

Johnson County Community College

Financial Report
June 30, 2016

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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, 2016 and 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 2016 and 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of College's proportionate share of the net pension liability, schedule of the College's contributions, and schedule of funding progress on pages 3 - 12, 51 and 52, respectively, 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 9, 2016, 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 9, 2016

Johnson County Community College

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

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, 2016 and 2015. 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 Statements of Cash Flows disclose net cash provided by or used for operating, non-capital financing, capital and related financing, and investing 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, 2016 and 2015

Financial Highlights

Statements of Net Position

The major components of the College's assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2016 and 2015 are as follows (in millions of dollars):

	2016	2015	Increase (Decrease)	Percent Change
ASSETS				
Current assets	\$ 124.8	\$ 110.4	\$ 14.4	13%
Capital assets, net	133.8	137.3	(3.5)	-3%
Other noncurrent assets	11.1	1.6	9.5	594%
Total Assets	<u>\$ 269.7</u>	<u>\$ 249.3</u>	<u>\$ 20.4</u>	<u>8%</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ 0.7</u>	<u>\$ 0.5</u>	<u>\$ 0.2</u>	<u>40%</u>
LIABILITIES				
Current liabilities	\$ 16.9	\$ 13.6	\$ 3.3	24%
Noncurrent liabilities	33.6	28.2	5.4	19%
Total Liabilities	<u>\$ 50.5</u>	<u>\$ 41.8</u>	<u>\$ 8.7</u>	<u>21%</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>\$ 0.1</u>	<u>\$ -</u>	<u>\$ 0.1</u>	<u>100%</u>
NET POSITION				
Net investment in capital assets	\$ 99.5	\$ 109.3	\$ (9.8)	-9%
Restricted	21.8	9.4	12.4	132%
Unrestricted	98.5	89.3	9.2	10%
Total Net Position	<u>\$ 219.8</u>	<u>\$ 208.0</u>	<u>\$ 11.8</u>	<u>6%</u>

Fiscal Year 2016 Compared to Fiscal Year 2015

Assets

Total current assets increased to \$124.8 million as of June 30, 2016 from \$110.4 million as of June 30, 2015, primarily due to a \$15.7 million increase in cash and cash equivalents. This increase is due to favorable operating results.

Capital assets, net of accumulated depreciation, decreased by \$3.5 million due to depreciation, offset by capital expenditures. There was no construction in progress as of June 30, 2016 or 2015.

Noncurrent assets of \$11.1 million as of June 30, 2016 includes \$9.6 million of proceeds from the College's issuance of the Series 2016 general obligation capital outlay bonds in January of 2016. The proceeds will be used to fund various capital improvements to the College's facilities. In September of 2015, the College's Board of Trustees adopted a capital outlay resolution, extending the college's existing capital outlay tax levy of one-half (1/2) mill for a five year period beginning on June 30, 2016.

Johnson County Community College

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

Deferred outflows of resources increased by \$0.2 million in the current year. Deferred charges on bond refunding increased slightly due to charges associated with the Series 2015 Refunding Revenue Bonds issued in August of 2015. The balances for these deferred charges are amortized over the life of the refunding bonds. During the current year, the College recorded approximately \$0.1 million in deferred contributions to the Kansas Public Employees Retirement System (KPERs) pension plan associated with certain KPERs retirees employed by the College. The College makes contributions directly to KPERs for the KPERs retirees filling these positions. The balances for these deferred charges will be recognized as pension expense in future years.

Liabilities

Total current liabilities increased to \$16.9 million as of June 30, 2016 from \$13.6 million as of June 30, 2015. This is primarily due to the \$1.8 million current portion of the College's Series 2016 general obligation capital outlay bonds, as previously discussed. Additionally, the College accrued \$0.8 million in retirement benefits payable related to a retirement program offered to certain eligible employees during the current year.

Total current assets at June 30, 2016 covered current liabilities 7.4 times. This means that for every dollar of current liabilities, the College has \$7.40 in current assets, indicating that the College is capable of funding its current liabilities.

Noncurrent liabilities increased by \$5.4 million in fiscal year 2016 compared to fiscal year 2015. This increase is also primarily related to the College's Series 2016 general obligation capital outlay bonds, offset by decreases in the scheduled principal payments on the College's other long-term obligations. Additionally, in fiscal 2016 the College recorded a net pension liability of \$0.8 million. This is the net pension liability allocated by KPERs to the College associated with certain KPERs retirees that are employed by the College. The College's remaining net pension liability is allocated to the State of Kansas.

Net Position

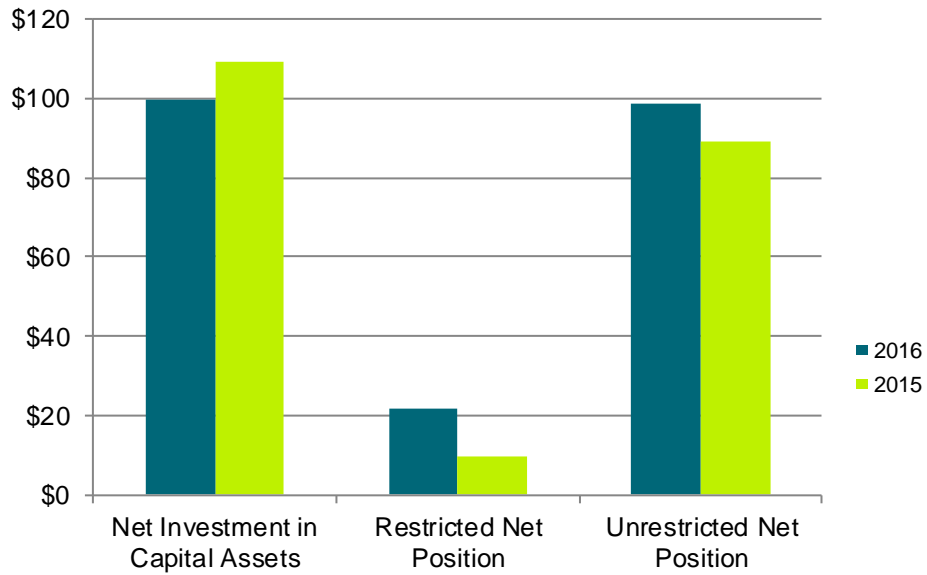
Total net position increased by \$11.8 million over prior year, which is primarily due to higher revenues from property taxes. Net Position includes three primary categories: Net Investment in Capital Assets, Restricted, and Unrestricted. The first category, Net Investment in Capital Assets, provides 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 \$9.2 million in the current year as a result of the net operating surplus.

Johnson County Community College

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Comparison of Net Position

The following table presents the comparisons of net investment in capital assets, restricted net position and unrestricted net position for the College for fiscal years 2016 and 2015 (in millions of dollars):



Johnson County Community College

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

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 2016 and 2015 (in millions of dollars):

	2016	2015	Increase (Decrease)	Percent Change
Operating Revenues				
Student tuition and fees	\$ 35.0	\$ 35.4	\$ (0.4)	-1%
Gifts, grants and contracts	2.5	1.4	1.1	79%
Auxiliary enterprises	10.3	10.7	(0.4)	-4%
Other operating revenues	5.7	5.5	0.2	4%
Total Operating Revenues	\$ 53.5	\$ 53.0	\$ 0.5	1%
Less Operating Expenses	179.6	175.4	4.2	2%
Operating Income (Loss)	\$ (126.1)	\$ (122.4)	\$ (3.7)	3%
Non-Operating Revenues (Expenses)				
County property taxes	\$ 90.5	\$ 84.5	\$ 6.0	7%
State appropriations	32.5	30.9	1.6	5%
Gifts, grants and contracts	15.4	17.3	(1.9)	-11%
Investment & other income	0.5	0.2	0.3	150%
Interest on capital asset debt	(1.0)	(0.9)	(0.1)	11%
Total Nonoperating revenues, net	\$ 137.9	\$ 132.0	\$ 5.9	4%
Increase in Net Position	\$ 11.8	\$ 9.6	\$ 2.2	23%
Net Position, Beginning of Year	\$ 208.0	\$ 198.4	\$ 9.6	5%
Net Position, End of Year	\$ 219.8	\$ 208.0	\$ 11.8	6%

Fiscal Year 2016 Compared to Fiscal Year 2015

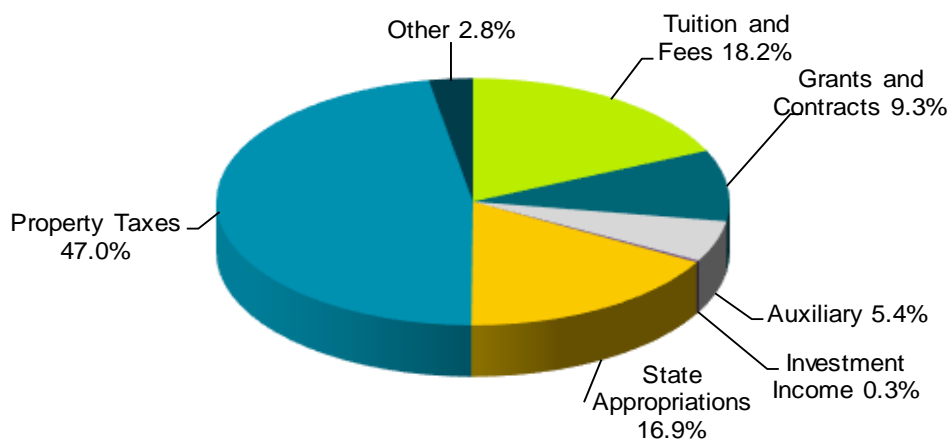
Revenues

The College's operating and non-operating revenues were \$191.4 million for fiscal 2016, an increase of \$6.4 million from fiscal 2015. The College has three primary revenue sources that accounted for 82.1% of total revenues in fiscal 2016. Local property taxes continue to be the College's primary revenue source, accounting for \$90.5 million, or 47.0%, of fiscal 2016 total revenues. The second largest source of revenue was student tuition and fees, totaling \$35.0 million, or 18.2%, of total revenues in fiscal 2016. The third largest revenue source, state appropriations, totaled \$32.5 million and accounted for 16.9% of fiscal 2016 total revenues.

Johnson County Community College

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

Operating and Non-Operating Revenues June 30, 2016



Operating revenues from student tuition and fees decreased by \$0.4 million in fiscal 2016, primarily due to a 2.8% decrease in student credit hour enrollment, offset by 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.

Non-operating revenues increased \$5.9 million from the prior year to \$137.9 million. Revenue from property taxes increased \$6 million from fiscal 2015 due to an increase in assessed valuation in Johnson County for the 2015 tax year. The College's tax levy was adjusted slightly by the County from 9.461 mills in 2015 to 9.469 mills in 2016. Revenue from the state of Kansas was \$32.5 million in fiscal 2016 compared to \$30.9 million in fiscal 2015, an increase of \$1.6 million. This was primarily due to an increase of \$0.9 million in the contributions that the state of Kansas makes on behalf of the college to KPERS, which was \$9.2 million in fiscal 2016. The College records a revenue and expense for the payments made by the State. The remainder of the increase can be attributed to the fact that the College's state operating grant appropriations were restored in fiscal 2016 after being reduced by \$0.4 million in fiscal 2015 as a result of the February 2015 State of Kansas General Fund budget allotment plan, which included a 2% allotment of the Kansas Board of Regents and required the College to return 2% of its operating grant funding to the State.

Non-operating revenues are presented net of non-operating expenses (interest on capital asset debt), which remained consistent with the prior year.

Expenses

Total operating expenses for fiscal 2016 were \$179.6 million, an increase of \$4.2 million compared to fiscal 2015. As previously discussed, the State's KPERS pension contributions included in operating expenses increased by \$0.9 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. Additionally, the College's pension expense increased by \$0.8 million during fiscal 2016 in connection with the pension liability accrual for certain KPERS retirees that are employed by the College. The pension expense, along with \$1.7 million in costs associated with the retirement program offered to certain eligible employees, are included in the Institutional Support function in the chart below, and account for the majority of the increase in fiscal 2016 compared to fiscal 2015. Instruction costs, which are the largest component of the College's operating expenses, increased by \$1.0 million in fiscal 2016. Student services expenses increased by \$1.0 million during fiscal 2016 primarily due to Federal Perkins Loan assignment costs. The College intends to liquidate its Federal Perkins Loan program portfolio during fiscal 2017 and to discontinue participation in the program.

Johnson County Community College

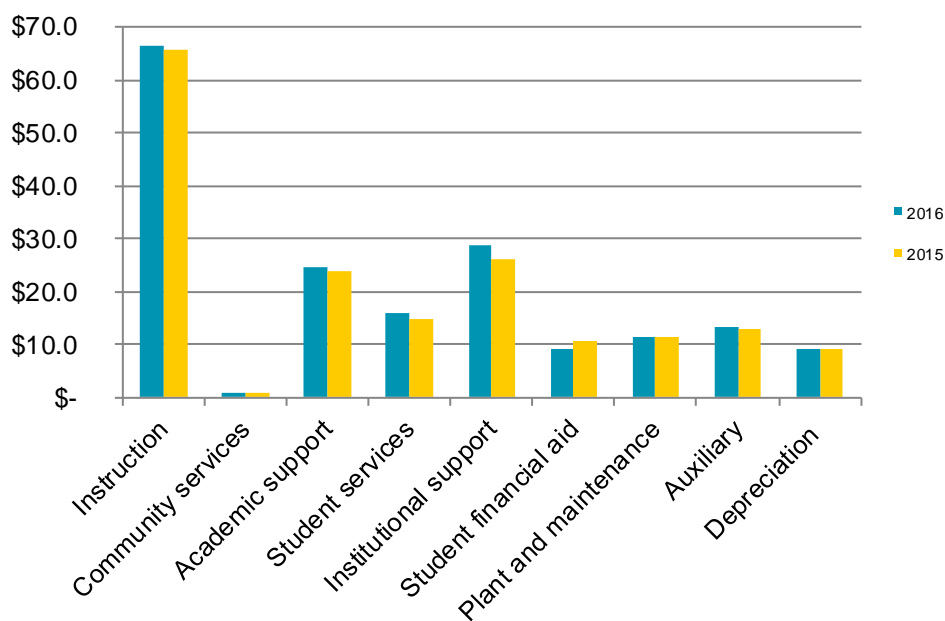
Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

Operating Expenses

The following table presents the College's operating expenses by function for fiscal years 2016 and 2015 (in millions of dollars):

	2016	2015	Increase (Decrease)	Percent Change
Operating Expenses				
Instruction	\$ 66.6	\$ 65.6	\$ 1.0	2%
Community services	0.9	1.0	(0.1)	-10%
Academic support	24.7	24.0	0.7	3%
Student services	15.9	14.9	1.0	7%
Institutional support	28.6	26.1	2.5	10%
Student financial aid	9.2	10.7	(1.5)	-14%
Plant and maintenance	11.5	11.3	0.2	2%
Auxiliary	13.2	12.8	0.4	3%
Depreciation	9.0	9.0	-	0%
Total Operating Expenses	\$ 179.6	\$ 175.4	\$ 4.2	2%

**Comparison of Operating Expenses
Fiscal Years 2016 and 2015**

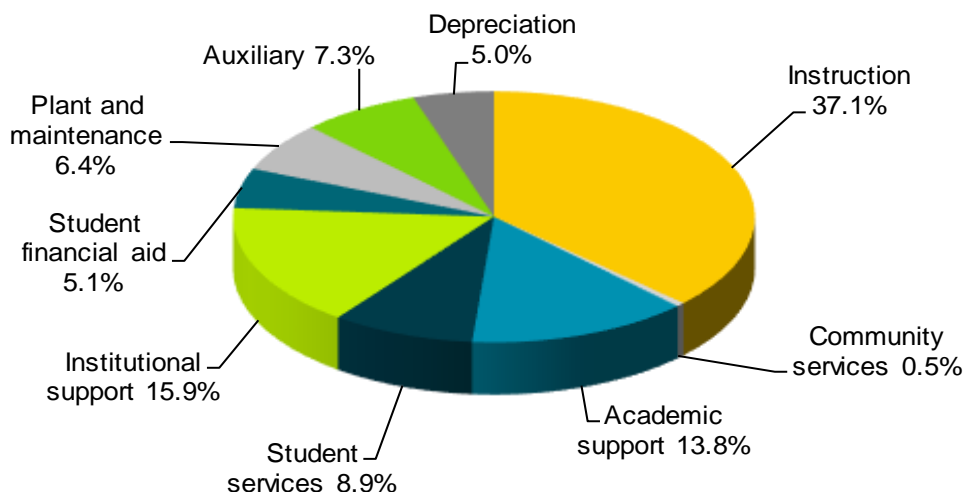


As shown in the charts above, fiscal 2016 Instruction costs were \$66.6 million. This category represents all of the direct costs associated with teaching students and is the largest component of operating expenses, accounting for 37.1% of total operating expenses.

Johnson County Community College

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

**Operating Expenses
June 30, 2016**



Statement of Capital Assets and Long-Term Debt

The College's Capital Assets and Long-Term Debt as of June 30, 2016 and 2015 were as follows (in millions of dollars):

	2016	2015	Increase (Decrease)	Percent Change
Capital Assets				
Land	\$ 1.0	\$ 1.0	\$ -	0%
Works of art	3.7	3.6	0.1	3%
Land improvements	38.3	37.8	0.5	1%
Buildings and improvements	197.1	193.8	3.3	2%
Equipment	28.6	29.1	(0.5)	-2%
Total Capital Assets	268.7	265.3	3.4	1%
Less accumulated depreciation	134.9	128.0	6.9	5%
Net Capital Assets	\$ 133.8	\$ 137.3	\$ (3.5)	-3%
Long-Term Debt				
Revenue bonds	\$ 18.0	\$ 19.2	\$ (1.2)	-6%
Certificates of participation	6.5	8.0	(1.5)	-19%
Loan obligations	0.7	1.3	(0.6)	-46%
General obligation capital outlay bonds	9.7	-	9.7	100%
Total Long-Term Debt	\$ 34.9	\$ 28.5	\$ 6.4	22%

Johnson County Community College

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

Fiscal Year 2016 Compared to Fiscal Year 2015

As of June 30, 2016, the College had \$268.7 million invested in capital assets and \$134.9 million in accumulated depreciation, for total net capital assets of \$133.8 million. Total capital assets decreased by \$3.5 million in fiscal 2016, primarily due to depreciation charges in excess of additions to capital assets.

The College's long-term debt increased \$6.4 million during Fiscal 2016 to \$34.9 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. The College's outstanding revenue bond debt is rated AA+ by Standard & Poor's.

On January 6, 2016 the College issued the Series 2016 General Obligation Capital Outlay Bonds in the amount of \$9.0 million. The College's outstanding general obligation capital outlay bond debt is rated Aaa by Moody's Investors Service. As previously mentioned, the Series 2016 Bonds were issued to finance the costs of various capital improvements to campus facilities.

Detailed information about the College's long-term obligations is presented in Note 4 to the financial statements.

Current Issues

The College's Board of Trustees passed a \$147 million operating budget for fiscal year 2017. The budget included a \$2 per credit hour tuition increase for Johnson County resident students (\$93), a \$4 per credit hour increase for Kansas resident students (\$110), and a \$6 per credit hour tuition increase for out of state students (\$220), as well as a new Metro Rate of \$135 per credit hour for residents in an eligible metropolitan geographic area. Management has noted that student credit hour and full time equivalent (FTE) enrollment was slightly lower in fiscal 2016 compared to fiscal 2015. The College administration will continue to monitor and respond to enrollment trends.

In May of 2016, the State of Kansas announced a General Fund budget allotment plan, including a 4% allotment of the Kansas Board of Regents, which will result in a decrease of \$0.9 million in the College's state appropriations during fiscal 2017.

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.

Revenues from property taxes represent 47.0% 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.

Johnson County Community College

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

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, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 117,779,423	\$ 102,036,567
Accounts receivable, net of uncollectible accounts 2016 \$4,564,971; 2015 \$3,956,765	5,781,763	6,179,042
Inventories	990,852	1,931,623
Other assets	74,803	83,402
Student loans receivable	140,542	141,815
Total Current Assets	124,767,383	110,372,449
Noncurrent Assets		
Restricted cash and cash equivalents	9,554,678	-
Student loans, net of allowance for uncollectible loans 2016 \$67,080; 2015 \$67,080	788,054	1,046,454
Capital assets not being depreciated	4,777,792	4,647,327
Capital assets being depreciated	263,958,437	260,612,499
Less accumulated depreciation	(134,896,770)	(127,989,323)
OPEB assets	773,535	586,724
Total Noncurrent Assets	144,955,726	138,903,681
Total Assets	269,723,109	249,276,130
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding	546,170	516,817
Deferred contributions to pension plan	121,480	-
Total Deferred Outflows of Resources	667,650	516,817
LIABILITIES		
Current Liabilities		
Accounts payable	2,726,052	2,287,661
Accrued salaries	3,862,828	2,704,475
Accrued compensated absences	363,233	385,014
Other accrued liabilities	1,276,651	1,611,142
Unearned student tuition and fee revenue	2,989,514	2,790,218
Deposits held in custody for others	504,923	511,569
Current portion of revenue bonds payable	1,185,000	1,140,000
Current portion of certificates of participation	1,555,000	1,520,000
Current portion of loan obligation	661,672	661,673
Current portion of general obligation capital outlay bonds	1,760,000	-
Total Current Liabilities	16,884,873	13,611,752
Noncurrent Liabilities		
Accrued compensated absences	3,187,029	2,983,027
Net pension liability	780,004	-
Revenue bonds payable	16,793,291	18,030,267
Certificates of participation	4,938,590	6,499,219
Loan obligation	-	661,672
General obligation capital outlay bonds	7,948,048	-
Total Noncurrent Liabilities	33,646,962	28,174,185
Total Liabilities	50,531,835	41,785,937
DEFERRED INFLOWS OF RESOURCES		
Proportionate share of collective deferred inflows of resources	76,765	-
Total Deferred Inflows of Resources	76,765	-
NET POSITION		
Net investment in capital assets	99,544,027	109,274,488
Restricted, expendable for:		
Capital projects	17,193,988	4,736,126
Loan funds and other	4,530,407	4,722,346
Unrestricted	98,513,737	89,274,050
Total Net Position	\$ 219,782,159	\$ 208,007,010

See Notes to Financial Statements.

Johnson County Community College

Johnson County Community College Foundation - Component Unit

Statements of Financial Position

June 30, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,707,275	\$ 1,126,537
Promises to give	1,075,561	611,357
Other receivable	-	40,651
Investments	22,277,999	23,899,685
Accrued interest receivable	66,587	69,326
Campus artwork	3,648,838	3,480,393
Cash surrender value of life insurance	8,541	7,227
Intangible assets	49,654	53,474
Total Assets	<u><u>28,834,455</u></u>	<u><u>29,288,650</u></u>
LIABILITIES		
Accounts payable	98,347	361,043
Total Liabilities	<u><u>98,347</u></u>	<u><u>361,043</u></u>
NET ASSETS		
Unrestricted, undesignated	1,939,124	1,789,423
Unrestricted, designated for scholarships and program support	1,584,446	1,552,283
Temporarily restricted	6,926,913	8,322,207
Permanently restricted	18,285,625	17,263,694
Total Net Assets	<u><u>28,736,108</u></u>	<u><u>28,927,607</u></u>
Total Liabilities and Net Assets	<u><u>\$ 28,834,455</u></u>	<u><u>\$ 29,288,650</u></u>

See Notes to Financial Statements.

Johnson County Community College

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
REVENUES		
Operating Revenues		
Student tuition and fees, net of scholarship allowances 2016 \$4,540,240; 2015 \$5,086,221	\$ 35,008,627	\$ 35,360,349
State grants and contracts	477,169	442,859
Private gifts, grants and contracts	1,932,540	874,221
Local grants and contracts	79,560	80,061
Auxiliary enterprises	10,310,780	10,712,289
Other operating revenue	5,684,940	5,534,583
Total Operating Revenues	<u>53,493,616</u>	<u>53,004,362</u>
EXPENSES		
Operating Expenses		
Salaries	85,065,601	83,903,581
Benefits	38,804,469	35,329,172
Contractual services	10,361,615	10,796,944
Supplies and other operating expenses	12,671,510	11,904,265
Auxiliary enterprises	6,014,364	6,142,846
Utilities	3,145,503	3,162,640
Repairs and maintenance to plant	4,855,907	4,308,823
Scholarship and financial aid	9,700,248	10,928,985
Depreciation	9,011,253	9,004,016
Total Operating Expenses	<u>179,630,470</u>	<u>175,481,272</u>
Operating Income (Loss)	<u>(126,136,854)</u>	<u>(122,476,910)</u>
NON-OPERATING REVENUES (EXPENSES)		
County property taxes	90,508,563	84,542,966
State appropriations	32,474,846	30,948,914
Federal grants and contracts	15,423,719	17,273,800
Investment income	238,723	89,029
Interest on student loans receivable	79,203	23,190
Interest on capital asset debt	(956,009)	(933,037)
Other nonoperating revenues (expenses)	142,958	84,642
Total Nonoperating Revenues, Net	<u>137,912,003</u>	<u>132,029,504</u>
Increase in Net Position	11,775,149	9,552,594
Net Position at Beginning of Year	<u>208,007,010</u>	<u>198,454,416</u>
Net Position at End of Year	<u>\$ 219,782,159</u>	<u>\$ 208,007,010</u>

See Notes to Financial Statements.

Johnson County Community College

Johnson County Community College Foundation - Component Unit

Statement of Activities

Year Ended June 30, 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Gifts and contributions	\$ 228,533	\$ 1,638,703	\$ 975,612	\$ 2,842,848
Contributed services	598,810	-	-	598,810
Dividend and interest income	118,779	492,284	-	611,063
Net realized and unrealized gains (losses) on investments	(82,671)	(447,703)	3,319	(527,055)
Net assets released from restrictions	3,035,578	(3,035,578)	-	-
Change in donor designation	-	(43,000)	43,000	-
Total Support and Revenue	3,899,029	(1,395,294)	1,021,931	3,525,666
EXPENSES				
Program expenses:				
Scholarship programs	1,108,447	-	-	1,108,447
Foundation programming	106,256	-	-	106,256
Performing arts programs	518,603	-	-	518,603
Visual arts programs	186,738	-	-	186,738
Capital project programs	425,353	-	-	425,353
Educational program support	400,380	-	-	400,380
Total Program Expenses	2,745,777	-	-	2,745,777
Supporting Services				
Fundraising	703,775	-	-	703,775
Management and general	267,613	-	-	267,613
Total Supporting Services	971,388	-	-	971,388
Total Expenses	3,717,165	-	-	3,717,165
Change in Net Assets	181,864	(1,395,294)	1,021,931	(191,499)
Net Assets - Beginning of Year	3,341,706	8,322,207	17,263,694	28,927,607
Net Assets - End of Year	\$ 3,523,570	\$ 6,926,913	\$ 18,285,625	\$ 28,736,108

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	
SUPPORT AND REVENUE				
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	-	-
Total Support and Revenue	3,369,882	(43,540)	206,791	3,533,133
EXPENSES				
Program expenses:				
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
Total Program Expenses	2,258,085	-	-	2,258,085
Supporting Services				
Fundraising	739,852	-	-	739,852
Management and general	262,607	-	-	262,607
Total Supporting Services	1,002,459	-	-	1,002,459
Total Expenses	3,260,544	-	-	3,260,544
Change in Net Assets	109,338	(43,540)	206,791	272,589
Net Assets - Beginning of Year	3,232,368	8,365,747	17,056,903	28,655,018
Net Assets - End of Year	\$ 3,341,706	\$ 8,322,207	\$ 17,263,694	\$ 28,927,607

See Notes to Financial Statements.

Johnson County Community College

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS (USED IN) OPERATING ACTIVITIES		
Student tuition and fees	\$ 34,884,539	\$ 34,907,745
Payments to suppliers	(27,566,263)	(25,576,232)
Payments to employees	(83,911,838)	(84,188,805)
Payments for scholarships and financial aid	(9,700,248)	(10,928,985)
Payments for employee benefits	(38,507,783)	(34,333,344)
Payments for utilities	(3,137,840)	(3,387,051)
Auxiliary enterprises	5,395,415	4,636,099
Grants and contracts	2,742,549	1,254,744
Other receipts, net	6,169,119	5,643,519
Net Cash (Used in) Operating Activities	(113,632,350)	(111,972,310)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
County property taxes	89,899,496	84,071,522
State appropriations	32,474,846	30,948,914
Grants and contracts	15,989,438	17,142,703
Funds held for (returned to) others	(6,646)	(41,290)
Net Cash From Non-Capital Financing Activities	138,357,134	132,121,849
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(5,399,929)	(4,894,398)
Proceeds from the sale of capital assets	142,958	3,522
Proceeds from bonds	13,220,000	-
Principal paid on bonds payable	(5,435,000)	(1,100,000)
Principal paid on certificates of participation	(1,520,000)	(1,490,000)
Principal paid on loan obligations	(661,673)	(661,673)
Interest paid on bonds payable	(770,937)	(631,797)
Interest paid on certificates of participation	(308,629)	(359,815)
Issuance costs, fees and premiums	1,024,052	-
Net Cash From (Used in) Capital and Related Financing Activities	290,842	(9,134,161)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	281,908	108,616
Net Cash from Investing Activities	281,908	108,616
Increase (Decrease) in Cash and Cash Equivalents	25,297,534	11,123,994
Cash and Cash Equivalents - Beginning of Year	102,036,567	90,912,573
Cash and Cash Equivalents - Ending of Year	\$ 127,334,101	\$ 102,036,567

(Continued)

Johnson County Community College

**Statements of Cash Flows (Continued)
Years Ended June 30, 2016 and 2015**

	2016	2015
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES		
Operating (loss)	\$ (126,136,854)	\$ (122,476,910)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation expense	9,011,253	9,004,016
Changes in assets and liabilities:		
Accounts receivable, net	736,319	(344,860)
Other assets	8,599	74,936
Inventories	940,771	691,781
Accounts payable	258,110	156,685
Accrued salaries	1,158,353	(21,673)
Accrued compensated absences	182,221	103,623
Other accrued liabilities	(538,896)	1,204,068
Net pension liability	780,004	-
Unearned student tuition and fee revenue	199,296	3,198
Postemployment benefit asset	(186,811)	(367,174)
Deferred outflows of resources:	(121,480)	-
Deferred inflows of resources:	76,765	-
Net Cash (Used in) Operating Activities	<u>\$ (113,632,350)</u>	<u>\$ (111,972,310)</u>
 Schedule of Noncash Capital and Related Items, accounts payable and other liabilities related to capital asset acquisitions	 \$ (180,281)	 \$ 1,445,461

See Notes to Financial Statements.

Johnson County Community College

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

The Johnson County Community College (the College) taxing district 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, 2016 and 2015, the College received direct contributions from the Foundation of \$2,639,521 and \$2,199,174, 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

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, 2016 and 2015 were \$15,323,045 and \$4,037,471, 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, 2016 and 2015 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.

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 1st 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 47.1% and 45.5% of its financial support (exclusive of investment income) from property taxes during the years ended June 30, 2016 and 2015, respectively.

The tax rates for the fiscal years ended June 30, 2016 and 2015, expressed in mills per \$1,000 of assessed valuation, are reflected in the following table:

Johnson County Community College

Notes to Financial Statements

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

Fund	2016	2015
General	8.934	8.926
Capital outlay	0.501	0.501
Special assessment	0.034	0.034
Total Mill Levy	9.469	9.461

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 grants and contracts 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

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 in bank certificates of deposit and the Kansas Municipal Investment Pool are carried at cost. Investments other than bank certificates of deposit and the Kansas Municipal Investment Pool are reported at fair value. Fair value is determined using quoted market prices.

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

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 inflows and outflows of resources:

In addition to assets, the Statements of Net Position report 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 include 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. Bond issuance costs are expensed at time of issuance.

The college also reports deferred outflows of resources related to pensions as described in Note 5.

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until then. The College's deferred inflows of resources include deferred inflows of resources related to pensions as described in Note 5.

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, 2016 and 2015, the College had recorded a vacation liability of \$3,550,262 and \$3,368,041, 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, 2016 and 2015. Unrestricted net position is available to the

Johnson County Community College

Notes to Financial Statements

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

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.

Recent accounting pronouncements:

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College and its component unit has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the College's and component unit's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the College's and component unit's own data.

When available, quoted prices are used to determine fair value by the College and the component unit. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. The college's and component unit's Level 1 investments primarily consist of investments in mutual funds, cash equivalents and equity securities.

The implementation of GASB 72 did not have a significant impact on the College's financial statements.

Reclassification:

Certain amounts in the June 30, 2015 Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows have been reclassified with no effect on net position in order to conform to June 30, 2016 classifications.

Johnson County Community College

Notes to Financial Statements

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, 2016 and 2015, are reflected in the following table at cost. Actual bank statement balances for total deposits at June 30, 2016 and 2015, were \$110,387,775 and \$100,051,236, 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.

	2016	2015
Cash	\$ 14,474,964	\$ 8,637,184
Certificates of Deposit:		
Bank of Kansas City	-	11,000,000
Capital City Bank	27,000,000	10,000,000
Capitol Federal Savings	12,000,000	35,000,000
UMB Bank	55,000,000	34,000,000
Total Deposits	\$ 108,474,964	\$ 98,637,184

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, 2016 and 2015. 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.

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.

Johnson County Community College

Notes to Financial Statements

Note 2. Deposits, Investments and Risk (Continued)

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, 2016 and 2015 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, 2016 and 2015, the College had investments in Kansas Municipal Investment Pool – Overnight Pool, which mature in less than one year, of \$18,859,137 and \$3,399,383, respectively. Included in the investment balance at June 30, 2016 and 2015 were unspent bond funds of \$9,554,678 and \$0, respectively.

A summary of deposits and investments at June 30, 2016 and 2015 is as follows:

	2016	2015
Deposits:		
Cash	\$ 14,474,964	\$ 8,637,184
Certificates of Deposit	94,000,000	90,000,000
Investments:		
Kansas Municipal Investment Pool	18,859,137	3,399,383
Total Deposits and Investments	\$ 127,334,101	\$ 102,036,567

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, 2016 and 2015.

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, 2016 and 2015:

	June 30, 2015 Ending Balance	Additions/ Transfers	Retirements	June 30, 2016 Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,028,265	\$ -	\$ -	\$ 1,028,265
Works of art	3,619,062	130,465	-	3,749,527
Total Assets not Being Depreciated	4,647,327	130,465	-	4,777,792
Capital assets being depreciated:				
Land improvements	37,817,577	523,114	-	38,340,691
Buildings and improvements	193,738,632	3,330,430	-	197,069,062
Equipment, furniture and computer technology	29,056,290	1,563,331	(2,070,937)	28,548,684
Total Assets Being Depreciated	260,612,499	5,416,875	(2,070,937)	263,958,437
Less accumulated depreciation:				
Land improvements	20,396,089	1,677,480	-	22,073,569
Buildings and improvements	82,893,525	5,527,418	-	88,420,943
Equipment, furniture and computer technology	24,699,709	1,755,289	(2,052,740)	24,402,258
Total Accumulated Depreciation	127,989,323	8,960,187	(2,052,740)	134,896,770
Capital Assets, Net	\$ 137,270,503	\$ (3,412,847)	\$ (18,197)	\$ 133,839,459

Johnson County Community College

Notes to Financial Statements

Note 3. Capital Assets (Continued)

	June 30, 2014 Ending Balance	Additions/ Transfers	Retirements	June 30, 2015 Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,028,265	\$ -	\$ -	\$ 1,028,265
Works of art	3,557,847	61,365	(150)	3,619,062
Total Assets not Being Depreciated	4,586,112	61,365	(150)	4,647,327
Capital assets being depreciated:				
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
Total Assets Being Depreciated	259,256,643	3,467,194	(2,111,338)	260,612,499
Less accumulated depreciation:				
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
Total Accumulated Depreciation	113,628,264	9,004,016	(2,109,465)	127,989,323
Capital Assets, Net	\$ 148,573,816	\$ (5,475,457)	\$ (2,023)	\$ 137,270,503

The College had no capitalized interest related to construction projects for the years ended June 30, 2016 and 2015, 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, 2016 and 2015:

	July 1, 2015			June 30, 2016	Amounts
	Beginning			Ending	Due Within
Long-Term Obligations	Balance	Additions	Reductions	Balance	One Year
Revenue Bonds:					
Series 2006	\$ 4,925,000	\$ -	\$ (4,925,000)	\$ -	\$ -
Series 2011	9,625,000	-	(50,000)	9,575,000	50,000
Series 2012	4,225,000	-	(460,000)	3,765,000	485,000
Series 2015	-	4,250,000	-	4,250,000	650,000
Premium on Series 2006 Bonds	68,863	-	(68,863)	-	-
Premium on Series 2011 Bonds	150,339	-	(11,565)	138,774	-
Premium on Series 2012 Bonds	176,065	-	(13,542)	162,523	-
Premium on Series 2015 Bonds	-	101,493	(14,499)	86,994	-
Total Revenue Bonds	19,170,267	4,351,493	(5,543,469)	17,978,291	1,185,000
Certificates of Participation:					
Series 2009 COP	7,995,000	-	(1,520,000)	6,475,000	1,555,000
Premium on Series 2009 COP	24,219	-	(5,629)	18,590	-
Total Certificates of Participation	8,019,219	-	(1,525,629)	6,493,590	1,555,000
Loan Obligation, KBOR PEI	1,323,345	-	(661,673)	661,672	661,672
General Obligation Bonds:					
Series 2016 Capital Outlay	-	8,970,000	-	8,970,000	1,760,000
Premium on Series 2016 Capital Outlay	-	922,559	(184,511)	738,048	-
Total General Obligation Bonds	-	9,892,559	(184,511)	9,708,048	1,760,000
Other Accrued Liabilities:					
Compensated Absences	3,368,041	1,311,060	(1,128,839)	3,550,262	363,233
Net Pension Liability	-	780,004	-	780,004	-
Net OPEB Obligation (Asset)	(586,724)	549,189	(736,000)	(773,535)	-
Total Other Accrued Liabilities	2,781,317	2,640,253	(1,864,839)	3,556,731	363,233
Total Long-Term Obligations	\$ 31,294,148	\$ 16,884,305	\$ (9,780,121)	\$ 38,398,332	\$ 5,524,905

Johnson County Community College

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

Long-Term Obligations	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	-
Total Revenue Bonds	20,306,099	-	(1,135,832)	19,170,267	1,140,000
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	-
Total Certificates of Participation	9,514,848	-	(1,495,629)	8,019,219	1,520,000
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)	-
Total Other Accrued Liabilities	3,044,868	2,018,158	(2,281,709)	2,781,317	385,014
Total Long-Term Obligations	\$ 34,850,833	\$ 2,018,158	\$ (5,574,843)	\$ 31,294,148	\$ 3,706,687

Johnson County Community College

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

Revenue Bonds:

Revenue bonds payable as of June 30, 2016 and 2015, consist of the following:

	2016	2015
Student Commons and Parking System Refunding Revenue Bonds, Series 2006, \$8,210,000, interest is paid semiannually on May 15 and November 15 at interest rates of 3% to 5%.	\$ -	\$ 4,925,000
Premium on Series 2006 Revenue Bonds.	-	68,863
Student Commons and Parking System Refunding Revenue Bonds, Series 2011, \$9,800,000, interest is paid semiannually on May 15 and November 15 at interest rates of 2% to 4%.	9,575,000	9,625,000
Premium on Series 2011 Revenue Bonds.	138,774	150,339
Student Commons and Parking System Refunding Revenue Bonds, Series 2012, \$5,135,000, interest is paid semiannually on May 15 and November 15 at interest rates of 2%.	3,765,000	4,225,000
Premium on Series 2012 Revenue Bonds.	162,523	176,065
Student Commons and Parking System Refunding Revenue Bonds, Series 2015, \$4,250,000, interest is paid semiannually on May 15 and November 15 at interest rates of 2%.	4,250,000	-
Premium on Series 2015 Revenue Bonds.	86,994	-
Total Revenue Bonds Payable	17,978,291	19,170,267
Less current portion of revenue bonds payable	1,185,000	1,140,000
Noncurrent Revenue Bonds Payable	\$ 16,793,291	\$ 18,030,267

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, 2016 and 2015.

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
2017	\$ 1,185,000	\$ 511,200	\$ 1,696,200
2018	1,220,000	486,838	1,706,838
2019	1,250,000	461,700	1,711,700
2020	1,285,000	435,825	1,720,825
2021	1,340,000	407,775	1,747,775
2022-2026	7,745,000	1,399,975	9,144,975
2027-2028	3,565,000	136,000	3,701,000
Total Revenue Bonds	\$ 17,590,000	\$ 3,839,313	\$ 21,429,313

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 premiums of \$101,498 at interest rates of 2%. 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). A deferred charge of \$92,461 on the refunding was recorded as a deferred outflow of resources in the Statements of Net Position.

General Obligation Capital Outlay Bonds:

General obligation capital outlay bonds payable as of June 30, 2016 and 2015, consist of the following:

	2016	2015
General Obligation Capital Outlay Bonds, Series 2016, \$8,970,000, interest is paid semiannually on March 1 and September 1 at interest rates of 4% to 5%	\$ 8,970,000	\$ -
Premium on Series 2016 General Obligation Capital Outlay Bonds	738,048	-
Total General Obligation Capital Outlay Bonds Payable	9,708,048	-
Less current portion of general obligation capital outlay bonds payable	1,760,000	-
Noncurrent General Obligation Capital Outlay Bonds Payable	\$ 7,948,048	\$ -

Johnson County Community College

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

Future annual maturities of general obligation capital outlay bonds payable are as follows:

Fiscal Year:	Principal	Interest	Total General Obligation Bonds
2017	\$ 1,760,000	\$ 442,108	\$ 2,202,108
2018	1,685,000	309,950	1,994,950
2019	1,755,000	232,375	1,987,375
2020	1,840,000	142,500	1,982,500
2021	1,930,000	48,250	1,978,250
Total General Obligation Bonds	<u><u>\$ 8,970,000</u></u>	<u><u>\$ 1,175,183</u></u>	<u><u>\$ 10,145,183</u></u>

On January 6, 2016 the College issued the General Obligation Capital Outlay Bonds, Series 2016 in the amount of \$8,970,000 with premium of \$922,559 at interest rates of 4% to 5%. Interest is payable semiannually. The Series 2016 Bonds were issued to finance the costs of various capital improvements to campus buildings.

Certificates of Participation:

Certificates of participation at June 30, 2016 and 2015, consist of the following:

	2016	2015
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 \$1,665,079 and \$1,332,063 as of June 30, 2016 and 2015, 3.50% to 4.55%, aggregate payments of \$7,052,075, including interest of \$577,075)	\$ 6,475,000	\$ 7,995,000
Premium on Series 2009 Certificates of Participation	18,590	24,219
Total Certificates of Participation	<u>6,493,590</u>	<u>8,019,219</u>
Less current portion of certificates of participation	1,555,000	1,520,000
Noncurrent Certificates of Participation	<u><u>\$ 4,938,590</u></u>	<u><u>\$ 6,499,219</u></u>

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, 2016 are as follows:

Fiscal Year:	Principal	Interest	Total Capital Leases
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
Total Certificates of Participation	\$ 6,475,000	\$ 577,075	\$ 7,052,075

The College leases office space under operating lease agreements that expire through fiscal year 2020. Rental expense totaled \$412,706 and \$452,359 for the years ended June 30, 2016 and 2015, respectively. Minimum rental commitments under these noncancelable operating leases with initial terms of one year or longer at June 30, 2016 are \$319,606.

Loan Obligations:

The College's loan obligations as of June 30, 2016 and 2015, consist of the following:

	2016	2015
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 payment due December 1, 2016.	\$ 661,672	\$ 1,323,345
Less current portion of the loan obligation	661,672	661,673
Noncurrent Loan Obligation	\$ -	\$ 661,672

The final principal payment of \$661,672 on the Postsecondary Educational Institution Loan is due during the year ending June 30, 2017.

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, 2016 and 2015.

Johnson County Community College

Notes to Financial Statements

Note 5. Defined Benefit Pension Plan

During the year ended June 30, 2015, 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

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 2016, the State of Kansas contributed 10.91% for the period July 1, 2015 to March 31, 2016 and 10.81% for the period April 1, 2016 to June 30, 2016 of covered payroll. 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.

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

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

At June 30, 2015, the College's proportion of the net pension liability was 1.924%, which was a decrease of 0.034% from the proportion measured at June 30, 2014. The proportion recognized by the State of Kansas on behalf of the College was 1.912% (special funding situation). The proportion recognized by the College for KPERS retirees was 0.011%.

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, 2016 and 2015, the proportionate share of the net pension liability recognized by the State of Kansas that was attributable to the College was \$132,414,195 and \$125,094,393, respectively.

The State of Kansas contributed \$9,203,256 and \$8,293,031 directly to KPERS on behalf of the College for the years ended June 30, 2016 and 2015, respectively. The payments made by the State of Kansas on behalf of the College have been recorded as both revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position.

Johnson County Community College

Notes to Financial Statements

Note 5. Defined Benefit Pension Plan (Continued)

Net Pension Liability:

The college makes contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937. During the years ended June 30, 2016 and June 30, 2015, the contribution made to KPERS for these employees was \$72,003 and \$49,477, respectively. At June 30, 2016, the College reported a liability of \$780,004 for its proportionate share of the net pension liability related to these employees. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The College proportion of the net pension liability was based on the ratio of the College's actual contribution to KPERS, relative to the total employer and nonemployer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2015. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2015, the College's proportion was 0.011%.

For the year ended June 30, 2016, the College recognized pension expense of \$807,292. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 23,375
Net difference between projected and actual earnings on pension plan investments	-	20,320
Change in proportion	-	31,334
Change in assumptions	-	1,736
College contributions subsequent to measurement date	<u>121,480</u>	-
Total	<u>\$ 121,480</u>	<u>\$ 76,765</u>

\$121,480 reported as deferred outflow of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year:</u>	
2017	\$ (24,021)
2018	(24,021)
2019	(24,021)
2020	(1,052)
2021	<u>(3,651)</u>
Total	<u>\$ (76,765)</u>

Johnson County Community College

Notes to Financial Statements

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, 2015 measurement date was determined by an actuarial valuation as of December 31, 2014 which was rolled forward to June 30, 2015. 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. 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 16.00 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, 2014 valuation were based on the results of an actuarial experience study conducted for the three year period beginning December 31, 2012.

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, 2015 are summarized in the following table:

Johnson County Community College

Notes to Financial Statements

Note 5. Defined Benefit Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	13%	0.80%
Yield driven	8%	4.20%
Real return	11%	1.70%
Real estate	11%	5.40%
Alternatives	8%	9.40%
Short-term investments	2%	-0.50%
Total	100%	

Sensitivity to changes in the discount rate:

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
College's proportionate share of the net pension liability allocated to the State of Kansas	\$ 170,459,063	\$ 132,414,195	\$ 100,100,119
College's proportionate share of the net pension liability allocated to the College	\$ 1,004,113	\$ 780,004	\$ 589,653
Total	\$ 171,463,176	\$ 133,194,199	\$ 100,689,772

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.

Johnson County Community College

Notes to Financial Statements

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.

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, 2016 and 2015:

Johnson County Community College

Notes to Financial Statements

Note 6. Other Postemployment Benefit Plan (Continued)

	2016	2015
Normal cost	\$ 267,300	\$ 350,579
Amortization of AAL (30 yrs)	278,448	387,959
Annual Required Contribution	545,748	738,538
Interest on net OPEB obligation (asset)	(20,535)	(7,684)
Adjustment to annual required contribution	23,976	8,972
Annual OPEB Cost (Expense)	549,189	739,826
Contributions and payments made	(736,000)	(1,107,000)
(Decrease) in Net OPEB Obligation	(186,811)	(367,174)
Net OPEB Obligation (Asset), Beginning of Year	(586,724)	(219,550)
Net OPEB Obligation (Asset), End of Year	<u>\$ (773,535)</u>	<u>\$ (586,724)</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 2016 follows:

Fiscal Year Ended:	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2016	\$ 549,189	134.02%	\$ (773,535)
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

Funded status and funding progress:

As of July 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The College's actuarial accrued liability for benefits was \$6,583,456 and the actuarial value of assets is zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,583,456. The covered payroll (annual payroll of active employees covered by the plan) was \$62,792,740 and the ratio of the UAAL to the covered payroll was 10.48%.

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 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.

Johnson County Community College

Notes to Financial Statements

Note 6. Other Postemployment Benefit Plan (Continued)

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, 2015 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 8% reduced by decrements of 0.5% 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, 2016 and 2015.

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 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.

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.

Johnson County Community College

Notes to Financial Statements

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, 2016 and 2015, 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, 2012 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, 2016 and 2015, 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:

	2016	2015
Due in less than one year	\$ 800,522	\$ 214,555
Due after one year to five years	280,000	405,000
Total Promises to Give	1,080,522	619,555
Less discount of present value (interest rates from 0.88% to 2.97%)	4,961	8,198
Promises to Give, net	\$ 1,075,561	\$ 611,357

Total gross pledges of \$415,000 and \$550,000 as of June 30, 2016 and 2015, respectively, were due from certain members of the Foundation's Board of Directors or affiliated organizations of these Directors. Approximately 78% and 90% of gross pledges receivable from Board members were due from one donor as of June 30, 2016 and 2015, respectively.

Johnson County Community College

Notes to Financial Statements

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

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, 2016 and 2015, respectively.

Investments:

The Foundation's investment portfolio as of June 30, 2016 and 2015 consisted of the following:

	2016	2015
U.S. government obligations	\$ 2,007,684	\$ 1,735,828
Equity funds	7,409,125	9,040,917
Corporate bonds	3,877,570	4,068,760
Common stock	8,833,732	8,906,134
Certificates of deposit	149,888	148,046
	<u>\$ 22,277,999</u>	<u>\$ 23,899,685</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.

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 \$599,000 and \$570,000 for 2016 and 2015, 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. At June 30, 2016, the Foundation owed a related party \$66,883, which was included in accounts payable.

Johnson County Community College

Notes to Financial Statements

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

Net assets:

Temporarily restricted net assets as of June 30, 2016 and 2015 were restricted as follows:

	2016	2015
Scholarships to students	\$ 4,007,778	\$ 4,668,176
Support of College programs, including visual and performing arts programs and capital projects	2,910,067	3,654,031
	<u>\$ 6,917,845</u>	<u>\$ 8,322,207</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, 2016 and 2015 and is included below in visual and performing art programs.

Permanently restricted net assets as of June 30, 2016 and 2015 were restricted as follows:

	2016	2015
Scholarships to students	\$ 8,535,218	\$ 8,296,935
Support of College programs, including visual and performing arts programs	9,750,407	8,966,759
	<u>\$ 18,285,625</u>	<u>\$ 17,263,694</u>

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, 2016 and 2015 as follows:

	2016	2015
Scholarships to students	\$ 1,036,217	\$ 969,986
Support of College programs, including visual and performing arts programs and capital projects	2,008,429	1,596,698
	<u>\$ 3,044,646</u>	<u>\$ 2,566,684</u>

Johnson County Community College

Notes to Financial Statements

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

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, 2016.

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, 2016 and 2015 segregated by the general classification of such instruments pursuant to the valuation hierarchy:

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Investments				
U.S. government obligations	\$ -	\$ 2,007,684	\$ -	\$ 2,007,684
Equity funds:				
Fixed income mutual funds	1,678,451	-	-	1,678,451
International mutual funds	2,358,417	-	-	2,358,417
Domestic mutual funds	3,372,257	-	-	3,372,257
Corporate bonds	-	3,877,570	-	3,877,570
Common stock				
Energy	572,795	-	-	572,795
Materials	322,898	-	-	322,898
Industrials	943,418	-	-	943,418
Consumer discretionary	1,051,251	-	-	1,051,251
Consumer staples	764,493	-	-	764,493
Health care	1,167,066	-	-	1,167,066
Financials	1,075,222	-	-	1,075,222
Information technology	1,631,116	-	-	1,631,116
Telecommunication services	160,184	-	-	160,184
Utilities	171,795	-	-	171,795
REITS	25,557	-	-	25,557
Preferred stock	947,937	-	-	947,937
	<u>\$ 16,242,857</u>	<u>\$ 5,885,254</u>	<u>\$ -</u>	<u>\$ 22,128,111</u>
Cash surrender value of life insurance	-	-	8,541	8,541
Total	<u><u>\$ 16,242,857</u></u>	<u><u>\$ 5,885,254</u></u>	<u><u>\$ 8,541</u></u>	<u><u>\$ 22,136,652</u></u>

Johnson County Community College

Notes to Financial Statements

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

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
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
Total	<u><u>\$ 17,947,051</u></u>	<u><u>\$ 5,804,588</u></u>	<u><u>\$ 7,227</u></u>	<u><u>\$ 23,758,866</u></u>

There were no transfers between Level 1, 2 or 3 for the fair value hierarchy for the fiscal years ended June 30, 2016 and 2015.

Johnson County Community College

Notes to Financial Statements

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:

	2016	2015
Total Capital Assets, Net	<u>\$ 19,343,788</u>	<u>\$ 20,070,543</u>
Total Debt	<u>\$ 17,978,291</u>	<u>\$ 19,170,267</u>
Operating revenues, sales and service	\$ 13,958,938	\$ 14,783,514
Less operating expenses, salaries, utilities, depreciation and other expenses	10,740,744	10,666,081
Operating Income	<u>\$ 3,218,194</u>	<u>\$ 4,117,433</u>

Johnson County Community College

**Required Supplementary Information
Schedules of College's Proportionate Share and Contributions
Year Ended June 30, 2016**

**KPERS Defined Benefit Pension Plan
Schedule of College's Proportionate Share of the Net Pension Liability**

	Plan Year Ended 2015*
Total proportion of the state/school group net pension liability allocated to the College	1.92353%
Less: proportion of the state/school group net pension liability allocated to the State of Kansas (special funding)	1.91227%
College's proportion of the state/school group net pension liability	<u>0.01126%</u>
Total proportionate share of the state/school group net pension liability allocated to the College	\$ 133,194,199
Less: proportionate share of the state/school group net pension liability allocated to the State of Kansas (special funding)	\$ 132,414,195
College's proportionate share of the state/school group net pension liability	<u>\$ 780,004</u>
College's state/school group covered-employee payroll	\$ 242,814
College's state/school group proportionate share of net pension liability as a percentage of its covered-employee payroll	321.24%
Plan fiduciary net position as a percentage of the total pension liability	64.95%

**KPERS Defined Benefit Pension Plan
Schedule of College's Contributions**

	Plan Year Ended 2015*
Required state/school group contribution	\$ 49,477
Contributions made in relation to the required contribution	49,477
Contribution deficiency	<u>-</u>
College's state/school group covered-employee payroll	\$ 242,814
Contributions as a percentage of state/school group covered-employee payroll	20.38%

* GASB 68 requires presentation of ten years. The College's proportionate share of the net pension liability allocated to employer prior to the plan year ended 2015 is not available.

Johnson County Community College

**Required Supplementary Information
Other Postemployment Benefit Plan
Schedule of Funding Progress
Year Ended June 30, 2016**

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
2016	July 1, 2015	-	6,583,456	6,583,456	-	62,792,740	10.48

The information presented in the required supplementary information schedule was determined as part of the actuarial valuation as of July 1, 2015. 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% - 8.0%; 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, 2016**

	Budgetary Expenditures	Legal Appropriations Budget	(Over) Under Budget
Current Unrestricted Funds:			
General	\$ 124,421,167	\$ 136,616,213	\$ 12,195,046
Postsecondary technical education (PTE)	43,313,708	52,855,355	9,541,647
Subtotal General and PTE	<u>167,734,875</u>	<u>189,471,568</u>	<u>21,736,693</u>
Adult supplementary education	5,671,909	7,334,751	1,662,842
Truck driver training	114,897	868,200	753,303
Motorcycle driver	70,782	86,386	15,604
Auxiliary enterprises	12,957,197	16,255,726	3,298,529
Total Current Unrestricted Funds	<u>186,549,660</u>	<u>\$ 214,016,631</u>	<u>\$ 27,466,971</u>
Current Restricted Funds:			
Special assessments	98,300	<u>\$ 494,000</u>	<u>\$ 395,700</u>
Other restricted	<u>19,430,147</u>		
Total Current Restricted Funds	<u>19,528,447</u>		
Total Current Funds	<u>206,078,107</u>		
Loan Funds	<u>1,390,335</u>		
Plant Funds:			
Unexpended, capital outlay	1,908,801	<u>\$ 16,433,191</u>	<u>\$ 14,524,390</u>
Repair and replacement reserve	201,284		
Bond proceeds, construction	(3,240,942)		
Debt retirement, revenue bonds	<u>6,075,359</u>		
Total Plant Funds	<u>4,944,502</u>		
Total Current, Loan, and Plant Funds	<u>\$ 212,412,944</u>		