b>					
Series 2006	\$ 6,095,000	\$ -	\$ (570,000)	\$ 5,525,000	\$ 600,000
Series 2011	9,715,000	-	(45,000)	9,670,000	45,000
Series 2012	5,135,000	-	(455,000)	4,680,000	455,000
Premium on Series 2006 Bonds	-	90,311	(10,724)	79,587	-
Premium on Series 2011 Bonds	173,469	-	(11,565)	161,904	-
Premium on Series 2012 Bonds	203,152	-	(13,544)	189,608	-
<b>Total Revenue Bonds</b>	<b>21,321,621</b>	<b>90,311</b>	<b>(1,105,833)</b>	<b>20,306,099</b>	<b>1,100,000</b>
<b>Certificates of Participation:</b>					
Series 2009 COP	10,945,000	-	(1,460,000)	9,485,000	1,490,000
Premium on Series 2009 COP	-	35,477	(5,629)	29,848	-
<b>Total Certificates of Participation</b>	<b>10,945,000</b>	<b>35,477</b>	<b>(1,465,629)</b>	<b>9,514,848</b>	<b>1,490,000</b>
Loan Obligation, KBOR PEI	2,646,691	-	(661,673)	1,985,018	661,673
<b>Other Accrued Liabilities:</b>					
Compensated Absences	3,224,601	2,081,834	(2,042,017)	3,264,418	457,018
Net OPEB Obligation (Receivable)	203,103	737,347	(1,160,000)	(219,550)	-
<b>Total Other Accrued Liabilities</b>	<b>3,427,704</b>	<b>2,819,181</b>	<b>(3,202,017)</b>	<b>3,044,868</b>	<b>457,018</b>
<b>Total Long-Term Obligations</b>	<b>\$ 38,341,016</b>	<b>\$ 2,944,969</b>	<b>\$ (6,435,152)</b>	<b>\$ 34,850,833</b>	<b>\$ 3,708,691</b>

**Johnson County Community College**

**Notes to Financial Statements**

**Note 4. Long-Term Obligations (Continued)**

**Revenue Bonds:**

Revenue bonds payable as of June 30, 2015 and 2014, consist of the following:

	2015	2014
Student Commons and Parking System Refunding Revenue Bonds, Series 2006, \$8,210,000, 3% to 5%, due in annual principal payments ranging from \$630,000 in November 2015 to \$785,000 in November 2021; interest is paid semiannually on May 15 and November 15.	\$ 4,925,000	\$ 5,525,000
Premium on Series 2006 Revenue Bonds.	68,863	79,587
Student Commons and Parking System Refunding Revenue Bonds, Series 2011, \$9,800,000, 2% to 4%, due in annual principal payments ranging from \$50,000 in November 2015 to \$1,615,000 in November 2027; interest is paid semiannually on May 15 and November 15.	9,625,000	9,670,000
Premium on Series 2011 Revenue Bonds.	150,339	161,904
Student Commons and Parking System Refunding Revenue Bonds, Series 2012, \$5,135,000, 2%, due in annual principal payments ranging from \$460,000 in November 2015 to \$205,000 in November 2027; interest is paid semiannually on May 15 and November 15.	4,225,000	4,680,000
Premium on Series 2012 Revenue Bonds.	176,065	189,608
<b>Total Revenue Bonds Payable</b>	<b>19,170,267</b>	<b>20,306,099</b>
Less current portion of revenue bonds payable	1,140,000	1,100,000
<b>Noncurrent Revenue Bonds Payable</b>	<b>\$ 18,030,267</b>	<b>\$ 19,206,099</b>

Revenue bond rate covenants require the College to operate and maintain the Student Commons and Parking System in a manner which will generate net revenues in an amount not less than 110% of the amount required to meet both principal and interest on all outstanding revenue bonds (See Note 11). The College was in compliance with this covenant at June 30, 2015 and 2014.

**Johnson County Community College**

**Notes to Financial Statements**

**Note 4. Long-Term Obligations (Continued)**

Future annual maturities of revenue bonds payable are as follows:

Fiscal Year:	Principal	Interest	Total Revenue Bonds
2016	\$ 1,140,000	\$ 612,447	\$ 1,752,447
2017	1,185,000	576,372	1,761,372
2018	1,210,000	545,485	1,755,485
2019	1,245,000	510,998	1,755,998
2020	1,290,000	472,427	1,762,427
2021-2025	7,460,000	1,672,157	9,132,157
2026-2028	5,245,000	302,200	5,547,200
<b>Total</b>	<b>\$ 18,775,000</b>	<b>\$ 4,692,086</b>	<b>\$ 23,467,086</b>

On August 18, 2015 the College issued the Student Commons and Parking System Refunding Revenue Bonds, Series 2015 in the amount of \$4,250,000 with interest rates at 2%, due in annual principal payments ranging from \$650,000 in November 2016 to \$750,000 in November 2021. Interest is payable semiannually. The Series 2015 Bonds were issued to refund \$4,295,000 of the Student Commons and Parking System Refunding Revenue Bonds, Series 2006. The College completed the refunding to reduce its total debt service payments by \$298,995 over the next six years to obtain a \$284,831 economic gain (difference between present values of the old and new debt service payments).

**Certificates of Participation:**

Certificates of participation at June 30, 2015 and 2014, consist of the following:

	2015	2014
Health Science Education Center – Certificates of Participation, Series 2009, \$15,100,000 in obligations for facilities (capital cost of \$13,320,629 before accumulated depreciation of \$1,332,063 and \$999,047 as of June 30, 2015 and 2014, 3.50% to 4.55%, aggregate payments of \$8,875,075, including interest of \$880,775)	\$ 7,995,000	\$ 9,485,000
Premium on Series 2009 Certificates of Participation	24,219	29,848
<b>Total Certificates of Participation</b>	<b>8,019,219</b>	<b>9,514,848</b>
Less current portion of certificates of participation	1,520,000	1,490,000
<b>Noncurrent Certificates of Participation</b>	<b>\$ 6,499,219</b>	<b>\$ 8,024,848</b>

The College has recorded the cost of the equipment and facilities as assets and the corresponding obligations as liabilities.



**Johnson County Community College**

**Notes to Financial Statements**

**Note 4. Long-Term Obligations (Continued)**

The minimum lease commitments for certificates of participation at June 30, 2015 are as follows:

	Principal	Interest	Total Capital Leases
Fiscal Year:			
2016	\$ 1,520,000	\$ 303,000	\$ 1,823,000
2017	1,555,000	245,300	1,800,300
2018	1,595,000	181,104	1,776,104
2019	1,640,000	112,337	1,752,337
2020	1,685,000	38,334	1,723,334
<b>Total Certificates of Participation</b>	<b>\$ 7,995,000</b>	<b>\$ 880,075</b>	<b>\$ 8,875,075</b>

The College leases office space under operating lease agreements that expire through fiscal year 2017. Rental expense totaled \$452,359 and \$570,118 for the years ended June 30, 2015 and 2014, respectively. Minimum rental commitments under these noncancelable operating leases with initial terms of one year or longer at June 30, 2015 are \$103,388.

**Loan Obligations:**

The College's loan obligations as of June 30, 2015 and 2014 consist of the following:

	2015	2014
Kansas Board of Regents (KBOR) Postsecondary Educational Institution Loan, \$5,293,282, interest free, with payments of \$661,673 due December 1 annually. Final principal payments due December 1, 2016.	\$ 1,323,345	\$ 1,985,018
Less current portion of the loan obligation	661,673	661,673
<b>Noncurrent Loan Obligation</b>	<b>\$ 661,672</b>	<b>\$ 1,323,345</b>

Future annual maturities of the loan obligation are as follows:

	Principal	Interest	Total Loan Payable
Fiscal Year:			
2016	\$ 661,673	\$ -	\$ 661,673
2017	661,672	-	661,672
<b>Total Loans</b>	<b>\$ 1,323,345</b>	<b>\$ -</b>	<b>\$ 1,323,345</b>

## Johnson County Community College

### Notes to Financial Statements

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#### **Note 4. Long-Term Obligations (Continued)**

##### **Arbitrage rebate liability:**

The Tax Reform Act of 1986 placed restrictions on the nonpurpose investment earnings from the proceeds of qualified tax-exempt bonds issued after August 15, 1986. Specifically, the nonpurpose investment earnings on these bonds are limited to the yield on each individual bond issue (based on the initial offering price to the public). Nonpurpose investments earnings in excess of the bond yield limitations are subject to rebate to the federal government. The total arbitrage rebate liability was \$5,979 as of June 30, 2015 and 2014.

#### **Note 5. Defined Benefit Pension Plan**

During the current year, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

##### **Plan description:**

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

KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees with ten or more years of credited service may retire as early as age 55 with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points".

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

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

## Johnson County Community College

### Notes to Financial Statements

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#### Note 5. Defined Benefit Pension Plan (Continued)

##### Funding policy:

K.S.A. 74-4919, as amended, establishes a three tier benefit structure. Tier 1 members include active members hired before July 1, 2009. The member-employee contribution rate for Tier 1 members increased from 4% to 6% on January 1, 2015. Tier 2 members include active members hired between July 1, 2009 and December 31, 2014. The member-employee contribution rate for Tier 2 members is 6%. Tier 3 members include those first employed in a KPERS covered position after January 1, 2015. The member-employee contribution rate for Tier 3 members is 6%. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

The State of Kansas is required to contribute the statutorily required employer's share. For fiscal year 2015, the State of Kansas contributed 11.27% for the period July 1, 2014 to September 30, 2014; 8.65% for the period October 1, 2014 to March 31, 2015, and 10.91% for the period April 1, 2015 to June 30, 2015 of covered payroll. For fiscal year 2014, the State of Kansas contributed 10.27% for the period July 1, 2013 through December 31, 2013 and 11.27% for the period January 1, 2014 through June 30, 2014 of covered payroll.

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. To facilitate the separate actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The individual employer allocation percentages for the pension amounts were based on the ratio of the employer and nonemployer contributions for the individual employer in relation to the total of all employer and nonemployer contributions of the group.

At June 30, 2014, the proportion recognized by the State of Kansas on behalf of the College was 1.958%, which was a decrease of 0.069% from the proportion measured at June 30, 2013.

##### Special Funding Situation:

The employer contributions for the College, as defined in K.S.A. 74-4931 (2) and (3), are funded by the State of Kansas on behalf of the College. Therefore, the College is considered to be in a special funding situation as defined by GASB Statement No. 68.

The State of Kansas is treated as a non-employer contributing entity to KPERS and is required to recognize its proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources, and expenses for the pension plan attributable to the College. At June 30, 2015 and 2014, the proportionate share of the net pension liability recognized by the State of Kansas that was attributable to the College was \$125,094,393 and \$147,219,767, respectively.

Since the College does not contribute directly to KPERS there is no net pension liability or deferred inflows or outflows to report in the College's Statements of Net Position or the College's Statements of Revenues, Expenses and Changes in Net Position.

The State of Kansas contributed \$8,293,031 and \$10,440,962 directly to KPERS on behalf of the College for the years ended June 30, 2015 and 2014, respectively. The payments made by the State of Kansas on behalf of the College have been recorded as both revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position.

## Johnson County Community College

### Notes to Financial Statements

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#### Note 5. Defined Benefit Pension Plan (Continued)

##### Discount Rate:

The discount rate used to measure the total pension liability was 8.00%. 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 the State of Kansas on behalf of the College 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.

##### Actuarial Assumptions:

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of December 31, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of December 31, 2012, which was rolled forward to June 30, 2013. These actuarial valuations used the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.0 percent
Wage inflation	4.0 percent
Salary increases, including wage increases	4.0 to 12.5 percent, including inflation
Investment rate of return	8.0 percent, net of investment expense, and including price inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, with adjustments to better match actual experience. Separate tables apply for males and females as well as for each group (State, School, Local, KP&F and Judges).

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study conducted for the three year period beginning December 31, 2009.

The long-term expected rate of return on 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 allocations as of June 30, 2014 are summarized in the following table:

## Johnson County Community College

### Notes to Financial Statements

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#### Note 5. Defined Benefit Pension Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.00%
Fixed income	14%	0.85%
Yield driven	8%	5.50%
Real return	11%	3.75%
Real estate	11%	6.65%
Alternatives	8%	9.50%
Short-term investments	1%	0.00%
<b>Total</b>	<u>100%</u>	

KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Ave., Suite 100, Topeka, Kansas 66603-3803) or by calling (888) 275-5737. The report is also available online at [www.kpers.org](http://www.kpers.org).

#### Note 6. Other Postemployment Benefit Plan

The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the accounting related to other postemployment benefit plans. The plan does not issue a separate standalone financial report. This Statement establishes the following measurement and recognition disclosures:

##### Plan description:

The College sponsors a single-employer other postemployment benefit plan that provides medical and prescription drug 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, and retired prior to June 1, 2013 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.

All benefits are provided through fully insured arrangements. Three medical plan options (PPO, HMO and HSA) are available to qualifying retirees. Benefits are the same as those available to active employees. Coverage is available until the retiree qualifies for Medicare. Spouses may continue coverage upon retiree death or attainment of Medicare eligibility age (i.e. age 65) under Cobra for up to 36 months not to exceed the spouse's own age 65. All benefits renew annually starting June 1.

##### Funding policy:

Retirees who retired prior to June 1, 2013 and either met the Rule of 85 or were age 59 with 15 years of service upon retirement pay no premiums for medical coverage including dependent coverage for up to 10 years or until the retiree attains age 65. Otherwise, retirees and dependents must pay COBRA rates to maintain medical coverage with the College. For dental and vision benefits, retirees and dependents must pay COBRA rates to maintain coverage with the College.

## Johnson County Community College

### Notes to Financial Statements

#### Note 6. Other Postemployment Benefit Plan (Continued)

##### Annual OPEB cost and net OPEB obligation:

The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the College's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the College's annual OPEB obligation at June 30, 2015 and 2014:

	2015	2014
Normal cost	\$ 350,579	\$ 350,579
Amortization of AAL (30 yrs)	387,959	387,959
<b>Annual Required Contribution</b>	<b>738,538</b>	<b>738,538</b>
Interest on net OPEB obligation (asset)	(7,684)	7,109
Adjustment to annual required contribution	8,972	(8,300)
<b>Annual OPEB Cost (Expense)</b>	<b>739,826</b>	<b>737,347</b>
Contributions and payments made	(1,107,000)	(1,160,000)
<b>(Decrease) in Net OPEB Obligation</b>	<b>(367,174)</b>	<b>(422,653)</b>
Net OPEB Obligation (Asset), Beginning of Year	(219,550)	203,103
Net OPEB Obligation (Asset), End of Year	<u>\$ (586,724)</u>	<u>\$ (219,550)</u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 follows:

Fiscal Year Ended:	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Receivable)
June 30, 2015	\$ 739,826	149.63%	\$ (586,724)
June 30, 2014	737,347	157.32	(219,550)
June 30, 2013	1,056,801	155.85	203,103
June 30, 2012	1,055,541	133.58	793,302

##### Funded status and funding progress:

As of July 1, 2013, the most recent actuarial valuation date, the plan was zero percent funded. The College's actuarial accrued liability for benefits was \$9,172,678 and the actuarial value of assets is zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,172,678. The covered payroll (annual payroll of active employees covered by the plan) was \$53,763,734 and the ratio of the UAAL to the covered payroll was 17.10%.

Actuarial estimates of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made

## Johnson County Community College

### Notes to Financial Statements

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#### **Note 6. Other Postemployment Benefit Plan (Continued)**

about the future. The required schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### **Actuarial methods and assumptions:**

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

In the July 1, 2013 actuarial valuation, the entry age normal (level percentage of pay) method was used. The actuarial assumptions included a 3.5% discount rate, 3% per year salary scale, 2% per year aggregate payroll growth, and an annual health care cost trend rate of 7.5% reduced by decrements of 0.25% annually to an ultimate rate of 5.0%. The UAAL is being amortized as a level percentage-of-pay on an open period basis. The amortization of UAAL is done over a period of 30 years.

#### **Note 7. Risk Management**

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in the years ended June 30, 2015 and 2014.

#### **Note 8. Contingencies**

The College is named as a defendant in various legal actions arising in the normal course of operations. The College's management believes the resolution of those actions will not have a material effect on the College's basic financial statements.

#### **Note 9. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued several Statements not yet implemented by the College. The Statements which might impact the College are as follows:

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to enhance comparability of governmental financial statements by requiring fair value measurements on a government's financial position. This statement will be effective for the College's fiscal year ending June 30, 2016. The College anticipates adoption of this statement will have no impact to its financial position, although the College expects it will result in enhanced financial statement disclosures related to fair value reporting.

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will require governments providing defined benefit other postemployment benefits (OPEB) plans to recognize their long-term obligation for benefits as a liability for the first time, and will expand required disclosures. This statement will be effective for the College's fiscal year ending June 30, 2018. The College has not yet determined the effect that the adoption of this Statement will have on its financial statements.

## Johnson County Community College

### Notes to Financial Statements

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#### **Note 9. New Pronouncements (Continued)**

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). This statement will be effective for the College's fiscal year ending June 30, 2016.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information, including the amount of taxes abated, for (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This statement will be effective for the College's fiscal year ending June 30, 2017.

#### **Note 10. Johnson County Community College Foundation – Accounting Policies and Other Disclosures**

##### **Basis of presentation:**

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with the provisions of the FASB ASC. The FASB ASC requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. The FASB ASC establishes standards for external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows.

##### **Tax status:**

The Foundation is recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation may be subject to federal and state income taxes on any net income from unrelated business activities. The Foundation files a Form 990 (Return of Organization Exempt from Income Tax) annually and unrelated business income (UBI) is reported on Form 990-T, as appropriate. Management has evaluated their material tax positions, which include such matters as the tax exempt status of the Foundation and various positions relative to potential sources of UBI. As of June 30, 2015 and 2014, there were no income tax effects with respect to the financial statements. Forms 990 and 990-T filed by the Foundation are no longer subject to examination by the Internal Revenue Service for fiscal years ended June 30, 2011 and prior.

##### **Promises to give:**

Unconditional promises to give are recognized as revenue at the present value of expected future payments when unconditional pledges are made. As of June 30, 2015 and 2014, management believed that no allowance for doubtful collection was necessary based on the evaluation of the receivables and the related donors. Promises to give are scheduled to be received as follows:



**Johnson County Community College**

**Notes to Financial Statements**

**Note 10. Johnson County Community College Foundation – Accounting Policies and Other Disclosures (Continued)**

	2015	2014
Due in less than one year	\$ 214,555	\$ 166,907
Due after one year to five years	405,000	650,000
<b>Total Promises to Give</b>	<u>619,555</u>	<u>816,907</u>
Less discount of present value (interest rates from 0.88% to 2.97%)	8,198	9,658
<b>Promises to Give, net</b>	<u>\$ 611,357</u>	<u>\$ 807,249</u>

Total gross pledges of \$550,000 and \$676,800 as of June 30, 2015 and 2014, respectively, were due from certain members of the Foundation's Board of Directors or affiliated organizations of these Directors. Approximately 88% and 73% of total gross pledges receivable were due from one donor as of June 30, 2015 and 2014, respectively.

Conditional promises to give, where the donor has placed a condition on the gift that the ultimate transfer of assets or promises to give is contingent on a future and uncertain event, are not recorded as contributions until the condition is met. There are no conditional promises to give as of June 30, 2015 and 2014, respectively.

**Investments:**

The Foundation's investment portfolio as of June 30, 2015 and 2014 consisted of the following:

	2015	2014
U.S. government obligations	\$ 1,735,828	\$ 1,231,753
Equity funds	9,040,917	9,866,604
Corporate bonds	4,068,760	3,156,449
Common stock	8,906,134	8,737,115
Certificates of deposit	148,046	101,051
	<u>\$ 23,899,685</u>	<u>\$ 23,092,972</u>

The investments of the Foundation are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would affect investment balances and the amounts reported in the financial statements.

## Johnson County Community College

### Notes to Financial Statements

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#### Note 10. Johnson County Community College Foundation – Accounting Policies and Other Disclosures (Continued)

##### Contributed services and related party transactions:

The College provides the Foundation with office space, furniture and equipment without charge. Certain College employees perform duties for the Foundation without compensation from the Foundation. Management of the Foundation has estimated the fair market value of these services, which are recorded as management and general and fund raising expenses and contributed services revenue, to be approximately \$570,000 and \$476,000 for 2015 and 2014, respectively.

No amounts have been reflected in the financial statements for donated services, which do not create or enhance nonfinancial assets or which do not require specialized skills; however, time and resources have been contributed by volunteers in furtherance of the Foundation's objectives. Substantially all program expenses included in the statements of activities are paid to the College, or paid to vendors on behalf of the College.

##### Net assets:

Temporarily restricted net assets as of June 30, 2015 and 2014 were restricted as follows:

	2015	2014
Scholarships to students	\$ 4,668,176	\$ 4,649,873
Support of College programs, including visual and performing arts programs and capital projects	3,654,031	3,715,874
	<u>\$ 8,322,207</u>	<u>\$ 8,365,747</u>

Permanently restricted net assets are restricted for investment in perpetuity, the income from which is generally expendable for student scholarships and programs support. Permanently restricted net assets also include significant portions of the campus art, which can only be sold under specific restrictions, including that the proceeds be reinvested in new campus art. The total of campus art included in permanently restricted assets was \$973,851 for both the years ended June 30, 2015 and 2014 and is included below in visual and performing art programs.

Permanently restricted net assets as of June 30, 2015 and 2014 were restricted as follows:

	2015	2014
Scholarships to students	\$ 8,296,935	\$ 8,091,248
Support of College programs, including visual and performing arts programs	8,966,759	8,965,655
	<u>\$ 17,263,694</u>	<u>\$ 17,056,903</u>

## Johnson County Community College

### Notes to Financial Statements

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#### Note 10. Johnson County Community College Foundation – Accounting Policies and Other Disclosures (Continued)

##### Assets released from restriction:

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30, 2015 and 2014 as follows:

	2015	2014
Scholarships to students	\$ 969,986	\$ 1,032,790
Support of College programs, including visual and performing arts programs and capital projects	1,596,698	1,595,876
	<u>\$ 2,566,684</u>	<u>\$ 2,628,666</u>

##### Fair value measurements:

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value, and requires disclosure of fair value measurements. The fair value hierarchy set forth in the Topic is as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets measured at fair value, on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

Investments: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include equity funds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. government obligations of states and political subdivisions and certain corporate, asset backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the hierarchy.

Cash value of life insurance: Life insurance policies are valued at cash surrender value determined by the life insurance companies and are classified within level 3 of the hierarchy.

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2015.

## Johnson County Community College

### Notes to Financial Statements

#### Note 10. Johnson County Community College Foundation – Accounting Policies and Other Disclosures (Continued)

The following tables summarize the assets measured at fair value on a recurring basis, as of June 30, 2015 and 2014 segregated by the general classification of such instruments pursuant to the valuation hierarchy:

	June 30, 2015			Total
	Level 1	Level 2	Level 3	
Investments				
U.S. government obligations	\$ -	\$ 1,735,828	\$ -	\$ 1,735,828
Equity funds:				
Fixed income mutual funds	3,413,085	-	-	3,413,085
International mutual funds	1,602,789	-	-	1,602,789
Domestic mutual funds	4,025,043	-	-	4,025,043
Corporate bonds	-	4,068,760	-	4,068,760
Common stock				
Energy	685,550	-	-	685,550
Materials	313,227	-	-	313,227
Industrials	1,113,018	-	-	1,113,018
Consumer discretionary	1,161,054	-	-	1,161,054
Consumer staples	663,529	-	-	663,529
Health care	1,298,907	-	-	1,298,907
Financials	1,086,100	-	-	1,086,100
Information technology	1,534,385	-	-	1,534,385
Telecommunication services	242,468	-	-	242,468
Utilities	217,826	-	-	217,826
Preferred stock	590,070	-	-	590,070
	<u>\$ 17,947,051</u>	<u>\$ 5,804,588</u>	<u>\$ -</u>	<u>\$ 23,751,639</u>
Cash surrender value of life insurance	-	-	7,227	7,227
<b>Total</b>	<u>\$ 17,947,051</u>	<u>\$ 5,804,588</u>	<u>\$ 7,227</u>	<u>\$ 23,758,866</u>

**Johnson County Community College**

**Notes to Financial Statements**

**Note 10. Johnson County Community College Foundation – Accounting Policies and Other Disclosures (Continued)**

	June 30, 2014			Total
	Level 1	Level 2	Level 3	
Investments:				
U.S. government obligations	\$ -	\$ 1,231,753	\$ -	\$ 1,231,753
Equity funds:				
Fixed income mutual funds	4,526,024	-	-	4,526,024
International mutual funds	2,101,110	-	-	2,101,110
Domestic mutual funds	3,239,470	-	-	3,239,470
Corporate bonds	-	3,156,449	-	3,156,449
Common stock:				-
Energy	891,848	-	-	891,848
Materials	374,741	-	-	374,741
Industrials	997,168	-	-	997,168
Consumer discretionary	1,180,430	-	-	1,180,430
Consumer staples	795,773	-	-	795,773
Health care	1,233,294	-	-	1,233,294
Financials	1,320,852	-	-	1,320,852
Information technology	1,432,399	-	-	1,432,399
Telecommunication services	263,428	-	-	263,428
Utilities	243,977	-	-	243,977
Other	3,205	-	-	3,205
	<u>\$ 18,603,719</u>	<u>\$ 4,388,202</u>	<u>\$ -</u>	<u>\$ 22,991,921</u>
Cash surrender value of life insurance	11,189	-	-	11,189
<b>Total</b>	<u><u>\$ 18,614,908</u></u>	<u><u>\$ 4,388,202</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,003,110</u></u>

There were no transfers between Level 1, 2 or 3 for the fair value hierarchy for the fiscal years ended June 30, 2015 and 2014.

**Johnson County Community College**

**Notes to Financial Statements**

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**Note 11. Segment Information**

The College has issued revenue bonds to construct a student center and parking garages for its students as described in Note 4 which are revenue backed debt instruments. Segment information related to the activities associated with the College's activities is as follows:

	<u>2015</u>	<u>2014</u>
<b>Total Capital Assets, Net</b>	<u>\$ 20,070,543</u>	<u>\$ 20,797,298</u>
<b>Total Debt</b>	<u>\$ 19,170,267</u>	<u>\$ 20,306,099</u>
Operating revenues, sales and service	\$ 14,783,514	\$ 14,928,125
Less operating expenses, salaries, utilities, depreciation and other expenses	<u>10,666,081</u>	<u>10,602,407</u>
<b>Operating Income</b>	<u>\$ 4,117,433</u>	<u>\$ 4,325,718</u>

**Johnson County Community College**

**Required Supplementary Information  
Schedule of Funding Progress**

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2010	July 1, 2009	\$ -	\$ 15,297,222	\$ 15,297,222	- %	\$ 56,196,190	27.22%
2011	July 1, 2009	-	15,297,222	15,297,222	-	56,196,190	27.22
2012	July 1, 2011	-	12,695,019	12,695,019	-	57,515,493	22.07
2013	July 1, 2011	-	12,695,019	12,695,019	-	57,515,493	22.07
2014	July 1, 2013	-	9,172,678	9,172,678	-	53,763,734	17.10
2015	July 1, 2013	-	9,172,678	9,172,678	-	53,763,734	17.10

The information presented in the required supplementary information schedule was determined as part of the actuarial valuation as of July 1, 2013. Additional information follows:

- a. The cost method used to determine the ARC is the entry age normal actuarial cost method.
- b. There are no plan assets.
- c. Economic assumptions are as follows: healthcare cost trend rates of 5.0% - 7.5%; discount rate of 3.5%, 3.0% per year salary scale and 2.0% per year aggregate payroll growth.
- d. The amortization method is a level percentage-of-pay on an open-period basis.

**Johnson County Community College**

**Budgetary Expenditures with Appropriations (Unaudited)  
Year Ended June 30, 2015**

	Budgetary Expenditures	Legal Appropriations Budget	(Over) Under Budget
<b>Current Unrestricted Funds:</b>			
General	\$ 127,649,368	\$ 130,500,919	\$ 2,851,551
Postsecondary technical education (PTE)	46,312,888	52,345,204	6,032,316
Subtotal General and PTE	<u>173,962,256</u>	<u>182,846,123</u>	<u>8,883,867</u>
Adult supplementary education	6,849,624	9,586,272	2,736,648
Truck driver training	519,131	990,989	471,858
Motorcycle driver	80,221	477,294	397,073
Auxiliary enterprises	14,091,508	17,972,556	3,881,048
<b>Total Current Unrestricted Funds</b>	<u>195,502,740</u>	<u>\$ 211,873,234</u>	<u>\$ 16,370,494</u>
<b>Current Restricted Funds:</b>			
Special assessments	210,124	<u>\$ 373,000</u>	<u>\$ 162,876</u>
Other restricted	<u>19,769,039</u>		
<b>Total Current Restricted Funds</b>	<u>19,979,163</u>		
<b>Total Current Funds</b>	<u>215,481,903</u>		
<b>Loan Funds</b>	<u>64,181</u>		
<b>Plant Funds:</b>			
Unexpended, capital outlay	2,654,696	<u>\$ 5,357,150</u>	<u>\$ 2,702,454</u>
Repair and replacement reserve	227,814		
Bond proceeds, construction	1,926,641		
Debt retirement, revenue bonds	<u>1,951,354</u>		
<b>Total Plant Funds</b>	<u>6,760,505</u>		
<b>Total Current, Loan, and Plant Funds</b>	<u>\$ 222,306,589</u>		