

Johnson County Community College

Financial Report

06.30.2009

McGladrey & Pullen
Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
Johnson County Community College
Overland Park, Kansas

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Johnson County Community College as of and for the years ended June 30, 2009 and 2008, which collectively comprise Johnson County Community College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Johnson County Community College's management. Our responsibility is to express opinions 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 of material misstatement. The financial statements of the Johnson County Community College Foundation were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Johnson County Community College as of June 30, 2009 and 2008, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6 to the financial statements, Johnson County Community College adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with Government Auditing Standards, we have also issued our reports for the years ended June 30, 2009 and 2008 dated October 23, 2009 and October 27, 2008, respectively, 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, grant agreements and other matters. The purpose of these reports 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. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 3 through 18 and the schedule of funding progress of the other postemployment benefit plan on page 58 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Johnson County Community College's basic financial statements. The other schedules listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Kansas City, Missouri
October 23, 2009

Johnson County Community College

Management's Discussion and Analysis Years Ended June 30, 2009 and 2008

Introduction

This section of Johnson County Community College's (the College) annual financial report presents a discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2009, and comparative data for the fiscal years ended June 30, 2008 and 2007. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with them. Management is responsible for the objectivity and integrity of the accompanying financial statements and footnotes, and this discussion and analysis.

Management is also responsible for maintaining the College's system of internal control which includes careful selection and development of employees, proper division and duties, and written accounting and operation policies and procedures. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes the College's system provides reasonable, but not absolute, assurance that assets are safeguarded from unauthorized use or disposition, and the accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with generally accepted accounting principles.

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

One of the most important questions asked about the College's finances is whether the College as a whole is better off or worse off as a result of the year's activities. The statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows provide information on the College as a whole and present a long-term view of the College's finances. These statements present financial information in a form similar to that used by private corporations. Over time, increases or decreases in net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities. In addition to these three basic financial statements, this report contains notes to the financial statements, required supplementary information and other supplementary schedules as appropriate.

Financial Highlights for Fiscal Year Ended June 30, 2009

The College's financial position remained strong at June 30, 2009, with total assets of \$268.1 million and liabilities of \$50.6 million compared to \$269.6 million and \$51.2 million, respectively, at June 30, 2008. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, were \$217.5 million at June 30, 2009. This is a 0.4% percent decrease from last fiscal year's net assets of \$218.4 million.

Johnson County Community College

Management's Discussion and Analysis Years Ended June 30, 2009 and 2008

Financial operations were in accordance with the budget plan approved by the College's Board of Trustees. Operating revenues were \$53.7 million and operating expenses were \$166.2 million, resulting in a loss from operations of \$112.5 million. This loss may create confusion because operating gain or loss as defined by GASB Statement No. 35 does not present a complete picture of College operations until combined with nonoperating revenues. Nonoperating revenues, including the state operating grant and county property taxes, net of nonoperating expenses, were \$111.6 million, which, when combined with the loss from operations, resulted in an overall decrease in net assets of \$0.9 million compared to a \$9.2 million increase for the year ended June 30, 2008.

Financial Highlights for Fiscal Year Ended June 30, 2008

The College's financial position remained strong at June 30, 2008, with total assets of \$269.6 million and liabilities of \$51.2 million compared to \$267.1 million and \$57.9 million, respectively, at June 30, 2007. Net assets were \$218.4 million. This is a 4.4 percent increase over June 30, 2007 net assets of \$209.2 million.

Operating revenues were \$53.8 million and operating expenses were \$156.7 million, resulting in a loss from operations of \$102.9 million. Nonoperating revenues, net of nonoperating expenses, were \$112.1 million, which, when combined with other revenue sources and the loss from operations, resulted in an overall increase in net assets of \$9.2 million.

There are three comparative financial statements presented: the statements of net assets; the statements of revenues, expenses and changes in net assets; and the statements of cash flows. The emphasis of the discussion about the financial statements is designed to focus on current activities, resulting changes and currently known facts.

The Statement of Net Assets

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities of the College. The difference between total assets and total liabilities – net assets – is one indicator of the current financial condition of the College, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values or historical costs.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the College.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the College's equity in capital assets – the property, plant and equipment owned by the College. The next category is restricted net assets, which is divided into two categories, expendable and nonexpendable. Expendable restricted net assets are available for expenditure by the College but must be spent for purposes as specified by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The corpus of nonexpendable restricted resources (endowment funds) is only available for investment purposes. The final category is unrestricted net assets. Unrestricted net assets are available for use by the College for any legal purpose.

Johnson County Community College

Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

Condensed Statements of Net assets
June 30, 2009, 2008 and 2007
(Dollars in Millions)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Assets:					
Current assets	\$ 120.5	\$ 127.5	\$ (7.0)	\$ 126.6	\$ 0.9
Capital assets, net	141.2	140.5	0.7	139.0	1.5
Other noncurrent assets	6.4	1.6	4.8	1.5	0.1
Total assets	\$ 268.1	\$ 269.6	\$ (1.5)	\$ 267.1	\$ 2.5
Liabilities:					
Current liabilities	\$ 13.6	\$ 17.3	\$ (3.7)	\$ 18.3	\$ (1.0)
Noncurrent liabilities	37.0	33.9	3.1	39.6	(5.7)
Total liabilities	\$ 50.6	\$ 51.2	\$ (0.6)	\$ 57.9	\$ (6.7)
Net assets:					
Invested in capital assets, net of related debt	\$ 104.5	\$ 102.9	\$ 1.6	\$ 95.6	\$ 7.3
Restricted, expendable	21.6	17.6	4.0	17.5	0.1
Unrestricted	91.4	97.9	(6.5)	96.1	1.8
Total net assets	\$ 217.5	\$ 218.4	\$ (0.9)	\$ 209.2	\$ 9.2

Significant assets consist of cash and cash equivalents, short-term investments, accounts receivable and capital assets. Significant liabilities include accounts payable and accrued liabilities, long-term bonded debt, compensated absences and deferred revenue.

Fiscal Year 2009 Compared to Fiscal Year 2008

Current assets, which consist primarily of cash, short-term investments and receivables, totaled \$120.5 million at June 30, 2009, a decrease of \$7.0 million from June 30, 2008. Total current assets at June 30, 2009 cover current liabilities 8.9 times, an indicator of excellent liquidity. Net assets invested in capital assets, net of related debt, which represents 48.0 percent of total net assets at June 30, 2009, represents the assets' historical costs, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Expendable restricted net assets are subject to externally imposed restrictions governing their use. This category of net assets includes property tax revenues collected for capital outlay and special assessments and funds received from federal, state, local and private entities which can be spent only in accordance with restrictions imposed by external parties. The College has no nonexpendable restricted net assets at June 30, 2009 and 2008.

Unrestricted net assets are not subject to externally imposed stipulations and are available to the College for any lawful purpose.

Fiscal Year 2008 Compared to Fiscal Year 2007

Current assets, which consist primarily of cash, short-term investments and receivables, totaled \$127.5 million at June 30, 2008, an increase of \$0.9 million from June 30, 2007. Total current assets at June 30, 2008 cover current liabilities 7.4 times, an indicator of excellent liquidity. Net assets invested in capital assets, net of related debt, which represents 47.1 percent of total net assets at June 30, 2008, represents the assets' historical costs, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Expendable restricted net assets are subject to externally imposed restrictions governing their use. This category of net assets includes property tax revenues collected for capital outlay and special assessments and funds received from federal, state, local and private entities which can be spent only in accordance with restrictions imposed by external parties. The College has no nonexpendable restricted net assets at June 30, 2008 and 2007.

Unrestricted net assets are not subject to externally imposed stipulations and are available to the College for any lawful purpose.

The Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets presented on the statement of net assets result from the activity presented in the statement of revenues, expenses and changes in net assets. The purpose of the statement is to present the revenues earned by the College, both operating and nonoperating, and the expenses incurred by the College, operating and nonoperating, and any other revenues, expenses, gains and losses earned or incurred by the College. Under the accrual basis of accounting, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Generally speaking, operating revenues are received for providing goods and services to the students and various constituencies of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry on the mission of the College. Nonoperating revenues are revenues earned for which goods and services are not provided. For example, the state operating grant and county property tax collections are nonoperating because they represent revenue provided to the College for which no goods or services are provided directly by the College to the state or Johnson County.

One of the College's strengths is its diverse streams of revenue, which allow it the flexibility to weather difficult economic times. The statements below provide an illustration of revenues by source (both operating and nonoperating), which were used to fund the College's operating activities for the years ended June 30, 2009, 2008 and 2007.

Johnson County Community College

Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

Condensed Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2009, 2008 and 2007
(Dollars in Millions)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Operating revenues	\$ 53.7	\$ 53.8	\$ (0.1)	\$ 53.0	\$ 0.8
Operating expenses	166.2	156.7	9.5	139.0	17.7
Operating loss	(112.5)	(102.9)	(9.6)	(86.0)	(16.9)
Nonoperating revenues, net	111.6	112.1	(0.5)	109.9	2.2
Increase (decrease) in net assets	(0.9)	9.2	(10.1)	23.9	(14.7)
Net assets, beginning of year	218.4	209.2	9.2	185.3	23.9
Net assets, end of year	\$ 217.5	\$ 218.4	\$ (0.9)	\$ 209.2	\$ 9.2
Total revenues	\$ 166.7	\$ 167.1	\$ (0.4)	\$ 164.4	\$ 2.7
Total expenses	\$ 167.6	\$ 157.9	\$ 9.7	\$ 140.5	\$ 17.4

The following table of revenues by source (both operating and nonoperating) shows revenues used to fund the College's operating activities for the years ended June 30, 2009, 2008 and 2007.

Revenues by Source
Years Ended June 30, 2009, 2008 and 2007
(Dollars in Millions)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Operating revenues:					
Student tuition and fees	\$ 31.0	\$ 31.3	\$ (0.3)	\$ 30.5	\$ 0.8
Gifts, grants and contracts	8.6	9.0	(0.4)	9.3	(0.3)
Auxiliary enterprise revenue	11.1	10.7	0.4	9.3	1.4
Other operating revenues	3.0	2.8	0.2	3.9	(1.1)
Total operating revenues	\$ 53.7	\$ 53.8	\$ (0.1)	\$ 53.0	\$ 0.8
Nonoperating revenues (expenses):					
County property taxes	\$ 79.4	\$ 78.3	\$ 1.1	\$ 76.6	\$ 1.7
State aid	28.6	27.3	1.3	25.4	1.9
Gifts, grants and contracts	3.3	3.2	0.1	3.1	0.1
Investment income	1.7	4.5	(2.8)	6.1	(1.6)
Interest on capital asset debt	(1.4)	(1.2)	(0.2)	(1.3)	0.1
Total nonoperating revenues, net	\$ 111.6	\$ 112.1	\$ (0.5)	\$ 109.9	\$ 2.2

Johnson County Community College

Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

Operating expenses can be displayed in two formats, natural (object) classification and functional classification. Both formats are presented in the following tables for the years ended June 30, 2009, 2008 and 2007.

Operating Expenses by Natural Classification
Years Ended June 30, 2009, 2008 and 2007
(Dollars in Millions)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Operating expenses:					
Salaries and benefits	\$ 111.9	\$ 102.8	\$ 9.1	\$ 94.9	\$ 7.9
Supplies, services and other	37.6	39.6	(2.0)	33.4	6.2
Scholarships and financial aid	6.6	5.6	1.0	5.2	0.4
Depreciation	10.1	8.7	1.4	5.5	3.2
Total operating expenses	\$ 166.2	\$ 156.7	\$ 9.5	\$ 139.0	\$ 17.7

Operating Expenses by Functional Classification
Years Ended June 30, 2009, 2008 and 2007
(Dollars in Millions)

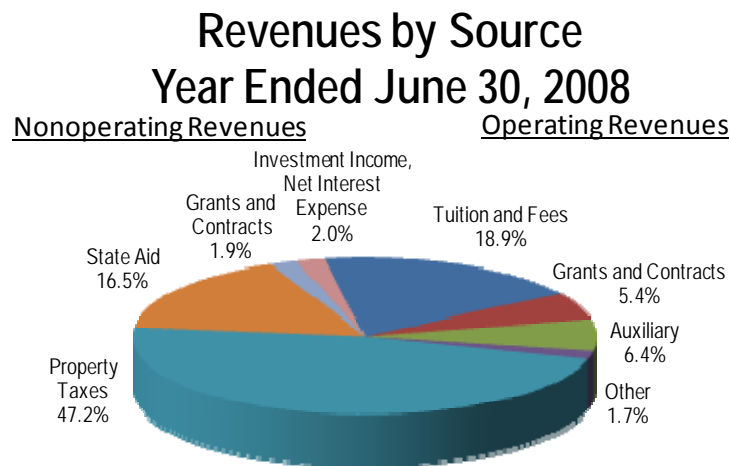
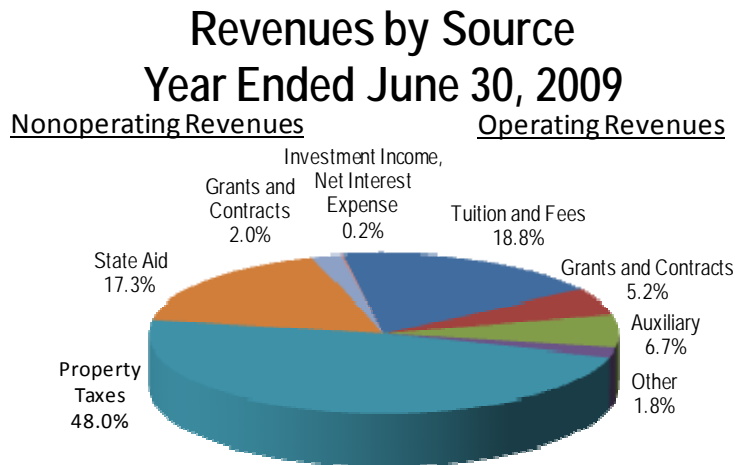
	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Operating expenses:					
Instruction	\$ 59.0	\$ 58.6	\$ 0.4	\$ 54.3	\$ 4.3
Community services	0.7	0.5	0.2	0.6	(0.1)
Academic support	25.5	22.8	2.7	23.2	(0.4)
Student services	13.9	12.1	1.8	11.8	0.3
Institutional support	24.3	21.6	2.7	18.1	3.5
Student financial aid	6.4	5.5	0.9	5.1	0.4
Plant and maintenance	13.4	14.5	(1.1)	10.7	3.8
Auxiliary	12.9	12.4	0.5	9.7	2.7
Depreciation	10.1	8.7	1.4	5.5	3.2
Total operating expenses	\$ 166.2	\$ 156.7	\$ 9.5	\$ 139.0	\$ 17.7

Fiscal Year 2009 Compared to Fiscal Year 2008

The statement of revenues, expenses and changes in net assets reflects a decrease in net assets of \$0.9 million during the year ended June 30, 2009, compared to an increase of \$9.2 million during fiscal year 2008. Some highlights of the information provided in these statements follow.

Revenues

The following graphic illustrations of revenues by source (both operating and nonoperating) represent revenues used to fund the College's operating activities for the years ended June 30, 2009 and 2008.

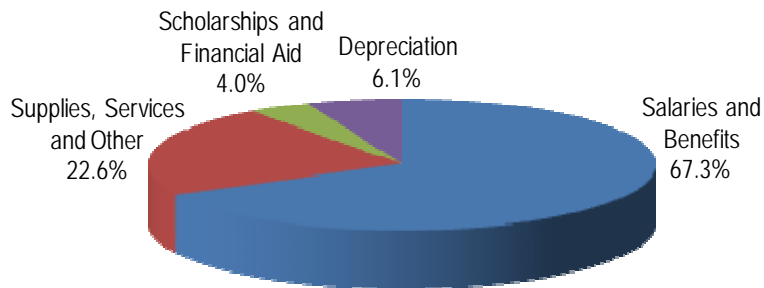


County property taxes and state aid comprise 65.3 percent of the College's revenue for the year ended June 30, 2009, compared to 63.7 percent for the year ended June 30, 2008. The next largest revenue source was net tuition and fees, comprising 18.8 percent of revenue for the year ended June 30, 2009, compared to 18.9 percent for the year ended June 30, 2008.

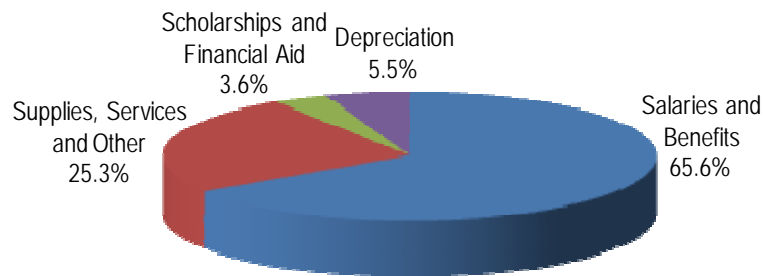
Expenses

Operating expenses are displayed in both formats, natural (object) classification and functional classification, in the following graphic illustrations for the years ended June 30, 2009 and 2008.

Operating Expenses by Natural Classification Year Ended June 30, 2009

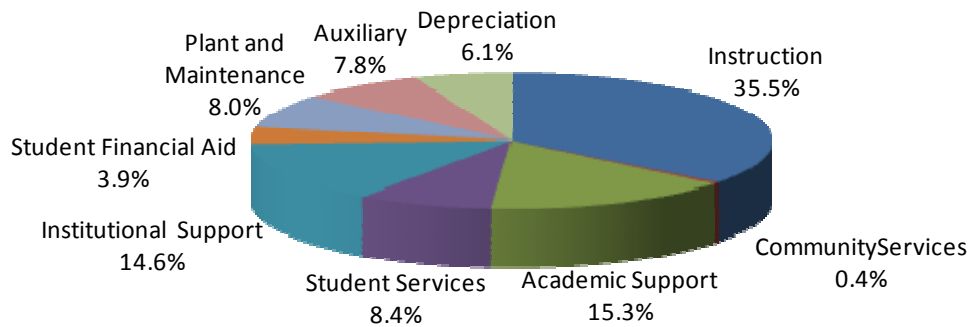


Operating Expenses by Natural Classification Year Ended June 30, 2008

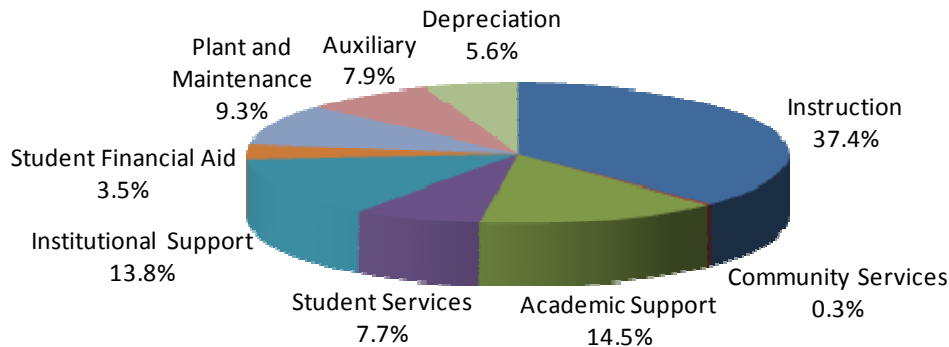


Salaries and benefits comprise 67.3 percent of expenses by natural classification for the year ended June 30, 2009, compared to 65.6 percent for the year ended June 30, 2008. Supplies, services and other expenses represent 22.6 percent of total expenses for the year ended June 30, 2009, compared to 25.3 percent for the year ended June 30, 2008. Scholarships and financial aid and depreciation represent the remaining 10.1 percent of expenses for the year ended June 30, 2009, compared to 9.1 percent for the year ended June 30, 2008.

Operating Expenses by Functional Classification Year Ended June 30, 2009



Operating Expenses by Functional Classification Year Ended June 30, 2008



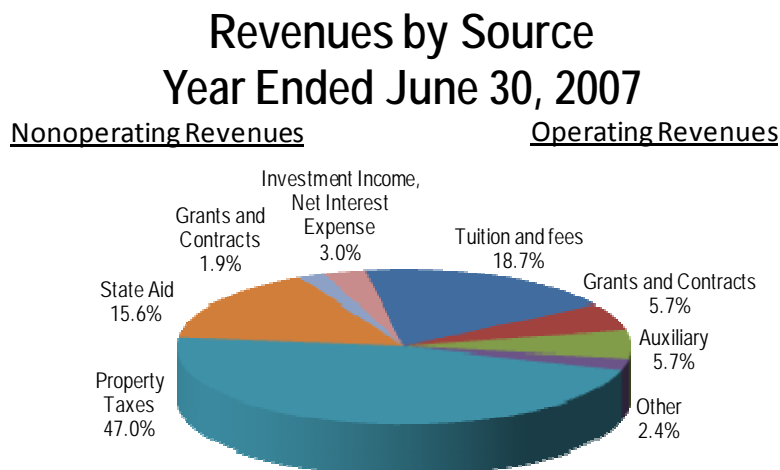
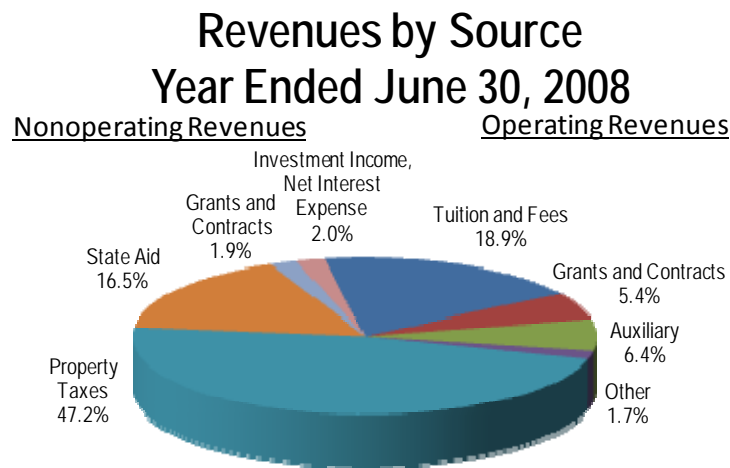
Operating expenses by function indicate 35.5 percent is attributable to instruction for the year ended June 30, 2009, compared to 37.4 percent for the year ended June 30, 2008. The percentages for the remaining operating expenses by functional area range from 15.3 percent for academic support to 0.4 percent for community services for the year ended June 30, 2009, compared to 14.5 percent for academic support to 0.3 percent for community services for the year ended June 30, 2008.

Fiscal Year 2008 Compared to Fiscal Year 2007

The statement of revenues, expenses and changes in net assets reflects an increase in net assets of \$9.2 million during the year ended June 30, 2008, compared to \$23.9 million during fiscal year 2007. Some highlights of the information provided in these statements follow.

Revenues

The following graphic illustrations of revenues by source (both operating and nonoperating) represent revenues used to fund the College's operating activities for the years ended June 30, 2008 and 2007.



Johnson County Community College

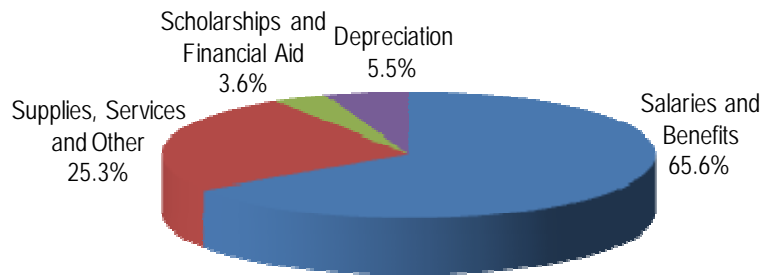
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

County property taxes and state aid comprise 63.7 percent of the College's revenue for the year ended June 30, 2008, compared to 62.6 percent for the year ended June 30, 2007. The next largest revenue source was net tuition and fees, comprising 18.9 percent of revenue for the year ended June 30, 2008, compared to 18.7 percent for the year ended June 30, 2007.

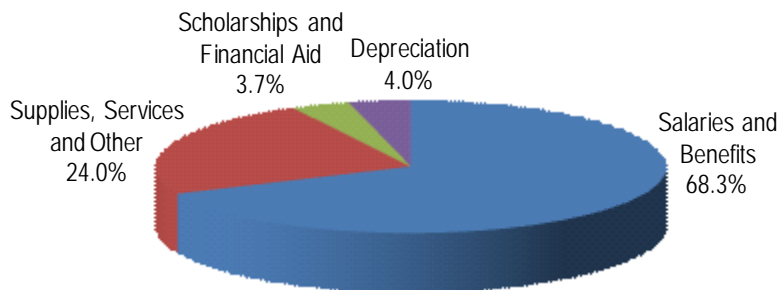
Expenses

Operating expenses are displayed in both formats, natural (object) classification and functional classification, in the following graphic illustrations for the years ended June 30, 2008 and 2007.

Operating Expenses by Natural Classification Year Ended June 30, 2008



Operating Expenses by Natural Classification Year Ended June 30, 2007

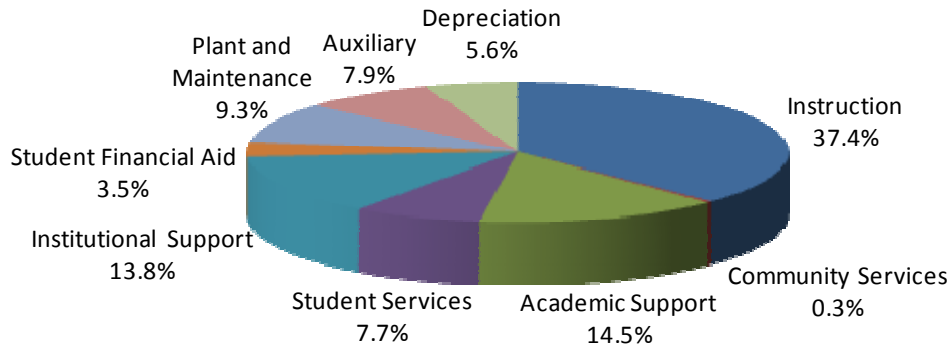


Johnson County Community College

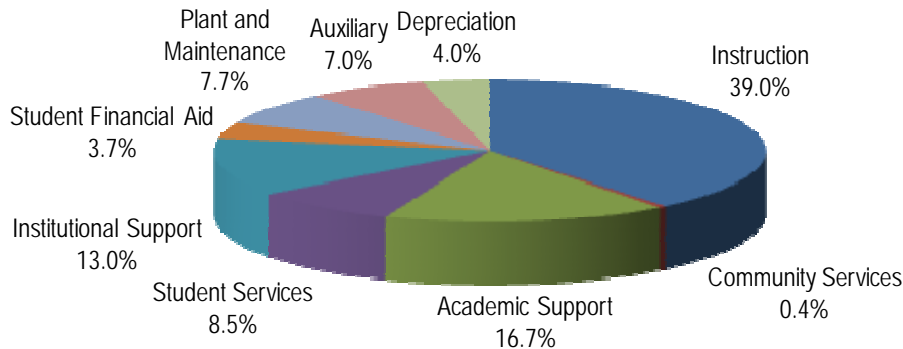
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

Salaries and benefits comprise 65.6 percent of expenses by natural classification for the year ended June 30, 2008, compared to 68.3 percent for the year ended June 30, 2007. Supplies, services and other expenses represent 25.3 percent of total expenses for the year ended June 30, 2008, compared to 24.0 percent for the year ended June 30, 2007. Scholarships and financial aid and depreciation represent the remaining 9.1 percent of expenses for the year ended June 30, 2008, compared to 7.7 percent for the year ended June 30, 2007.

Operating Expenses by Functional Classification Year Ended June 30, 2008



Operating Expenses by Functional Classification Year Ended June 30, 2007



Operating expenses by function indicate 37.4 percent is attributable to instruction for the year ended June 30, 2008, compared to 39.0 percent for the year ended June 30, 2007. The percentages for the remaining operating expenses by functional area range from 14.5 percent for academic support to 0.3 percent for community services for the year ended June 30, 2008, compared to 16.7 percent for academic support to 0.4 percent for community services for the year ended June 30, 2007.

Johnson County Community College

Management's Discussion and Analysis Years Ended June 30, 2009 and 2008

The Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement also assists users in assessing the College's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

The statement of cash flows is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used in the acquisition, construction and financing of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The fifth section reconciles the net cash used by operating activities to the operating loss reflected on the statement of revenues, expenses and changes in net assets.

Condensed Statements of Cash Flows Years Ended June 30, 2009, 2008 and 2007 (Dollars in Millions)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Cash provided by (used in):					
Operating activities	\$ (102.9)	\$ (93.4)	\$ (9.5)	\$ (79.8)	\$ (13.6)
Noncapital financing activities	110.5	108.4	2.1	104.2	4.2
Capital and related financing activities	(17.9)	(19.0)	1.1	(41.2)	22.2
Investing activities	1.9	56.5	(54.6)	67.0	(10.5)
Net change in cash	(8.4)	52.5	(60.9)	50.2	2.3
Cash, beginning of year	121.1	68.6	52.5	18.4	50.2
Cash, end of year	\$ 112.7	\$ 121.1	\$ (8.4)	\$ 68.6	\$ 52.5

Fiscal Year 2009 Compared to Fiscal Year 2008

Significant sources of cash included property tax revenues, the state operating grant, tuition and fees, and proceeds from maturities of investments. Significant uses of cash were for payments to suppliers and vendors, payments to employees including benefits, payments for scholarships, capital assets and purchases of investments.

The cash position of the College decreased by \$8.4 million for the fiscal year ended June 30, 2009, compared to an increase of \$52.5 million for the fiscal year ended June 30, 2008. The decrease in cash at June 30, 2009, results from planned spend down of cash balances during the fiscal year ended June 30, 2009.

Johnson County Community College

Management's Discussion and Analysis Years Ended June 30, 2009 and 2008

Fiscal Year 2008 Compared to Fiscal Year 2007

Significant sources of cash included property tax revenues, the state operating grant, tuition and fees, and proceeds from maturities of investments. Significant uses of cash were for payments to suppliers and vendors, payments to employees including benefits, payments for scholarships, capital assets and purchases of investments.

The cash position of the College increased by \$52.5 million for the fiscal year ended June 30, 2008, compared to an increase of \$50.2 million for the fiscal year ended June 30, 2007. The significant increase in cash at June 30, 2008, results from investments in certificates of deposit with an original term of less than three months, which requires classification on the statement of net assets as cash and cash equivalents.

Capital Assets and Long-Term Debt

Capital assets are reflected in the following table for the years ended June 30, 2009, 2008 and 2007.

Capital Assets

Years ended June 30, 2009, 2008, 2007

(Dollars in Millions)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Capital assets					
Land	\$ 1.0	\$ 1.0	\$ -	\$ 1.0	\$ -
Construction in progress	-	-	-	64.0	(64.0)
Works of art	2.8	2.7	0.1	2.1	0.6
Land improvements	34.0	32.1	1.9	19.9	12.2
Buildings and improvements	157.7	152.2	5.5	96.8	55.4
Equipment	31.1	29.8	1.3	26.2	3.6
Total	226.6	217.8	8.8	210.0	7.8
Less accumulated depreciation	85.4	77.4	8.0	71.0	6.4
Net capital assets	\$ 141.2	\$ 140.4	\$ 0.8	\$ 139.0	\$ 1.4

Additional information concerning capital assets is provided in Note 3 to the financial statements.

Fiscal Year 2009 Compared to Fiscal Year 2008

As of June 30, 2009, the College had recorded \$226.6 million invested in capital assets, \$85.4 million in accumulated depreciation and \$141.2 million in net capital assets. Various equipment purchases and disposals during the year resulted in the addition of \$1.3 million invested in this category of assets.

Johnson County Community College

Management's Discussion and Analysis Years Ended June 30, 2009 and 2008

Fiscal Year 2008 Compared to Fiscal Year 2007

As of June 30, 2008, the College had recorded \$217.8 million invested in capital assets, \$77.4 million in accumulated depreciation and \$140.4 million in net capital assets. The College completed building and land improvements and its Regnier Center for Technology and Nerman Museum of Contemporary Art (\$67.6 million) during the year. Various equipment purchases and disposals during the year resulted in the addition of \$3.6 million invested in this category of assets.

Long-term debt is summarized in the following table for the years ended June 30, 2009, 2008 and 2007.

Long-Term Debt Years ended June 30, 2009, 2008, 2007 (Dollars in Millions)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Long-term debt:					
General obligation bonds	\$ -	\$ 3.5	\$ (3.5)	\$ 6.9	\$ (3.4)
Revenue bonds	24.1	25.0	(0.9)	25.8	(0.8)
Capital lease obligations	7.2	8.7	(1.5)	10.3	(1.6)
Lease obligations assumed by third party	0.2	0.3	(0.1)	0.5	(0.2)
KBOR PEI loan obligation	5.3	-	5.3	-	-
Total long-term debt	\$ 36.8	\$ 37.5	\$ (0.7)	\$ 43.5	\$ (6.0)

Additional information concerning long-term debt is provided in Note 4 to the financial statements.

Economic Outlook

Tuition and fee rates increase by \$4 per credit hour for fiscal year 2010 and student credit hours are expected to increase by 3.0 percent, which is projected to increase tuition and fees revenue by \$2.0 million.

Assessed valuation of property in Johnson County is expected to decrease by 3.0 percent to \$8 billion for fiscal year 2010. The College's Board of Trustees maintained the tax levy at 8.768 mills for fiscal year 2010. The combination of these two factors is expected to result in a \$2.0 million decrease in property tax revenues during fiscal year 2010.

The State of Kansas is expected to decrease state funding to community colleges by 13 percent for fiscal year 2010. As a result the College expects a \$3 million decrease in state funding.

Despite the expected decreases in property tax revenues and state funding, College management believes the College is well positioned to maintain its strong financial condition and to continue providing excellent service to its students and other constituents. The College's financial position, as evidenced by its strong cash balance and Aaa bond ratings, provides a high degree of flexibility in obtaining funds on competitive terms. Management will continue to maintain a close watch over its resources and expenses to ensure its ability to plan and react to future internal and external issues and to ensure that the College maintains its strong financial condition.

Johnson County Community College

Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

Request for Information

These financial statements and discussions are designed to provide a general overview of the College's finances for all those with an interest in the entity's finances. Questions concerning any information provided in this report should be addressed to Robert Prater, Associate Vice President, Finance/Comptroller, 12345 College Blvd., Overland Park, Kansas 66210-1299.

Johnson County Community College

Statements of Net Assets
June 30, 2009 and 2008

	2009	2008
Assets		
Current Assets:		
Cash and cash equivalents	\$ 112,735,012	\$ 121,110,732
Accounts receivable, net of uncollectible accounts 2009 \$4,589,000; 2008 \$4,423,000	5,073,560	4,061,426
Student loans receivable	165,343	226,190
Loan receivable	661,673	-
Inventories	1,835,150	2,078,882
Total current assets	120,470,738	127,477,230
Noncurrent Assets:		
Restricted short-term investments	352,500	352,500
Student loans, net of allowance for uncollectible loans 2009 and 2008 \$62,079	1,434,239	1,280,770
Loan receivable	4,631,709	-
Capital assets not being depreciated	3,847,088	3,715,606
Capital assets being depreciated	222,791,978	214,137,009
Less accumulated depreciation	(85,381,553)	(77,405,279)
Total noncurrent assets	147,675,961	142,080,606
Total assets	268,146,699	269,557,836
Liabilities		
Current Liabilities:		
Accounts payable	3,177,732	4,271,612
Accrued salaries	2,613,336	3,081,278
Accrued compensated absences	440,630	377,647
Other accrued liabilities	833,026	908,309
Deferred student tuition and fee revenue	2,283,031	2,346,447
Deposits held in custody for others	362,972	306,670
Current portion of general obligation bonds	-	3,495,000
Current portion of revenue bonds payable	845,000	810,000
Current portion of capital lease obligations	1,570,887	1,568,626
Current portion of lease obligations assumed by third party	164,113	154,894
Current portion of loan obligation	661,673	-
Total current liabilities	12,952,400	17,320,483
Noncurrent Liabilities:		
Accrued compensated absences	2,706,729	2,319,835
Revenue bonds payable	23,345,000	24,190,000
Capital lease obligations	5,575,000	7,175,210
Lease obligations assumed by third party	-	164,113
Loan obligation	4,631,709	-
OPEB obligations	1,408,036	-
Total noncurrent liabilities	37,666,474	33,849,158
Total liabilities	50,618,874	51,169,641
Net Assets:		
Invested in capital assets, net of related debt	104,464,131	102,889,493
Restricted, expendable for:		
Capital projects	16,991,541	8,962,465
Bonds	1,594,624	5,139,834
Other	3,098,810	3,507,553
Unrestricted	91,378,719	97,888,850
Total net assets	\$ 217,527,825	\$ 218,388,195

See Notes to Financial Statements.

Johnson County Community College

Johnson County Community College Foundation - Component Unit
 Statements of Financial Position
 June 30, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	\$ 1,093,392	\$ 974,788
Contributions receivable, net	615,299	1,951,536
Grant receivable	123,305	-
Other receivables	5,250	5,250
Investments	17,005,379	18,710,210
Accrued interest receivable	92,691	88,316
Campus art	2,115,651	1,827,141
Cash surrender value of life insurance	7,989	7,324
	<u>\$ 21,058,956</u>	<u>\$ 23,564,565</u>
Liabilities and Net Assets		
Liabilities:		
Payables	\$ 65,306	\$ 74,433
General pledge to Johnson County Community College	1,430,265	1,377,265
Total liabilities	<u>1,495,571</u>	<u>1,451,698</u>
Net Assets:		
Unrestricted, undesignated	187,917	1,047,104
Unrestricted, designated for scholarships and program support	239,712	223,801
Temporarily restricted	4,840,711	7,254,765
Permanently restricted	14,295,045	13,587,197
Total net assets	<u>19,563,385</u>	<u>22,112,867</u>
	<u>\$ 21,058,956</u>	<u>\$ 23,564,565</u>

See Notes to Financial Statements.

Johnson County Community College

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2009 and 2008

	2009	2008
Operating revenues:		
Student tuition and fees, net of scholarship allowances 2009 \$1,889,215; 2008 \$1,520,918	\$ 31,019,776	\$ 31,323,417
Federal grants	7,132,427	5,847,921
State grants and contracts	449,634	1,088,947
Private gifts, grants and contracts	895,285	1,959,566
Local grants and contracts	104,981	102,153
Auxiliary enterprise revenue	11,093,208	10,705,609
Other operating revenue	3,001,657	2,799,519
Total operating revenues	53,696,968	53,827,132
Operating expenses:		
Salaries	79,716,971	75,332,594
Benefits	32,225,165	27,441,899
Contractual services	9,988,334	10,915,911
Supplies and other operating expenses	18,204,090	19,543,287
Utilities	2,693,414	2,463,489
Repairs and maintenance to plant	6,743,332	6,746,844
Scholarship and financial aid	6,564,440	5,643,506
Depreciation	10,071,074	8,704,252
Total operating expenses	166,206,820	156,791,782
Operating loss	(112,509,852)	(102,964,650)
Nonoperating revenues (expenses):		
County property taxes	79,380,130	78,348,230
State aid	28,575,000	27,297,252
Federal grants and contracts	1,922,333	1,762,423
Private gifts and contracts restricted for debt service	1,427,918	1,396,855
Investment income	1,673,079	4,444,462
Interest on student loans receivable	20,443	14,706
Other nonoperating revenues	64,624	97,320
Interest on capital asset debt	(1,414,045)	(1,246,454)
Total nonoperating revenues, net	111,649,482	112,114,794
Increase (decrease) in net assets	(860,370)	9,150,144
Net assets:		
Beginning	218,388,195	209,238,051
Ending	\$ 217,527,825	\$ 218,388,195

See Notes to Financial Statements.

Johnson County Community College

Johnson County Community College Foundation - Component Unit

Statements of Activities

Year Ended June 30, 2009

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Gifts and contributions	\$ 74,503	\$ 1,741,375	\$ 707,848	\$ 2,523,726
Contributed services	726,683	-	-	726,683
Dividend and interest income	56,946	506,324	-	563,270
Net realized and unrealized gains (losses) on investments	(870,930)	(1,711,470)	-	(2,582,400)
Net assets released from restrictions	3,009,932	(3,009,932)	-	-
Change in donor designation	-	-	-	-
Total support and revenue	2,997,134	(2,473,703)	707,848	1,231,279
Expenses:				
Program expenses:				
Scholarship programs	643,508	-	-	643,508
Foundation programming	60,190	-	-	60,190
Performing arts programs	222,857	-	-	222,857
Visual arts programs	120,347	-	-	120,347
Capital project programs	1,308,000	-	-	1,308,000
Educational program support	401,705	-	-	401,705
	2,756,607	-	-	2,756,607
Supporting services:				
Fund raising	847,485	-	-	847,485
Management and general	176,669	-	-	176,669
	1,024,154	-	-	1,024,154
Total expenses	3,780,761	-	-	3,780,761
Change in net assets before cumulative effect of change in accounting principle	(783,627)	(2,473,703)	707,848	(2,549,482)
Cumulative effect of change in accounting principle	(59,649)	59,649	-	-
Increase (decrease) in net assets	(843,276)	(2,414,054)	707,848	(2,549,482)
Net assets:				
Beginning	1,270,905	7,254,765	13,587,197	22,112,867
Ending	\$ 427,629	\$ 4,840,711	\$ 14,295,045	\$ 19,563,385

See Notes to Financial Statements.

2008

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 214,819	\$ 2,543,460	\$ 598,543	\$ 3,356,822
629,694	-	-	629,694
118,538	563,891	-	682,429
-	(832,134)	-	(832,134)
-	-	-	-
3,077,687	(3,077,687)	-	-
37,498	254,554	(292,052)	-
<u>4,078,236</u>	<u>(547,916)</u>	<u>306,491</u>	<u>3,836,811</u>
616,293	-	-	616,293
76,523	-	-	76,523
329,577	-	-	329,577
138,634	-	-	138,634
532,538	-	-	532,538
<u>1,074,438</u>	<u>-</u>	<u>-</u>	<u>1,074,438</u>
<u>2,768,003</u>	<u>-</u>	<u>-</u>	<u>2,768,003</u>
886,070	-	-	886,070
129,150	-	-	129,150
<u>1,015,220</u>	<u>-</u>	<u>-</u>	<u>1,015,220</u>
<u>3,783,223</u>	<u>-</u>	<u>-</u>	<u>3,783,223</u>
295,013	(547,916)	306,491	53,588
-	-	-	-
295,013	(547,916)	306,491	53,588
975,892	7,802,681	13,280,706	22,059,279
<u>\$ 1,270,905</u>	<u>\$ 7,254,765</u>	<u>\$ 13,587,197</u>	<u>\$ 22,112,867</u>

Johnson County Community College

Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities:		
Student tuition and fees	\$ 31,101,899	\$ 30,920,163
Payments to suppliers	(22,790,988)	(23,766,264)
Payments to employees	(78,327,000)	(74,255,852)
Payments for scholarships and financial aid	(6,564,440)	(5,643,506)
Payments for employee benefits	(32,289,820)	(27,279,706)
Payments for utilities	(2,672,452)	(2,491,298)
Payments for auxiliary services, net of charges	(2,544,362)	(2,965,394)
Grants and contracts	8,312,683	8,903,590
Other receipts, net	2,880,121	3,107,981
Net cash (used in) operating activities	(102,894,359)	(93,470,286)
Cash Flows from Noncapital Financing Activities:		
County property taxes	79,007,270	78,074,525
State aid	28,575,000	27,297,252
Grants and contracts	2,899,766	3,023,258
Funds held for others	56,302	27,475
Net cash provided by noncapital financing activities	110,538,338	108,422,510
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(10,472,915)	(11,810,680)
Proceeds from the sale of capital assets	64,624	-
Principal paid on bonds payable	(4,305,000)	(4,205,000)
Principal paid on capital leases	(1,752,843)	(1,520,719)
Interest paid on bonds payable	(1,128,763)	(1,245,093)
Interest paid on capital leases	(340,694)	(200,802)
Net cash (used in) capital and related financing activities	(17,935,591)	(18,982,294)
Cash Flows from Investing Activities:		
Purchase of investments	(2,352)	(11,600)
Proceeds from sale and maturities of investments	2,352	52,011,600
Interest on investments	1,915,892	4,531,007
Net cash provided by investing activities	1,915,892	56,531,007
Increase (decrease) in cash and cash equivalents	(8,375,720)	52,500,937
Cash and cash equivalents:		
Beginning	121,110,732	68,609,795
Ending	\$ 112,735,012	\$ 121,110,732

(Continued)

Johnson County Community College

Statements of Cash Flows (Continued)
Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating loss	\$ (112,509,852)	\$ (102,964,650)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	10,071,074	8,704,252
Changes in assets and liabilities		
Accounts receivable, net	(468,843)	405,080
Inventories	243,732	(589,753)
Accounts payable	(1,364,937)	398,475
Accrued salaries	(467,942)	(195,770)
Accrued compensated absences	449,877	283,888
Other accrued liabilities	(157,150)	206,392
Deferred student tuition and fee revenue	23,182	(27,841)
Other deferred revenue	(121,536)	309,641
Postemployment benefit obligation	1,408,036	-
Net cash used in operating activities	<u><u>\$ (102,894,359)</u></u>	<u><u>\$ (93,470,286)</u></u>
Schedule of Noncash Capital and Related Items, loan receivable and loan obligation	<u><u>\$ 5,293,382</u></u>	<u><u>\$ -</u></u>
Supplemental Cash Flow Information, accounts payable and other liabilities incurred for capital asset purchases	<u><u>\$ 408,336</u></u>	<u><u>\$ (1,660,018)</u></u>

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 District (the College) includes all of Johnson County, Kansas, which is located immediately west of Kansas City, Missouri, and immediately south of Kansas City, Kansas. The College was organized and established in 1967 under the provisions of then Section 72-6901 et seq. of Kansas Statutes Annotated (now K.S.A. 71-201 et seq.). The College is governed by a Board of Trustees of six 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 College reports are based on applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The following is a summary of the more significant policies.

Reporting entity:

The College has implemented GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College.

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 four 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 Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. During the years ended June 30, 2009 and 2008, the College received direct contributions from the Foundation of \$1,335,417 and \$2,907,622, respectively.

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

Johnson County Community College

Notes to Financial Statements

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

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 Statement No. 116, Accounting for Contributions Received and Contributions Made, and FASB Statement No. 117, Financial Reporting for Not-for-Profit-Organizations. 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 11) 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.

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, and (3) state and local grants and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange 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, 2009 and 2008, were \$5,500,445 (including construction contracts of \$1,606,095) and \$8,399,595 (including construction contracts of \$2,544,732), 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, 2009 and 2008 do not constitute expenses or liabilities and are not reflected in these basic financial statements.

Property taxes:

Valuations are established and tax bills are due November 1. 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 48% of its financial support (exclusive of investment income) from property taxes during each of the years ended June 30, 2009 and 2008.

The County Assessor is responsible for assessment of all taxable real property within Johnson County. Reassessment is on a two-year schedule established by the Assessor. The County Clerk computes the annual tax for each parcel of real property and prepares tax information used by the County Treasurer as the basis for issuing tax bills to all taxpayers in the county.

Johnson County Community College

Notes to Financial Statements

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

Property taxes are collected by the County Treasurer, who remits to each unit its respective share of the collections. Taxes levied in one year become due and payable in two installments, generally on 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.

The tax rates for the fiscal years ended June 30, 2009 and 2008, per \$100 of assessed valuation, are reflected in the following table:

Fund:	2009	2008
General	8.249	8.230
Capital outlay	0.500	0.500
Special assessment	0.019	0.019
Total mill levy	8.768	8.749

Scholarship discounts and allowances:

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

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.

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 are reported at fair value.

Inventories:

Inventories consist primarily of items held for resale by the bookstore and supply inventories and 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.

Johnson County Community College

Notes to Financial Statements

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

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 \$2,000 or more with an estimated useful life of four 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.

The College capitalizes interest for self-constructed assets during the period to prepare them for their intended use. Interest capitalized on self constructed assets was \$124,584 and \$172,780 as of June 30, 2009 and 2008, respectively.

Property, plant and equipment of the College are depreciated using the straight-line method over the following useful lives (see Note 3 for further detail):

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

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, 2009 and 2008, the College had recorded a vacation liability of \$3,147,359 and \$2,697,482, 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.

Johnson County Community College

Notes to Financial Statements

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

Deferred tuition and fee revenue:

Tuition and fee revenue is earned over the length of the course. Deferred revenue represents student tuition and fees received before year-end, which relate to subsequent periods.

Net assets:

Net assets are presented in three major categories. The first is invested in capital assets, net of related debt, which represents the College's equity in its property, plant and equipment. The second is restricted, while the third is unrestricted.

Restricted net assets are funds that are limited in terms of the purpose and time for which the funds can be spent. Restricted net assets are further categorized between expendable and nonexpendable. Restricted expendable net assets are available to be spent by the College after externally imposed stipulations have been fulfilled or after the passage of time. Restricted nonexpendable net assets are endowments for which only the interest portion can be spent. The College has no restricted nonexpendable net assets at June 30, 2009 and 2008. Unrestricted net assets are available to the College for any lawful purpose. The College first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

On-behalf payments for fringe benefits and salaries:

The College recognizes as revenues and expenses, contributions made by the State of Kansas to the Kansas Public Employees Retirement System on behalf of the College's employees. In fiscal years 2009 and 2008, the State made contributions of \$5,767,533 and \$5,090,440, respectively (see Note 5).

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 assets during the reporting period. Actual results could differ from those estimates.

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, 2009 and 2008, are reflected in the following table. Actual bank statement balances for total deposits at June 30, 2009 and 2008, were \$59,803,709 and \$109,552,031, 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.

	2009	2008
Cash	\$ 9,363,102	\$ 9,649,739
Certificates of Deposit:		
Bank of Kansas City	10,000,000	24,000,000
Capital City Bank	-	12,000,000
Capitol Federal Savings	8,000,000	-
Hillcrest Bank	-	4,000,000
Marshall & Ilsley Bank	-	56,000,000
The Private Bank	26,000,000	-
UMB Bank	6,000,000	4,000,000
Total Deposits	\$ 59,363,102	\$ 109,649,739

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, 2009 and 2008. 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 College's investments are not subject to custodial credit risk.

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 approximately the same as the stated value of the MIP shares at June 30, 2009 and 2008. All funds deposited in the MIP are classified as investments even though some could be withdrawn on a day's notice.

At June 30, 2009 and 2008, the College had the following investments which all mature in less than one year:

	2009	2008
Kansas Municipal Investment Pool – Overnight Pool	\$ 10,373,952	\$ 11,460,993
Kansas Municipal Investment Pool – Certificates of Deposit	36,000,000	-
U.S. Treasury Obligation Fund – Commerce Bank	352,500	352,500
U.S. Treasury Bills	6,997,958	-
Total Investments	\$ 53,724,410	\$ 11,813,493

A summary of deposits and investments at June 30, 2009 and 2008 is as follows:

	2009	2008
Deposits:		
Cash	\$ 9,363,102	\$ 9,649,739
Certificates of Deposit	50,000,000	100,000,000
Investments:		
Kansas Municipal Investment Pool	46,373,952	11,460,993
U.S. Treasury Obligation Fund	352,500	352,500
U.S. Treasury Bills	6,997,958	-
Total Deposits and Investments	\$ 113,087,512	\$ 121,463,232

Johnson County Community College

Notes to Financial Statements

Note 2. Deposits, Investments and Risk (Continued)

Deposits and investments are summarized on the Statements of Net Assets at June 30, 2009 and 2008, as follows:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents:		
Cash	\$ 9,363,102	\$ 9,649,739
Kansas Municipal Investment Pool – Overnight Pool	10,373,952	11,460,993
Certificates of Deposit (1 to 91 days)	86,000,000	100,000,000
U. S. Treasury Bills	6,997,958	-
Total cash and cash equivalents	<u>112,735,012</u>	<u>121,110,732</u>
Restricted short-term investments:		
U.S. Treasury Obligation Fund	352,500	352,500
Total Deposits and Investments	<u>\$ 113,087,512</u>	<u>\$ 121,463,232</u>

Credit risk:

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy for credit risk exceeds the provisions of state law by requiring depositories to pledge qualified securities with a market value equal to 105% of deposits in excess of FDIC coverage. The College's investment policy currently does not address interest rate risk or concentration of credit risk.

The College's deposits and investments in the Kansas Municipal Investment Pool were rated AAf/S1+ by Standard & Poor's at June 30, 2009 and 2008. Investments in the U.S. Treasury Obligation Fund were rated AAA and Aaa by Standard & Poor's Ratings Group and Moody's Investors Services, Inc. at June 30, 2009 and 2008.

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, 2009 and 2008:

	July 1, 2008 Beginning Balance	Additions/ Transfers	Retirements	June 30, 2009 Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,028,265	\$ -	\$ -	\$ 1,028,265
Works of art	2,687,341	131,482	-	2,818,823
Total assets not being depreciated	3,715,606	131,482	-	3,847,088
Capital assets being depreciated:				
Land improvements	32,167,908	1,867,091	-	34,034,999
Buildings and improvements	152,189,288	5,514,284	-	157,703,572
Equipment, furniture and computer technology	29,779,813	3,377,275	(2,103,681)	31,053,407
Total assets being depreciated	214,137,009	10,758,650	(2,103,681)	222,791,978
Less accumulated depreciation:				
Land improvements	7,873,933	1,176,130	-	9,050,063
Buildings and improvements	49,979,356	4,932,527	-	54,911,883
Equipment, furniture and computer technology	19,551,990	3,962,417	(2,094,800)	21,419,607
Total accumulated depreciation	77,405,279	10,071,074	(2,094,800)	85,381,553
Capital assets, net	\$ 140,447,336	\$ 819,058	\$ (8,881)	\$ 141,257,513

Johnson County Community College

Notes to Financial Statements

Note 3. Capital Assets (Continued)

	July 1, 2007 Beginning Balance	Additions/ Transfers	Retirements	June 30, 2008 Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,028,265	\$ -	\$ -	\$ 1,028,265
Construction in progress	63,986,063	(63,986,063)	-	-
Works of art	2,088,963	598,378	-	2,687,341
Total assets not being depreciated	67,103,291	(63,387,685)	-	3,715,606
Capital assets being depreciated:				
Land improvements	19,948,224	12,219,684	-	32,167,908
Buildings and improvements	96,790,479	55,398,809	-	152,189,288
Equipment	26,226,367	5,919,854	(2,366,408)	29,779,813
Total assets being depreciated	142,965,070	73,538,347	(2,366,408)	214,137,009
Less accumulated depreciation:				
Land improvements	6,757,318	1,116,615	-	7,873,933
Buildings and improvements	45,387,864	4,591,492	-	49,979,356
Equipment	18,904,120	2,996,145	(2,348,275)	19,551,990
Total accumulated depreciation	71,049,302	8,704,252	(2,348,275)	77,405,279
Capital assets, net	\$ 139,019,059	\$ 1,446,410	\$ (18,133)	\$ 140,447,336

The College has capitalized \$124,584 and \$172,780 in interest related to construction projects for the years ended June 30, 2009 and 2008, 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, 2009 and 2008:

Long-Term Obligations	July 1, 2008 Beginning Balance	Additions	Reductions	June 30, 2009 Ending Balance	Amounts Due Within One Year
General Obligation Bonds					
Series 2004	\$ 3,495,000	\$ -	\$ (3,495,000)	\$ -	\$ -
Revenue Bonds:					
Series 1998	430,000	-	(430,000)	-	-
Series 2002	11,465,000	-	(150,000)	11,315,000	155,000
Series 2004	4,955,000	-	(205,000)	4,750,000	215,000
Series 2006	8,150,000	-	(25,000)	8,125,000	475,000
Capital Lease Obligations:					
Series 2000 COP	545,993	-	(265,106)	280,887	280,887
Series 2004 COP	8,120,000	-	(1,255,000)	6,865,000	1,290,000
Series 2002 Koch	77,843	-	(77,843)	-	-
Lease obligations assumed by a third party, Series 2000 COP (BNSF)	319,007	-	(154,894)	164,113	164,113
Loan Obligations:					
KBOR PEI	-	5,293,382	-	5,293,382	661,673
Other accrued liabilities:					
Compensated absences	2,697,482	2,715,231	(2,265,354)	3,147,359	440,630
Net OPEB obligation	-	2,093,036	(685,000)	1,408,036	-
Total long-term obligations	\$ 40,255,325	\$ 10,101,649	\$ (9,008,197)	\$ 41,348,777	\$ 3,682,303

Johnson County Community College

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

Long-Term Obligations	July 1, 2007 Beginning Balance	Additions	Reductions	June 30, 2008 Ending Balance	Amounts Due Within One Year
General Obligation Bonds					
Series 2004	\$ 6,905,000	\$ -	\$ (3,410,000)	\$ 3,495,000	\$ 3,495,000
Revenue Bonds:					
Series 1998	840,000	-	(410,000)	430,000	430,000
Series 2002	11,585,000	-	(120,000)	11,465,000	150,000
Series 2004	5,185,000	-	(230,000)	4,955,000	205,000
Series 2006	8,185,000	-	(35,000)	8,150,000	25,000
Capital Lease Obligations:					
Series 2000 COP	795,319	-	(249,326)	545,993	265,106
Series 2004 COP	9,345,000	-	(1,225,000)	8,120,000	1,255,000
Series 2002 Koch	124,236	-	(46,393)	77,843	48,520
Lease obligations assumed by a third party, Series 2000 COP (BNSF)	464,681	-	(145,674)	319,007	154,894
Other accrued liabilities:					
Compensated absences	2,413,594	2,577,788	(2,293,900)	2,697,482	377,647
Total long-term obligations	\$ 45,842,830	\$ 2,577,788	\$ (8,165,293)	\$ 40,255,325	\$ 6,406,167

Bonds payable:

General obligation bonds payable as of June 30, 2009 and 2008 consist of the following:

	2009	2008
Regnier Center and Nerman Museum of Contemporary Art – General Obligation Bonds, Series 2004, \$13,270,000, 2.5%, final principal payment of \$3,495,000 due in August 2008; interest is paid semiannually on February 1 and August 1	\$ -	\$ 3,495,000
Less current portion of general obligation bonds	-	3,495,000
Noncurrent general obligation bonds payable	\$ -	\$ -

At June 30, 2008, bonds payable were \$3,495,000. During 2009, \$3,495,000 of bond payments were made, resulting in a general obligation bond payable balance at June 30, 2009, of none. Interest expense relating to general obligation bonds was \$7,524 and \$94,716 for the years ended June 30, 2009 and 2008, respectively.

Johnson County Community College

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

Revenue bonds payable as of June 30, 2009 and 2008, consist of the following:

	2009	2008
Student Commons and Parking System Revenue Bonds, Series 1998, \$9,665,000, 4.40% to 5.05%, final principal payment of \$430,000 in November 2008; (Partial refunding took place in 2006)	\$ -	\$ 430,000
Student Commons and Parking System Revenue Bonds, Series 2002, \$12,000,000, 3.5% to 6.0%, due in annual principal payments ranging from \$155,000 in November 2009 to \$1,645,000 in November 2027; interest is paid semiannually on May 15 and November 15	11,315,000	11,465,000
Student Commons and Parking System Revenue Bonds, Series 2004, \$6,520,000, 2.625% to 4.3 %, due in annual principal payments ranging from \$215,000 in November 2009 to \$320,000 in November 2021; interest is paid semiannually on May 15 and November 15	4,750,000	4,955,000
Student Commons and Parking System Refunding Revenue Bonds, Series 2006, \$8,210,000, 3% to 5 %, due in annual principal payments ranging from \$475,000 in November 2009 to \$785,000 in November 2021; interest is paid semiannually on May 15 and November 15	8,125,000	8,150,000
Total revenue bonds	<u>24,190,000</u>	<u>25,000,000</u>
Less current portion of revenue bonds payable	845,000	810,000
Noncurrent revenue bonds payable	<u><u>\$ 23,345,000</u></u>	<u><u>\$ 24,190,000</u></u>

At June 30, 2008, revenue bonds payable were \$25,000,000. During 2009, \$810,000 of bond payments were made, resulting in a revenue bond payable balance at June 30, 2009, of \$24,190,000. Interest expense relating to the revenue bonds was \$1,081,172 and \$1,111,327 for the years ended June 30, 2009 and 2008, respectively.

Johnson County Community College

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

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.

Future annual maturities of revenue bonds payable are as follows:

Fiscal year:	Principal	Interest	Total Revenue Bonds
2010	\$ 845,000	\$ 1,052,396	\$ 1,897,396
2011	880,000	1,016,599	1,896,599
2012	910,000	981,305	1,891,305
2013	945,000	946,505	1,891,505
2014	990,000	906,928	1,896,928
2015-2019	5,605,000	3,866,892	9,471,892
2020-2024	6,970,000	2,610,454	9,580,454
2025-2028	7,045,000	741,364	7,786,364
Total	\$ 24,190,000	\$ 12,122,443	\$ 36,312,443

Johnson County Community College

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

Lease obligations:

Capital lease obligations at June 30, 2009 and 2008, consist of the following:

	2009	2008
Warehouse and Police Academy Buildings – Certificates of Participation, Series 2000, \$2,225,000 in obligations for facilities (capital cost of \$3,525,000 before accumulated depreciation of \$845,793 and \$751,816 at June 30, 2009 and 2008, respectively), 5.55% to 5.65%, aggregate payments of \$592,712, including interest of \$46,719, due in semiannual installments ranging from \$7,935 to \$288,822, including interest, through April 2010. See below regarding related obligations assumed by Burlington Northern Santa Fe Railway.	\$ 280,887	\$ 545,993
Regnier Center for Technology and Business and Nerman Museum of Contemporary Art – Certificates of Participation, Series 2004, \$12,125,000 in obligations for facilities (capital cost of \$47,495,000), 3.00% to 4.00%, aggregate payments of \$9,207,025, including interest of \$1,087,025, due in semiannual installments ranging from \$29,300 to \$1,494,300, including interest, through April 2014.	6,865,000	8,120,000
Shinohara Printing Press Equipment Lease – Capital Lease, Koch Financial Corp., Series 2002 (capital cost of \$389,000 before accumulated depreciation of \$389,000 at June 30, 2009 and 2008); 4.49%, aggregate payments of \$80,788, including interest of \$2,945, due in monthly installments of \$4,252 including interest, through January 2010. Paid in full January 2009.	-	77,843
Total capital lease obligations	7,145,887	8,743,836
Less current portion of capital lease obligations	1,570,887	1,568,626
Noncurrent capital lease obligations	\$ 5,575,000	\$ 7,175,210

Warehouse and Police Academy Buildings – In June 2000, the College entered into a 10-year agreement with Commerce Bank of Kansas City (Commerce) whereby the College leased the site on which the Warehouse and Police Academy facilities (the Facilities) are located. Concurrently, the College issued \$3,525,000 of Certificates of Participation. The proceeds of this issuance were used to construct the Facilities, which have been leased to the College for a 10-year term. Also in 2000, the College entered into a 10-year agreement with Burlington Northern Santa Fe Railway (Burlington). Under the terms of the agreement, Burlington agrees to make semiannual payments of principal and related interest in installments ranging from approximately \$4,636 to \$168,750 for a total principal amount of \$1,300,000. As Burlington makes payments for its share of the outstanding principal on the certificates, the College will reduce the “lease obligation assumed by third party” and recognize a gift.

Johnson County Community College

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

The College has accounted for the transactions as capital leases and recorded the cost of the equipment and facilities as assets and the corresponding obligations as liabilities.

The College is required to maintain a Debt Service Reserve Fund of \$352,500 for the Series 2000 COPs. Amounts in the Debt Service Reserve are used to pay principal of and interest on the COPs to the extent of any deficiency in the Principal and Interest Fund.

At the beginning of the year, capital lease obligations payable were \$8,743,836. During the year, \$1,597,949 of lease obligations were paid, resulting in a capital lease obligations payable balance at June 30, 2009, of \$7,145,887. Interest expense relating to lease obligations was \$325,349 and \$316,614 for the years ended June 30, 2009 and 2008, respectively.

The minimum lease commitments for capital lease obligations at June 30, 2009, are as follows:

	Principal	Interest	Total Capital Leases
Fiscal year:			
2010	\$ 1,570,887	\$ 267,320	\$ 1,838,207
2011	1,325,000	209,525	1,534,525
2012	1,370,000	163,150	1,533,150
2013	1,415,000	115,200	1,530,200
2014	1,465,000	58,600	1,523,600
Total obligations	<u><u>\$ 7,145,887</u></u>	<u><u>\$ 813,795</u></u>	<u><u>\$ 7,959,682</u></u>

The College leases office space under operating lease agreements that expire through fiscal year 2010. Rental expense totaled \$664,542 and \$618,155 for the years ended June 30, 2009 and 2008, respectively. Minimum rental commitments under noncancelable operating leases with initial terms of one year or longer at June 30, 2009, are \$195,930.

Loan obligations:

Loan obligations as of June 30, 2009 and 2008 consist of the following:

	2009	2008
Kansas Board of Regents (KBOR) Postsecondary Educational institution loan, \$5,293,282, interest free, with payments of \$661,673 due December 1 annually. Final principle payment is due December 1, 2016.	\$ 5,293,382	\$ -
Less current portion of the loan obligation	661,673	-
Noncurrent loan obligation	<u><u>\$ 4,631,709</u></u>	<u><u>\$ -</u></u>

In March 2009, the College entered into an interest free loan agreement with the Kansas Board of Regents (KBOR) to finance certain costs of infrastructure improvement projects.

Johnson County Community College

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

Arbitrage rebate liability:

The Tax Reform Act of 1986 placed restrictions on the nonpurpose investment earnings from the proceeds of qualified tax-exempt bonds issued after August 15, 1986. Specifically, the nonpurpose investment earnings on these bonds are limited to the yield on each individual bond issue (based on the initial offering price to the public). Nonpurpose investments earnings in excess of the bond yield limitations are subject to rebate to the federal government. The total arbitrage rebate liability as of June 30, 2009 and 2008 was \$60,179 and \$115,358, respectively.

Defeased debt:

In prior years, the College defeased the 1998 Series revenue bonds by placing proceeds of the 2006 Series revenue bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the College's financial statements. As of November 2008, the defeased bonds were called and fully paid by the trust assets.

Note 5. Defined Benefit Pension Plan

Plan description:

The College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Ave., Suite 100, Topeka, Kansas 66603-3803) or by calling (888) 275-5737. The report is also available online by visiting the KPERS home page at www.kpers.org.

Funding policy:

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. 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 remaining amount necessary to achieve the actuarially determined contribution rate. State law sets a limitation on annual increases in the contribution rates. For fiscal year 2009, the State of Kansas contributed 7.97% for the period July 1, 2008 through February 28, 2009 and 6.97% for the period March 1, 2009 through June 30, 2009 of covered payroll. The College's contribution to KPERS for the year ended June 30, 2009, was \$8,797,903, which consisted of \$5,767,533 from the State of Kansas and \$3,030,370 from employees. The College's contributions to KPERS for employees for the years ended June 30, 2008 and 2007, were \$7,853,230 and \$7,083,335, respectively, equal to the statutorily required contributions for each year.

Johnson County Community College

Notes to Financial Statements

Note 6. Other Postemployment Benefit Plan

During fiscal year 2009, the College implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes the following measurement and recognition disclosures:

Plan description: The College sponsors a single-employer other post-employment benefit plan that provides medical, prescription drug, dental, and vision benefits to qualifying retirees and their dependents. Employees who qualify for pension benefits under the Kansas Public Employee Retirement System (KPERs) and are enrolled in the College's insurance benefits during the benefit plan year prior to retirement, are eligible for benefits. Under KPERs, a participant must be at least age 55 with at least 10 years of service or meet Rule of 85 (age + service \geq 85) at any age to be eligible. Also, a retiring employee who waives continuing participation in the College's health plan at the time of retirement is not eligible to participate at a later date. Employees who qualify for a total disability benefit under the KPERs Disability Benefits Program are eligible for benefits. If the disabled employee becomes eligible for Social Security disability, the employee can no longer continue coverage with the College.

All benefits are provided through fully insured arrangements. Along with two dental plans and vision coverage, two medical plan options (PPO and HMO) 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: The College establishes and amends contribution requirements. The current funding policy of the College is to fund benefits on a pay-as-you-go basis. This arrangement does not qualify as other post employment benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 45 for current GASB reporting. Retirees who either meet the Rule of 85 or are age 59 with 15 years of service upon retirement pay no premiums for medical coverage including dependent coverage for up to 10 years or until the retiree attains age 65. Otherwise, retirees and dependents must pay COBRA rates to maintain medical coverage with the College. For dental and vision benefits, retirees and dependents must pay COBRA rates to maintain coverage with the College.

Johnson County Community College

Notes to Financial Statements

Note 6. Other Postemployment Benefit Plan (Continued)

Annual OPEB cost and net OPEB obligation: The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the College's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the College's annual OPEB obligation at June 30, 2009:

Annual required contribution	\$ 1,154,228
Interest on net OPEB obligation	90,131
Adjustment to annual required contribution	848,677
Annual OPEB cost(expense)	<u>2,093,036</u>
Contributions and payments made	<u>(685,000)</u>
Increase in net OPEB obligation	1,408,036
Net OPEB obligation - July 1, 2008	-
Net OPEB obligation - June 30, 2009	<u><u>\$ 1,408,036</u></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 2009 follows. This is the transition year of GASB Statement No. 45.

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal year ended June 30, 2009	\$ 2,093,036	32.73%	\$ 1,408,036

Funded status and funding progress: As of July 1, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The College's actuarial accrued liability for benefits was \$18,317,947 and the actuarial value of assets is zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,317,947. The results of the July 1, 2007 valuation were rolled forward to June 30, 2009. The actuarial accrued liability for benefits was \$18,317,947 and the actuarial value of assets is none, resulting in an unfunded actuarial accrued liability (UAAL) of \$(18,317,947) as of June 30, 2009. The covered payroll (annual payroll of active employees covered by the plan) was \$3,030,370 and the ratio of the UAAL to the covered payroll was 16.54%.

Johnson County Community College

Notes to Financial Statements

Note 6. Other Postemployment Benefit Plan (Continued)

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.

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, 2007 actuarial valuation, the entry age normal-level percentage of pay method was used. The actuarial assumptions included a 4.5 percent discount rate, 4 percent per year salary scale, 2 percent per year aggregate payroll growth, and an annual health care cost trend rate of 9.5 percent reduced by decrements of 0.5 percent annually to an ultimate rate of 5.75 percent. The UAAL is being amortized as a level of percentage of pay on a closed 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, 2009, 2008 and 2007.

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.

Johnson County Community College

Notes to Financial Statements

Note 9. New Pronouncements

The College implemented the following Governmental Accounting Standards Board (GASB) Statements during the year:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities of assets, note disclosures, and of applicable required supplementary information in the financial reports. The College provides post employment health care benefits (OPEB) for retired employees. The College had an actuarial valuation performed for the OPEB plan as of July 1, 2007 to determine the funding requirements. The actuarial accrued liability (AAL), which is the portion of the actuarial present value of benefits allocated to all prior years, was determined to be \$18,317,947. This Statement required the College to record a net OPEB liability of \$1,408,036 and to add disclosures to the notes to the financial statements and required supplementary information.
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This Statement requires the College to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. This Statement had no effect to the College.
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The changes in the fair value are to be reported as investment income. This Statement had no effect to the College.

As of June 30, 2009, the GASB has issued the following statements not yet implemented by the College. The Statements which might impact the College are as follows:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the College beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new Statement characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This Statement provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the College beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

The College's management has not yet determined the effect these Statements will have on the College's financial statements.

Johnson County Community College

Notes to Financial Statements

Note 10. Subsequent Event

Subsequent to year-end, the College issued certificates of participation for \$15,100,000. The proceeds received from the sale of the certificates, together with other moneys of the College, will provide for a portion of the cost to build a new health sciences facility and for paying certain cost connected to the execution and delivery of the certificates. As part of this project, the College also received property from a donor as a contribution to the College. The new health sciences facility is to be built on this property and the gift was estimated to be in excess of \$1,900,000.

Note 11. Johnson County Community College Foundation – Accounting Policies

Basis of presentation:

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Cash and cash equivalents:

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2009 and 2008, cash equivalents consisted primarily of money market mutual funds and certificates of deposit. As of June 30, 2009, the Foundation maintained cash balances in excess of federally insured limits; however, management monitors the financial stability of those institutions and believes the risk of loss is minimal.

Investments and investment return:

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value.

Dividend and interest income and net realized and unrealized gains (losses) are reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions. Interest income is accrued as earned and dividend income is recorded when notified. Realized gains are recorded when notified of the sale.

Temporarily and permanently restricted net assets:

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Contributions:

A contribution in the form of an unconditional promise to give is recognized as revenue by the Foundation in the period in which the promise is received. Conditional promises to give made by donors are not recognized until the conditions are met. Assets received subject to conditions are accounted for as refundable advances until the conditions are met.

Johnson County Community College

Notes to Financial Statements

Note 11. Johnson County Community College Foundation – Accounting Policies (Continued)

Contributions are recorded at their fair value. Unconditional promises to give cash over a period of time in excess of one year are recorded at the present value of amounts to be received, using an appropriate discount rate, if the amounts of such discounts are material. The Foundation does not record an allowance for uncollectible promises as write-offs have been rare.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Effective with the enactment of UPMIFA as of June 30, 2009 gains and losses on investments related to the endowment funds are reported as increases or decreases in temporarily restricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as released from restrictions.

Investment income and net investment gains (losses) are reported as follows:

- As increases (decreases) in permanently restricted net assets if the terms of the gift or the Foundation's interpretation of relevant state law requires that they be added to the principal of a permanent endowment fund.
- Gains as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income or if a loss as a (decrease) in unrestricted net assets.
- As increases (decreases) in unrestricted net assets in all other cases.

Contributed services:

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

Tax status:

As the Foundation qualifies as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, it is exempt from federal and state income taxes. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Artwork:

Artwork is stated at cost or, if donated, at fair value at the date of the donation. The Foundation does not depreciate artwork, as management believes that the value of such has not diminished.

Management 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Johnson County Community College

Notes to Financial Statements

Note 11. Johnson County Community College Foundation – Accounting Policies (Continued)

Adopted accounting pronouncements:

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 establishes a single authoritative definition of fair value, sets out framework for measuring fair value and requires additional disclosures about fair value measurements, SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. In accordance with Financial Accounting Standards Board Staff Position (FSP) No. 157-2, *Effective Date of FASB Statement No. 157*, the Foundation has delayed application of SFAS 157 for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value on a nonrecurring basis until July 1, 2009.

In May 2009, the Financial Accounting Standards Board (FASB) issued Statement No. 165 (SFAS 165), *Subsequent Events*. SFAS 165 established general standards of accounting for, and disclosure of, events that occur after the date of the financial statements but before the financial statements are issued or are available to be issued. SFAS No. 165 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The implementation of SFAS No. 165 did not have a material impact on the Foundation. The Foundation has considered subsequent events through October 23, 2009 the date that the financial statements were available to be issued, in preparing the financial statements and notes thereto.

In August 2008, the FASB issued FASB Staff Position (FSP) No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. This FSP also improves disclosures about an organization's endowment funds (both donor-restricted endowments funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

Pending accounting pronouncements:

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure and transition. In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Foundation has elected this deferral and accordingly will be required to adopt FIN 48 in its 2010 annual financial statements. Prior to adoption of FIN 48, the Foundation will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement No. 5, *Accounting for Contingencies*. SFAS No. 5 requires the Foundation to accrue for losses it believes are probable and can be reasonably estimated. Management is currently assessing the impact of FIN 48 on its financial position and results of operations and has not yet determined if the adoption of FIN 48 will have a material effect on its financial statements.

Johnson County Community College

Notes to Financial Statements

Note 11. Johnson County Community College Foundation – Accounting Policies (Continued)

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133* (SFAS No. 161). SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The Foundation has not completed its analysis of the effects of this Statement and has not determined if it will have a material effect on its financial statements.

In April 2009, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 164, *Not-for-Profit Entities: Mergers and Acquisitions, Including an Amendment of FASB Statement No. 142*. This Statement establishes guidance on how a not-for-profit entity determines whether a combination is a merger or an acquisition, how to apply the carryover method in accounting for a merger, how to apply the acquisition method in accounting for an acquisition, and what information to disclose to enable users of financial statements to evaluate the nature and financial effects of the merger or acquisition. This Statement also amends FASB Statement No. 142, *Goodwill and Other Intangible Assets*, to make it fully applicable to not-for-profit entities. This Statement is effective for mergers occurring on or after December 15, 2009, and acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2009. It may not be applied to mergers or acquisitions before those dates because certain other items were not effective for not-for-profit entities. The adoption of this Statement will not have a material impact on the Foundation's financial position, results of operations and cash flows.

Reclassifications:

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. These reclassifications had no effect on net assets or the changes in net assets.

Contributions receivable

Contributions are recognized as revenue when unconditional pledges are made at the present value of expected future payments. As of June 30, 2009 and 2008, management believed that no allowance for doubtful collection was necessary based on the evaluation of the receivables and the related donors. Contributions receivable are scheduled to be received as follows:

	2009	2008
Due in less than one year	\$ 210,000	\$ 1,485,000
Due after one year to five years	410,000	588,000
Due in more than five years	22,700	24,600
Total contributions receivable	642,700	2,097,600
Less discount of present value	27,401	146,064
Contributions receivable, net	\$ 615,299	\$ 1,951,536

Johnson County Community College

Notes to Financial Statements

Note 11. Johnson County Community College Foundation – Accounting Policies (Continued)

Total gross pledges of \$600,000 and \$1,000,000 as of June 30, 2009 and 2008 respectfully were due from certain members of the Foundation's Board of Directors or affiliated organizations of these Directors. Approximately 47% and 48% of total gross pledges receivable as of June 30, 2009 and 2008 respectfully were due from one donor in each year. These donations were due from different donors in each respective year.

Contributions receivable are discounted to present value at discount rates which range from 1.64% - 5% and 2.36% - 5% as of June 30, 2009 and 2008, respectively. The Foundation uses a discount rate that commensurate with the risks involved with the contribution.

Investments:

As of June 30, 2009 and 2008, the Foundation held the following investments which are recorded at fair value with the exception of certificates of deposit which are held at cost:

	2009	2008
Certificates of deposit	\$ 1,696,620	\$ 1,598,676
U.S. government obligations	2,946,898	6,037,148
Equity funds	1,672,404	2,441,717
Corporate bonds	3,493,627	1,448,907
Common stock	7,195,830	7,149,337
Preferred stock	-	34,425
	<u>\$ 17,005,379</u>	<u>\$ 18,710,210</u>

During the current year the credit and liquidity crisis in the United States and throughout the global finance system has resulted in substantial volatility in the financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios.

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 expenses and contributed services revenue, to be approximately \$727,000 and \$630,000 for 2009 and 2008, respectively.

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

Johnson County Community College

Notes to Financial Statements

Note 11. Johnson County Community College Foundation – Accounting Policies (Continued)

Net assets:

Temporarily restricted net assets: Temporarily restricted net assets are restricted as follows:

	2009	2008
Scholarships to students	\$ 2,444,542	\$ 3,047,664
Support of College programs, including visual and performing art programs	2,075,805	2,609,200
Building capital campaign	320,364	1,597,901
	<u>\$ 4,840,711</u>	<u>\$ 7,254,765</u>

Temporarily restricted net assets were released from donor restrictions by incurring scholarship expenses, sponsorship of various College programs, including visual and performing arts programs and the transfer or pledge of designated capital funds to the College. Spending of endowment earnings are released through net assets when the Board approves the appropriations.

Permanently restricted net assets: 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 the years ended June 30, 2009 and 2008.

During the prior year ended June 30, 2008, there was a change in designation of donor contributions which reclassified \$292,052 of permanently restricted net assets to temporarily and unrestricted net assets.

Permanently restricted net assets are restricted as follows:

	2009	2008
Scholarships to students	\$ 6,974,740	\$ 6,291,224
Support of College programs, including visual and performing art programs	7,320,305	7,295,973
	<u>\$ 14,295,045</u>	<u>\$ 13,587,197</u>

Pledge to Johnson County Community College:

During 2005, Johnson County Community College issued certificates of participation pursuant to a lease purchase agreement to assist with financing of the Regnier Center for Technology and Business and the Nerman Museum of Contemporary Art. Total obligations issued under these certificates of participations amounted to \$12,125,000. Semiannual payments on these certificates of participation range from \$29,300 to \$1,494,000 and are due through April 2014. As of June 30, 2009 and 2008, the College has recorded liabilities amounting to approximately \$6,865,000 and \$8,120,000, respectively, associated with these certificates of participation.

Johnson County Community College

Notes to Financial Statements

Note 11. Johnson County Community College Foundation – Accounting Policies (Continued)

In connection with the issuance of these certificates of participation, the College and the Foundation entered into an agreement which states that the Foundation will establish a separate fund to account for the receipt and investment of donations for these projects. Prior to each payment due by the College under the certificates of participation, the Foundation will pay an amount equal to the lesser of the balance on hand in this fund or the amount of payment due by the College.

Under this agreement, the College will pay any difference between the amount of the payments due and the amounts received from the Foundation. Also under this agreement, the Foundation will be held harmless from any such differences.

As of June 30, 2009 and 2008, this donation fund amounted to \$ 1,430,265 and \$1,377,265, respectively, and is included as a liability in the Foundation's statements of financial position.

Fair value measurements:

Effective July 1, 2008 the Foundation adopted the provisions of SFAS No. 157, *Fair Value Measurements*, for assets and liabilities measured and reported at fair value. SFAS defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. SFAS No. 157 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, SFAS No. 157 establishes fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy 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.

Assets recorded at fair value on a recurring basis: A description of the valuation methodologies used for assets on a recurring basis is set forth below.

Johnson County Community College

Notes to Financial Statements

Note 11. Johnson County Community College Foundation – Accounting Policies (Continued)

Investments and cash surrender value of life insurance: Where quoted prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds 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. agency securities, mortgage-backed agency securities, 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.

The following table summarizes the assets measured at fair value on a recurring basis, segregated by the general classification of such instruments pursuant to the valuation hierarchy:

	Total	June 30, 2009		
		Level 1	Level 2	Level 3
Investments				
U.S. government obligations	\$ 2,946,898	\$ -	\$ 2,946,898	\$ -
Equity funds	1,672,404	1,672,404	-	-
Corporate bonds	3,493,627	3,493,627	-	-
Common stock	7,195,830	7,195,830	-	-
	15,308,759	12,361,861	2,946,898	-
Cash surrender value of life insurance	7,989	-	-	7,989
Total	\$ 15,316,748	\$ 12,361,861	\$ 2,946,898	\$ 7,989

Included in investments on the statement of financial position are certificates of deposit at a cost basis of \$1,696,620 and are excluded from the above table as they are not subject to SFAS 157.

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis for which the Foundation has utilized level 3 inputs to determine fair value.

	Cash Surrender of Life Insurance
Balance, beginning June 30, 2008:	\$ 7,324
Donation of assets	-
Total losses (realized/unrealized) included in change in net assets	-
Purchases, sales, issuances and settlements, net	665
Balance, ending June 30, 2009	<u>\$ 7,989</u>

Johnson County Community College

Notes to Financial Statements

Note 11. Johnson County Community College Foundation – Accounting Policies (Continued)

Endowment fund and net asset classifications:

The Foundation's Endowment Fund consists of various donor restricted endowment funds and funds designated as endowment, quasi-endowment, by the Board of Directors. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

In August 2008, the FASB issued FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This staff position provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and improves disclosures for endowment funds, both donor-restricted and board designated (quasi-endowment).

The Executive Board of the Johnson County Community College Foundation has interpreted the Kansas Uniform Prudent Management of Institutional Funds Act (KUPMIFA) as allowing the organization to accumulate or appropriate endowed funds as needed to fulfill the goals and objectives of the Foundation, absent explicit donor stipulations to the contrary. As a result of this interpretation, Johnson County Community College Foundation classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Unless specified by the donor, Accumulations resulting from the investment of the permanent restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by Kansas UPMIFA. In accordance with Kansas UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund, (2) The purpose of the organization and the donor-restricted endowment fund, (3) General economic conditions, (4) The possible effect of inflation and deflation, (5) The expected total return from income and the appreciation of investments, (6) Other resources of the organization (7) The investment policies of the organization.

The Foundation has adopted investment and spending policies for its Endowment Fund. The objectives of these policies are to establish a payout rate from endowment accounts that provides spending for the endowed purposes, and that allow for a rate of growth in the endowment that meets or exceeds the rate of inflation.

In accordance with the Foundation's investment policy, the endowment funds shall be invested to provide for total return. The endowment funds shall be invested in a diversified portfolio, consisting of common stocks, preferred stock, U.S. government obligations, equity funds, bonds, cash equivalents and other investments, which may reflect varying rates of return. The Foundation's investment goals are:

- To generate cash sufficient to support the programs and purposes of Johnson County Community College, meeting the objectives of the Endowment Spending Policy.
- To grow the principal of the fund at a rate greater than inflation as measured by the Consumer Price Index. At all times it is understood that risk to the principal of the assets be minimized.

Johnson County Community College

Notes to Financial Statements

Note 11. Johnson County Community College Foundation – Accounting Policies (Continued)

The Foundation recognizes the need for spendable income by the beneficiaries of the endowment and long-term institutional funds under their custodianship. The spending policy reflects an objective to distribute as much total return as is consistent with overall investment objectives defined above while protecting the real value of the Endowment Fund principal. Normally, 5% of the most recent 12 quarter rolling average of the market value of each endowment fund, including appreciated gains and losses, is made available for distribution at the end of the calendar year. This rate may not apply to those endowment fund assets that are not part of the investment pool. Deviations to this policy may be made with the approval of the Executive Board. In accordance with these policies, the Executive Board approved imputed spending percentage was 4.85% and 4.03% for the calendar years ended December 31, 2008 and 2007. Any income from dividends, interest and capital appreciation, and both realized and unrealized, in excess of the administrative fee and approved spending appropriation is reinvested for growth and to preserve the purchasing power of the endowment against inflation.

Endowment net assets as of June 30, 2009 and 2008 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	2009			
Donor-restricted endowment funds	\$ (1,074,777)	\$ 1,375,518	\$ 13,321,194	\$ 13,621,935
	2008			
Donor-restricted endowment funds	\$ -	\$ 2,756,575	\$ 12,613,346	\$ 15,369,921

Johnson County Community College

Notes to Financial Statements

Note 11. Johnson County Community College Foundation – Accounting Policies (Continued)

The changes in endowment net assets for the years ended June 30, 2009 and 2008 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2009				
Endowment net assets, beginning of year	\$ -	\$ 2,756,575	\$ 12,613,346	\$ 15,369,921
Net asset reclassification based on change in accounting principle	(59,649)	59,649	-	-
Endowment net assets after reclassification	(59,649)	2,816,224	12,613,346	15,369,921
Investment return:				
Investment income	-	261,617	-	261,617
Net appreciation/(depreciation) (realized and unrealized)	(870,930)	(1,607,839)	-	(2,478,769)
Total investment return	(870,930)	(1,346,222)	-	(2,217,152)
Contributions	-	-	707,848	707,848
Appropriation of endowment funds for expenditure	(144,198)	(94,484)	-	(238,682)
Endowment net assets, end of year	\$ (1,074,777)	\$ 1,375,518	\$ 13,321,194	\$ 13,621,935
2008				
Endowment net assets, beginning of year	\$ -	\$ 3,202,249	\$ 12,306,855	\$ 15,509,104
Investment return:				
Investment income	-	267,471	-	267,471
Net appreciation/(depreciation) (realized and unrealized)	-	(787,440)	-	(787,440)
Total investment return	-	2,682,280	12,306,855	14,989,135
Contributions	-	250,000	598,543	848,543
Appropriation of endowment funds for expenditure	-	(175,705)	-	(175,705)
Change in donor designation	-	-	(292,052)	(292,052)
Endowment net assets, end of year	\$ -	\$ 2,756,575	\$ 12,613,346	\$ 15,369,921

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration, underwater endowments. As of June 30, 2009 and 2008 the endowment fund had underwater funds of \$1,074,777 and \$59,649, respectively. This represents 18% and 6% of the Foundation's donor restricted endowment funds as of June 30, 2009 and 2008, respectively. This amount is reported in unrestricted net assets. These deficiencies, which the Foundation believes are temporary, resulted from unfavorable market fluctuations. The Board determined that continued appropriation during fiscal year ended June 30, 2009 was prudent.

Johnson County Community College

Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	\$ -	\$ 18,317,947	\$ 18,317,947	0%	\$ 3,030,370	16.54%

Note: Fiscal year 2009 is the transition year for GASB Statement No. 45.

The information presented in the required supplementary information schedule was determined as part of the actuarial valuation as of July 1, 2007. 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 5.75-9.5 percent; discount rate of 4.5 percent, 4.0 percent per year salary scale and 2.0 percent per year aggregate payroll growth.
- d. The amortization method is closed, level percentage of pay.

Johnson County Community College

Budgetary Expenditures with Appropriations
Year Ended June 30, 2009

	Budgetary Expenditures	Legal Appropriations Budget	Under Budget
Current unrestricted funds:			
General	\$ 134,140,493	\$ 148,517,551	\$ 14,377,058
Adult supplementary education	6,279,954	12,013,372	5,733,418
Auxiliary enterprises	12,577,571	18,327,819	5,750,248
Total current unrestricted funds	<u>152,998,018</u>	<u>\$ 178,858,742</u>	<u>\$ 25,860,724</u>
Current Restricted Funds			
Special assessments	210,858	<u>\$ 250,000</u>	<u>\$ 39,142</u>
Other restricted	<u>9,151,386</u>		
Total current restricted funds	<u>9,362,244</u>		
Total current funds	<u>162,360,262</u>		
Loan Funds	<u>47,387</u>		
Plant Funds:			
Unexpended, capital outlay	2,298,653	<u>\$ 11,038,687</u>	<u>\$ 8,740,034</u>
Repair and replacement reserve	211,418		
Bond proceeds, construction	-		
Debt retirement, revenue bonds	<u>6,824,214</u>		
Total plant funds	<u>9,334,285</u>		
Total current, loan, and plant funds	<u>\$ 171,741,934</u>		