

***PRATT COMMUNITY COLLEGE***

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2017

AND

INDEPENDENT AUDITOR'S REPORT



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WITH SUPPLEMENTARY INFORMATION  
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**FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**  
**Year Ended June 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
**Pratt Community College**  
Pratt, Kansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activity and the discretely presented component unit of Pratt Community College (College), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and the discretely presented component unit of the College, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a

part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedules of receipts, expenditures, changes in unencumbered cash, and comparison with budget are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Allen, Gibbs & Houlik, L.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

November 16, 2017  
Wichita, KS

## **Management's Discussion and Analysis**

The following discussion and analysis of Pratt Community College's financial performance provides an overview of the College's financial activities for the fiscal year ended June 30, 2017. This discussion and analysis should be utilized in conjunction with the financial statements with supplementary information for the year ended June 30, 2017 and the independent auditor's report.

### **Financial Highlights**

- Assets exceeded liabilities by \$25,256,944. Of this amount, \$14,876,843 is unrestricted and available to meet ongoing obligations.
- Total assets increased by \$1,456,828 due to increased cash and a decrease in capital assets, net of depreciation.
- Cash and cash equivalents increased by \$1,929,690 as of June 2017. The critical point in the year for cash at the College is December 31 each year due to the timing of cash receipts. The increased cash is a result of student tuition, fees, housing receipts, taxes and state aid.

### **Overview of the Basic Financial Statements**

As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the College, as well as its component unit, the Pratt Community College Foundation, Inc. The following discussion focuses on the College.

The attached reports contain the following components: 1) basic financial statements, 2) notes to the financial statements, and 3) supplementary financial information.

The basic financial statements provide both long-term and short-term information about the College's overall financial status. The supplementary financial information provides a schedule of receipts, expenditures, changes in unencumbered cash, and comparison with budget on a statutory basis by fund. These schedules, which have been provided in the past, focus on the individual parts of the College, reporting the College's operations in more detail than the basic financial statements. The two perspectives allow the user of this data to address relevant questions, broaden the basis of comparison, and enhance accountability.

### **Net Position**

Capital assets decreased by \$397,268. Net position increased \$1,893,868 as a result of the increase in current assets and decrease in noncurrent liabilities.

## Financial Analysis of the College

### Net Position As of June 30,

|  | 2017                 | 2016                 | Increase<br>(Decrease) |
|--|----------------------|----------------------|------------------------|
| Current Assets                         | <u>\$ 21,265,484</u> | <u>\$ 19,414,891</u> | <u>\$ 1,850,593</u>    |
| Non-current assets:                    |                      |                      |                        |
| Restricted cash and deposits held      | 159,518              | 156,015              | 3,503                  |
| Capital assets, net of depreciation    | 8,593,229            | 8,990,497            | (397,268)              |
| Deferred outflows – pensions           | 20,189               | 7,910                | 12,279                 |
| Total assets and deferred outflows     | <u>30,038,420</u>    | <u>28,569,313</u>    | <u>1,469,107</u>       |
| Current liabilities                    | 898,788              | 960,661              | (61,873)               |
| Non-current liabilities                | 3,828,191            | 4,225,206            | (397,015)              |
| Deferred inflows – pensions            | 54,497               | 20,370               | 34,127                 |
| Total liabilities and deferred inflows | <u>4,781,476</u>     | <u>5,206,237</u>     | <u>(424,761)</u>       |
| Net position                           |                      |                      |                        |
| Net investment in capital assets       | 4,855,887            | 4,713,325            | 142,562                |
| Restricted for:                        |                      |                      |                        |
| Programs                               | 5,524,214            | 5,321,697            | 202,517                |
| Unrestricted                           | 14,876,843           | 13,328,054           | 1,548,789              |
| Total net position                     | <u>\$ 25,256,944</u> | <u>\$ 23,363,076</u> | <u>\$ 1,893,868</u>    |

### Long-term Debt and Capital Assets

The College did not issue any long-term debt and paid off \$539,830 of long-term debt. See Note 6 for additional information on the College's long-term debt.

### Operating Results

Total revenues increased \$1,233,652 due to an increase in all revenue sources.

## Financial Analysis of the College

### Operating Results for the Years Ended June 30,

|                                 | <u>2017</u>                 | <u>2016</u>                 | <u>Increase<br/>(Decrease)</u> |
|---------------------------------|-----------------------------|-----------------------------|--------------------------------|
| Operating revenues              |                             |                             |                                |
| Tuition and fees                | \$ 1,622,782                | \$ 1,416,662                | \$ 206,120                     |
| Auxiliary                       | 2,204,696                   | 1,732,338                   | 472,358                        |
| Non-operating revenues          |                             |                             |                                |
| Governmental appropriations     | 12,072,998                  | 11,689,452                  | 383,546                        |
| Grants and gifts                | 1,080,841                   | 954,748                     | 126,093                        |
| Investment income               | 1,386                       | 1,135                       | 251                            |
| Other                           | 153,152                     | 107,868                     | 45,284                         |
| Total Revenues                  | <u>17,135,855</u>           | <u>15,902,203</u>           | <u>1,233,652</u>               |
| Expenses:                       |                             |                             |                                |
| Operating expenses              |                             |                             |                                |
| Instruction                     | 4,181,373                   | 3,851,982                   | 329,391                        |
| Academic support                | 765,070                     | 731,272                     | 33,798                         |
| Student services                | 2,212,455                   | 1,969,132                   | 243,323                        |
| Institutional support           | 2,094,935                   | 2,040,573                   | 54,362                         |
| Operations and maintenance      | 649,283                     | 869,177                     | (219,894)                      |
| Equipment                       | 49,515                      | 49,542                      | (27)                           |
| Depreciation                    | 840,264                     | 858,309                     | (18,045)                       |
| Scholarships and fellowships    | 1,641,953                   | 1,546,878                   | 95,075                         |
| Auxiliary                       | 2,679,864                   | 2,204,394                   | 475,470                        |
| Interest expense                | 127,275                     | 141,230                     | (13,955)                       |
| Total expenses                  | <u>15,241,987</u>           | <u>14,262,489</u>           | <u>979,498</u>                 |
| Increase in net position        | 1,893,868                   | 1,639,714                   | 254,154                        |
| Net position, beginning of year | <u>23,363,076</u>           | <u>21,723,362</u>           | <u>1,639,714</u>               |
| Net position, end of year       | <u><u>\$ 25,256,944</u></u> | <u><u>\$ 23,363,076</u></u> | <u><u>\$ 1,893,868</u></u>     |



**Financial Analysis of the College**  
**Operating Results for the Years Ended**  
**June 30,**

**Notes to the Financial Statements**

The notes provide additional narrative and financial information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements begin on page 10 of this report.

**Basic Financial Statements**

The basic financial statements report information about Pratt Community College as a whole using accounting methods similar to those used in private-sector companies. The statement of net position presents information on all of the College's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position will determine if the College as a whole is better or worse off.

The statement of revenues, expenses and changes in net position shows how the College's net position changed during the most recent fiscal year. All changes in net position are taken into account regardless of when cash is received or paid.

The statement of cash flows utilizes the direct method of calculating cash flows (i.e. the amounts received and paid in cash).

**Next Year's Budget**

The College continues to monitor the financial situation at the state level and the effect that the state budget might have on the state operating grant. The past two years have shown significant enrollment declines. The enrollment decline results partially to the reduction in the size of the nursing program to restore quality to the program to gain reaccreditation. The College is focused on developing additional programs and building existing programs to grow enrollment. The Pratt County valuation continues to grow at a sustainable rate.

# PRATT COMMUNITY COLLEGE

## STATEMENT OF NET POSITION

June 30, 2017

| <b><u>ASSETS</u></b>   | <b>College</b>       | <b>Foundation</b>   |
|--|----------------------|---------------------|
| Current Assets:  |                      |                     |
| Cash   | \$ 20,937,041        | \$ 743,077          |
| Receivables:   |                      |                     |
| Other receivables (net of allowance for uncollectible amounts of \$41,410) | 311,827              | --                  |
| Prepaid expenses   | 16,616               | --                  |
| Total current assets   | <u>21,265,484</u>    | <u>743,077</u>      |
| Noncurrent assets:   |                      |                     |
| Restricted cash  | 159,518              | --                  |
| Other investments  | --                   | 2,362,277           |
| Beneficial interest in South Central Kansas Community Foundation           | --                   | 550,749             |
| Capital assets   | 24,741,809           | 165,452             |
| Accumulated depreciation   | (16,148,580)         | --                  |
| Total noncurrent assets  | <u>8,752,747</u>     | <u>3,078,478</u>    |
| Deferred outflows of resources   |                      |                     |
| Deferred outflows - pensions   | 20,189               | --                  |
| Total deferred outflows of resources                                       | <u>20,189</u>        | <u>--</u>           |
| Total assets and deferred outflows of resources                            | <u>\$ 30,038,420</u> | <u>\$ 3,821,555</u> |
| <b><u>LIABILITIES AND NET POSITION</u></b>                                 |                      |                     |
| Current liabilities:   |                      |                     |
| Accounts payable   | \$ 142,014           | \$ --               |
| Deposits held in custody for others  | 175,329              | --                  |
| Salaries payable   | 160,774              | --                  |
| Certificates of participation  | 380,000              | --                  |
| Capital leases - current   | 9,671                | --                  |
| Accrued interest   | 31,000               | --                  |
| Total current liabilities  | <u>898,788</u>       | <u>--</u>           |
| Noncurrent liabilities:  |                      |                     |
| Certification of participation   | 3,342,140            | --                  |
| Capital leases   | 5,531                | --                  |
| Net pension liability  | 113,782              | --                  |
| Net OPEB obligation  | 366,738              | --                  |
| Total noncurrent liabilities   | <u>3,828,191</u>     | <u>--</u>           |
| Deferred inflows of resources  |                      |                     |
| Deferred inflows - pensions  | 54,497               | --                  |
| Total deferred inflows of resources  | <u>54,497</u>        | <u>--</u>           |
| Total liabilities and deferred inflows of resources                        | <u>4,781,476</u>     | <u>--</u>           |
| Net position:  |                      |                     |
| Net investment in capital assets   | 4,855,887            | 165,452             |
| Restricted - expendable  |                      |                     |
| For scholarships   | --                   | 339,614             |
| For programs   | 5,524,214            | --                  |
| Restricted - nonexpendable   |                      |                     |
| For scholarships   | --                   | 390,985             |
| Unrestricted   | 14,876,843           | 2,925,504           |
| Total net position   | <u>25,256,944</u>    | <u>3,821,555</u>    |
| Total liabilities and net position   | <u>\$ 30,038,420</u> | <u>\$ 3,821,555</u> |

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

# PRATT COMMUNITY COLLEGE

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2017

|  | College              | Foundation          |
|--|----------------------|---------------------|
| Operating revenues:                              |                      |                     |
| Student tuition and fees                         | \$ 1,622,782         | \$ --               |
| Auxiliary enterprises – dormitory                | 2,204,696            | --                  |
| Net investment income (loss)                     | --                   | 330,321             |
| Grants and gifts                                 | --                   | 295,602             |
| Total operating revenues                         | <u>3,827,478</u>     | <u>625,923</u>      |
| Operating expenses:                              |                      |                     |
| Education and general:                           |                      |                     |
| Instruction                                      | 4,181,373            | --                  |
| Academic support                                 | 765,070              | --                  |
| Student services                                 | 2,212,455            | --                  |
| Institutional Support                            | 2,094,935            | 99,834              |
| Operation and maintenance of plant               | 649,283              | 145,968             |
| Equipment  | 49,515               | --                  |
| Depreciation                                     | 840,264              | --                  |
| Scholarships and fellowships                     | 1,641,953            | 215,000             |
| Total operating expenses – education and general | <u>12,434,848</u>    | <u>460,802</u>      |
| Auxiliary enterprises                            |                      |                     |
| Expenditures                                     | 2,679,864            | --                  |
| Total auxiliary enterprises                      | <u>2,679,864</u>     | <u>--</u>           |
| Total operating expenses                         | <u>15,114,712</u>    | <u>460,802</u>      |
| Operating (loss) income                          | <u>(11,287,234)</u>  | <u>165,121</u>      |
| Nonoperating revenues (expenses):                |                      |                     |
| Governmental appropriations                      | 12,072,998           | --                  |
| Grants and gifts                                 | 1,080,841            | --                  |
| Investment income                                | 1,386                | --                  |
| Interest expense                                 | (127,275)            | --                  |
| Other  | 153,152              | 560                 |
| Total nonoperating revenues (expenses)           | <u>13,181,102</u>    | <u>560</u>          |
| Net increase in net position                     | <u>1,893,868</u>     | <u>165,681</u>      |
| Net position – beginning of year                 | <u>23,363,076</u>    | <u>3,655,874</u>    |
| Net position – end of year                       | <u>\$ 25,256,944</u> | <u>\$ 3,821,555</u> |

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

# PRATT COMMUNITY COLLEGE

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

|   | College                | Foundation         |
|---|------------------------|--------------------|
| Cash flows from operating activities  |                        |                    |
| Tuition and fees  | \$ 1,622,782           | \$ --              |
| Auxiliary enterprise revenue  | 2,204,696              | --                 |
| Income from grants and other  | --                     | 390,732            |
| Payments to suppliers and employees   | (14,096,064)           | (245,802)          |
| Payments for scholarships   | --                     | (215,000)          |
| Net cash used in operating activities   | <u>(10,268,586)</u>    | <u>(70,070)</u>    |
| Cash flows from noncapital financing activities   |                        |                    |
| Government appropriations, grants and gifts   | 13,153,839             | --                 |
| Other   | 153,152                | --                 |
| Net cash provided by noncapital financing activities  | <u>13,306,991</u>      | <u>--</u>          |
| Cash flows from capital and related financing activities  |                        |                    |
| Acquisition of capital assets   | (442,996)              | --                 |
| Payment on revenue bonds  | (100,000)              | --                 |
| Payment on capital leases   | (13,643)               | --                 |
| Payment on certificates of participation  | (368,687)              | --                 |
| Payment on Kansas Board of Regents advance  | (57,500)               | --                 |
| Interest paid on long-term debt   | (127,275)              | --                 |
| Net cash used in capital and related financing activities   | <u>(1,110,101)</u>     | <u>--</u>          |
| Cash flows from investing activities  |                        |                    |
| Purchase of investments   | --                     | (89,926)           |
| Interest and dividends received   | 1,386                  | 17,584             |
| Net cash provided by investing activities   | <u>1,386</u>           | <u>(72,342)</u>    |
| Net increase in cash and cash equivalents   | 1,929,690              | (142,412)          |
| Cash and cash equivalents, June 30, 2016  | <u>19,166,869</u>      | <u>885,489</u>     |
| Cash and cash equivalents, June 30, 2017  | <u>\$ 21,096,559</u>   | <u>\$ 743,077</u>  |
| Reconciliation of operating loss/change in net position to net cash flows from operating activities |                        |                    |
| Operating (loss)income/change in net position   | \$ (11,287,234)        | \$ 165,681         |
| Adjustments to reconcile operating loss/income to net cash used in operating activities:            |                        |                    |
| Depreciation expense  | 840,264                | --                 |
| Net unrealized gains on investments   | --                     | (235,751)          |
| Changes in assets, deferred outflows, liabilities and deferred inflows:                             |                        |                    |
| Accounts receivable   | 80,574                 | --                 |
| Prepaid expenses  | (4,980)                | --                 |
| Deferred outflows - pensions  | (12,279)               | --                 |
| Accounts payable  | 109,702                | --                 |
| Net pension liability   | (46,988)               | --                 |
| Salaries payable  | (21,650)               | --                 |
| Other payables  | 39,878                 | --                 |
| Deferred inflows - pensions   | 34,127                 | --                 |
| Total adjustments   | <u>1,018,648</u>       | <u>(235,751)</u>   |
| Net cash used in operating activities   | <u>\$ (10,268,586)</u> | <u>\$ (70,070)</u> |

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

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 1. NATURE OF ORGANIZATION

Pratt Community College (College), established in 1938, is a public institution of higher education that grants associate degrees and occupational certificates. The College's mission is to provide high quality instruction and services that meet the educational and occupational training needs of its students and regional business and industry while providing activities for the lifetime enrichment of citizens in south central Kansas. The College is governed by a seven-member Board of Trustees, elected at large.

Financial reporting entity – The College follows Governmental Accounting Standards Board (GASB) Statement No. 61, *Financial Reporting Entity Omnibus* which amends GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement 14. Under this amendment, entities that are legally separate tax-exempt organizations are required to be reported in the College's financial statements if the resources of the affiliated organization benefit the College, the College is entitled to or can otherwise access the resources, and the resources are considered significant to the College.

Pratt County Community College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement funds to provide scholarships to students at the College and to provide other financial support to the College. The College provides personnel services related to administration and accounting activities for the Foundation. Grants and gifts revenue and institutional support expense of \$99,728 was recognized by the Foundation for these services. The majority of the resources or income thereon that the Foundation holds and invests is 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 or its constituents, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a nonprofit organization that reports under standards of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (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. The Foundation does not issue separate financial statements.

Accounting principles generally accepted in the United States of America (GAAP) require the reporting entity to include: (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Pratt Community College Foundation meets the requirements to be included in the reporting entity of the College.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of accounting – The accounting records of the College are maintained in accordance with accounting principles generally accepted in the United States of America. The College accounts for all activities within one business-type activity fund and applies all statements issued by the Government Accounting Standards Board (GASB).

## PRATT COMMUNITY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The College's 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 distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The College's primary operating revenues are charges for student tuition, fees and dormitory charges. Operating expenses include the cost of providing the tuition and dormitory facilities, including administrative charges and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The College first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Cash and cash equivalents – Cash and cash equivalents are reported at fair value and changes in unrealized gains and losses are recorded in the statements of revenues, expenses, and changes in net position. The College considers all unrestricted investments with an original maturity of three months or less to be cash equivalents. Restricted cash consists of funds for debt service, operation and maintenance and replacement.

Deposits and investments – Kansas statutes authorize the College to invest in certain specified securities, including time deposits, repurchase agreements, and U.S. government obligations. Investments are recorded at fair value.

Receivables and deferred revenues – Property taxes are recognized as revenue in the period for which they are levied.

In Kansas, taxes are levied in November and are due by December 20. Taxpayers may elect to pay in two installments, with the second half due by May 10 of the following year.

As of June 30, 2017, the County Treasurer had distributed to the College approximately 100% of the 2016 tax levied.

Tuition and fees for summer sessions are reported within the fiscal year in which the programs are predominantly conducted. Accordingly, tuition and fees collected for the 2017 summer session have been included in the current year's revenues.

Capital assets – Capital assets over \$5,000 are recorded at cost or estimated fair value at date of donation in the case of gifts. The costs of maintenance, repairs, and minor replacements are charged to the appropriate operations and maintenance expense accounts. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Estimated service lives range from 5 to 40 years. The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Compensated absences – The College provides paid vacations and sick leave to employees. Employees are paid for accumulated vacation when employment is terminated. Employees are not paid for accumulated sick leave upon termination. Management of the College has determined the liability for accrued vacation and considers the liability to be immaterial in amount at June 30, 2017.

## PRATT COMMUNITY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions – The employer contributions for community colleges are funded by the State of Kansas (State) on behalf of these employers for active employees. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68. The State is treated as a nonemployer contributing entity in the Kansas Public Employees Retirement System (KPERS). Since these employers do not contribute directly to KPERS for active employees, there is no net pension liability or deferred inflows or outflows to report in their financial statements for active employees. See Note 8 for disclosures regarding the State's portion of the College's total proportionate share of the collective net pension liability that is associated with the College. The College recognizes pension expense associated with the College as well as revenue in an amount equal to the State's total proportionate share of the collective pension expense associated with the College.

The College does make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937, known as "working after retirement" employees. The resulting proportional share of the "working after retirement" contributions and resulting net pension liability, deferred inflows of resources and deferred outflows of resources are attributable to the College. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities, (2) disclosures such as contingencies, and (3) the reported amounts of revenues and expenses included in such financial statements. Actual results could differ from those estimates.

Net position – *Net investment in capital assets*: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this component.

*Restricted net position – non-expendable*: Restricted non-expendable net position includes endowment corpus amounts.

*Restricted net position – expendable*: Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

*Unrestricted net position*: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 3. CASH AND INVESTMENTS

#### College

*Deposits:* At year-end, the College's carrying amount of deposits was \$21,096,559 and the bank balance was \$21,256,639.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its deposits or investments that are in the possession of an outside party. As of June 30, 2017, there were no deposits exposed to custodial credit risk since they were either fully insured or collateralized. The College has no formal policy regarding custodial credit risk.

*Investments:* During the year, the College's idle funds were held in interest bearing demand deposit accounts.

#### Foundation

Investments include the following at June 30, 2017:

|   |                     |
|---|---------------------|
| Equity  | \$ 1,450,535        |
| Fixed income  | 878,819             |
| Bonds   | 27,285              |
| Cash management fund                                | 5,638               |
| Investment in South Central Community<br>Foundation | 550,749             |
|   | <u>\$ 2,913,026</u> |

Investment income consists of the following for the year ended June 30, 2017:

|                               |                   |
|-------------------------------|-------------------|
| Unrealized loss               | \$ 235,751        |
| Realized gain                 | 31,864            |
| Dividends and interest income | 62,706            |
|                               | <u>\$ 330,321</u> |



## **PRATT COMMUNITY COLLEGE**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **4. FAIR VALUE OF FINANCIAL INSTRUMENTS – FOUNDATION**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

The following describes three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS – FOUNDATION (CONTINUED)

The following table sets forth the Foundation's financial assets that were measured at fair value on a recurring basis as of June 30, 2017.

|                              | 2017 Fair Value Measurements Using |                   |              | Total<br>Fair Value |
|------------------------------|------------------------------------|-------------------|--------------|---------------------|
|                              | Level 1                            | Level 2           | Level 3      |                     |
| Equity investments           |                                    |                   |              |                     |
| Small growth                 | \$ 102,516                         | \$ --             | \$ --        | \$ 102,516          |
| Large blend                  | 252,222                            | --                | --           | 252,222             |
| Large growth                 | 147,451                            | --                | --           | 147,451             |
| Large value                  | 210,767                            | --                | --           | 210,767             |
| Mid-cap value                | 22,531                             | --                | --           | 22,531              |
| Mid-cap growth               | 106,551                            | --                | --           | 106,551             |
| World allocation             | 87,093                             | --                | --           | 87,093              |
| Foreign large blend          | 312,060                            | --                | --           | 312,060             |
| Diversified emerging markets | 10,656                             | --                | --           | 10,656              |
| Equity precious metals       | 12,247                             | --                | --           | 12,247              |
| Utilities                    | 2,930                              | --                | --           | 2,930               |
| Technology                   | 27,812                             | --                | --           | 27,812              |
| Services                     | 6,527                              | --                | --           | 6,527               |
| Healthcare                   | 62,484                             | --                | --           | 62,484              |
| Basic materials              | 36,594                             | --                | --           | 36,594              |
| Consumer goods               | 43,765                             | --                | --           | 43,765              |
| Industrial goods             | 6,329                              | --                | --           | 6,329               |
| Fixed income investments     |                                    |                   |              |                     |
| Short-term bond              | 25,024                             | --                | --           | 25,024              |
| Intermediate-term bond       | 455,243                            | --                | --           | 455,243             |
| High-yield bond              | 88,986                             | --                | --           | 88,986              |
| Corporate bond               | 32,120                             | --                | --           | 32,120              |
| Municipal bond               | 34,980                             | --                | --           | 34,980              |
| World bond                   | 3,935                              | --                | --           | 3,935               |
| Intermediate-government      | 24,090                             | --                | --           | 24,090              |
| Non-traditional bond         | 174,565                            | --                | --           | 174,565             |
| Technology                   | 4,026                              | --                | --           | 4,026               |
| Financial                    | 12,450                             | --                | --           | 12,450              |
| Healthcare                   | 10,300                             | --                | --           | 10,300              |
| Utilities                    | 13,100                             | --                | --           | 13,100              |
| Government agencies          | 27,285                             | --                | --           | 27,285              |
| Cash management fund         | 5,638                              | --                | --           | 5,638               |
| Community Foundation         | --                                 | 550,749           | --           | 550,749             |
|                              | <u>\$ 2,362,277</u>                | <u>\$ 550,749</u> | <u>\$ --</u> | <u>\$ 2,913,026</u> |

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 5. CAPITAL ASSETS

Capital assets are comprised of the following at June 30, 2017:

|                                    | Balance<br>July 1,<br>2016 | Additions           | Deletions    | Balance<br>June 30,<br>2017 |
|------------------------------------|----------------------------|---------------------|--------------|-----------------------------|
| College:                           |                            |                     |              |                             |
| Building and improvements          | \$ 17,184,552              | \$ 388,191          | \$ --        | \$ 17,572,743               |
| Equipment, furniture, and fixtures | 7,114,261                  | 54,805              | --           | 7,169,066                   |
| Less accumulated depreciation      | (15,308,316)               | (840,264)           | --           | (16,148,580)                |
| Total                              | <u>\$ 8,990,497</u>        | <u>\$ (397,268)</u> | <u>\$ --</u> | <u>\$ 8,593,229</u>         |
| Foundation: Land                   | <u>\$ 165,452</u>          | <u>\$ --</u>        | <u>\$ --</u> | <u>\$ 165,452</u>           |

### 6. LONG-TERM DEBT AND CAPITAL LEASES

The following is a summary of changes in long-term debt of the College for the year ended June 30, 2017:

|  | Outstanding<br>July 1,<br>2016 | Additions    | Deletions         | Outstanding<br>June 30,<br>2017 | Due within<br>one year |
|--|--------------------------------|--------------|-------------------|---------------------------------|------------------------|
| Student Dormitory Revenue<br>Refunding Bonds, Series<br>2008 | \$ 100,000                     | \$ --        | \$ 100,000        | \$ --                           | \$ --                  |
| KBOR Infrastructure<br>Series 2009C                          | 57,500                         | --           | 57,500            | --                              | --                     |
| Certification of Participation,<br>Series 2006               | 675,000                        | --           | 40,000            | 635,000                         | 40,000                 |
| Certificates of Participation,<br>Series 2008                | 95,827                         | --           | 33,687            | 62,140                          | 35,000                 |
| Certificates of Participation,<br>Series 2009                | 910,000                        | --           | 65,000            | 845,000                         | 70,000                 |
| Certificates of Participation,<br>Series 2010                | 100,000                        | --           | 30,000            | 70,000                          | 35,000                 |
| Certificates of Participation,<br>Series 2012                | 2,310,000                      | --           | 200,000           | 2,110,000                       | 200,000                |
| Capital lease obligations                                    | <u>28,845</u>                  | <u>--</u>    | <u>13,643</u>     | <u>15,202</u>                   | <u>9,671</u>           |
| Total  | <u>\$ 4,277,172</u>            | <u>\$ --</u> | <u>\$ 539,830</u> | <u>\$ 3,737,342</u>             | <u>\$ 389,671</u>      |

PRATT COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

**Student Dormitory System Revenue Refunding Bonds, Series 2008**

Student Dormitory System Revenue Refunding Bonds, Series 2008, totaling \$797,000 were issued during the year ended June 30, 2008, on behalf of the College. The bonds, with interest of 3.179% were issued to refund \$775,000 of outstanding Series 2002 Student Dormitory System Revenue Bonds. The balance of this loan was paid in full during the year-ended June 30, 2017.

**Kansas Board of Regents Postsecondary Educational Institution Infrastructure Finance Program Revenue Bonds, Series 2009C**

The Kansas Board of Regents (KBOR) awarded a 0% interest loan under the Postsecondary Education Institution (PEI) Infrastructure Program to the College in the amount of \$460,000 on March 31, 2009. Principal payments for this program are due annually on or before December 1, in each year of an eight-year amortization period of the Kansas Development Finance Authority revenue bonds (Series 2009C), beginning on December 1, 2009. The balance of this loan was paid in full during the year-ended June 30, 2017.

**Certificates of Participation, Series 2012**

Certificates of Participation totaling \$2,825,000 were issued during the year ended June 30, 2012, pursuant to an installment purchase agreement with the College as lessee and a local bank as the lessor and trustee. The certificates, with interest rates ranging from 2.0% to 2.8%, were issued to refund Student Dormitory Revenue Bonds, Series 2009. Principal payments for the Certificates of Participation, Series 2012 are due annually through 2028. Annual debt service requirements under the certificates to maturity are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>   |
|-----------------------------|---------------------|-------------------|
| 2018                        | \$ 200,000          | \$ 52,082         |
| 2019                        | 200,000             | 48,082            |
| 2020                        | 210,000             | 44,082            |
| 2021                        | 215,000             | 40,082            |
| 2022                        | 215,000             | 35,882            |
| 2023-2027                   | 970,000             | 88,910            |
| 2028-2029                   | 100,000             | 2,800             |
|                             | <u>\$ 2,110,000</u> | <u>\$ 311,920</u> |

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 6. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

#### **Certificates of Participation, Series 2009**

Certificates of Participation totaling \$1,280,000 were issued during the year ended June 30, 2010, pursuant to an installment purchase agreement with the College as lessee and a local bank as the lessor and trustee. The certificates, with interest rates ranging from 3.0% to 4.75%, were issued to refund Student Dormitory Revenue Bonds, Series 2001. Principal payments for the Certificates of Participation, Series 2009 are due annually through 2027. Annual debt service requirements under the certificates to maturity are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>  | <u>Interest</u>   |
|-----------------------------|-------------------|-------------------|
| 2018                        | \$ 70,000         | \$ 37,223         |
| 2019                        | 70,000            | 34,598            |
| 2020                        | 75,000            | 31,798            |
| 2021                        | 75,000            | 28,648            |
| 2022                        | 85,000            | 25,498            |
| 2023-2027                   | 470,000           | 83,150            |
|                             | <u>\$ 845,000</u> | <u>\$ 240,915</u> |

#### **Certificates of Participation, Series 2006**

Certificates of Participation totaling \$905,000 were issued during the year ended June 30, 2006, pursuant to an installment purchase agreement with the College as lessee and a local bank as the lessor and trustee. The certificates, with interest rates ranging from 3.6% to 4.50%, were issued to crossover advance refund Certificate of Participation, Series 2002. Principal payments for the Certificates of Participation, Series 2002 are due annually through 2030. Annual debt service requirements under the certificates to maturity are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>  | <u>Interest</u>   |
|-----------------------------|-------------------|-------------------|
| 2018                        | \$ 40,000         | \$ 28,175         |
| 2019                        | 40,000            | 26,575            |
| 2020                        | 45,000            | 24,975            |
| 2021                        | 45,000            | 22,950            |
| 2022                        | 50,000            | 20,925            |
| 2023-2027                   | 270,000           | 70,200            |
| 2028-2031                   | 145,000           | 11,250            |
|                             | <u>\$ 635,000</u> | <u>\$ 205,050</u> |

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 6. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

#### **Certificates of Participation, Chandler Hall Remodel, Series 2008**

Certificates of Participation totaling \$305,000 were issued during the year ended June 30, 2009, pursuant to an installment purchase agreement with the College as lessee and a local bank as the lessor and trustee. The certificates, with an interest rate of 3.84%, were issued for remodeling a classroom facility. Principal payments for the Certificates of Participation, Chandler Hall Remodel are due quarterly from April 1, 2009 through January 1, 2019. Annual debt service requirements under the certificates to maturity are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|------------------|-----------------|
| 2018                        | \$ 35,000        | \$ 1,886        |
| 2019                        | 27,140           | 523             |
|                             | <u>\$ 62,140</u> | <u>\$ 2,409</u> |

#### **Certificates of Participation, Series 2010**

Certificates of Participation totaling \$247,000 were issued during the year ended June 30, 2011, pursuant to an installment purchase agreement with the College as lessee and a local bank as the lessor and trustee. The certificates, with interest rates ranging from 1.50% to 3.50%, were issued for equipment lease purchases. Principal payments for the Certificates of Participation, Series 2010 are due semi-annually from September 1, 2011 through March 1, 2019. Annual debt service requirements under the certificates to maturity are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|------------------|-----------------|
| 2018                        | \$ 35,000        | \$ 2,380        |
| 2019                        | 35,000           | 1,225           |
|                             | <u>\$ 70,000</u> | <u>\$ 3,605</u> |

#### **Capital Leases**

Equipment, vehicles and campus improvements, with a net depreciated cost of \$20,545, have been acquired under capital leases. The equipment and the related liability under the capital leases are recorded at the present value of the future payments due under the leases as determined with interest rates ranging from 2.70% to 7.50% and expire in various years through 2019.

## PRATT COMMUNITY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS

#### 6. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

The following is a schedule by years of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2017:

|   | Year Ending June 30, |                 |
|---|----------------------|-----------------|
|   | 2018                 | \$ 10,123       |
|   | 2020                 | 5,953           |
| Total minimum lease payments                |                      | 16,076          |
| Less amount representing interest           |                      | (874)           |
| Present value of net minimum lease payments |                      | 15,202          |
| Less current portion                        |                      | (9,671)         |
|   |                      | <u>\$ 5,531</u> |

#### 7. RISK MANAGEMENT

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

#### 8. DEFINED BENEFIT PENSION PLAN AND EMPLOYEE BENEFITS

##### General Information about the 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. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

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

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership.

## PRATT COMMUNITY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS

#### 8. DEFINED BENEFIT PENSION PLAN AND EMPLOYEE BENEFITS (CONTINUED)

The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

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

The 2012 Legislature made changes affecting new hires, current member employees and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015 was created. Normal retirement ages for KPERS 3 is 65 with five years of service or 60 years with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the accounts balance at retirement.

The retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

*Contributions:* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Kansas law establishes the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. 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.

With the exception of contributions made by the College directly to KPERS for KPERS retirees filing KPERS covered positions under K.S.A. 74-4937 (known as "working after retirement" employees), employer contributions for the College's active employees are funded by the State of Kansas on behalf of the employer. Therefore, the College is considered to be in a special funding situation as defined by GASB 68, *Accounting and Financial Reporting for Pensions*. State law provides that the contribution rates paid by the State on behalf of the College be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. The actuarially determined employer contribution rate and the statutory contribution rate was 10.77% and 10.81% for the fiscal year ended June 30, 2017.

For the years ended June 30, 2017, College contributions to the plan for "working after retirement" payments were \$9,912.



# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 8. DEFINED BENEFIT PENSION PLAN AND EMPLOYEE BENEFITS (CONTINUED)

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the College reported a liability for its proportionate share of the KPERS' collective net pension liability that reflected a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the collective net pension liability, the related state support, and the total portion of the collective net pension liability that was associated with the College were as follows:

|   |                     |
|---|---------------------|
| College's proportionate share of the collective net pension liability                           | \$ 113,782          |
| State's proportionate share of the collective net pension liability associated with the College | 7,662,362           |
| Total   | <u>\$ 7,776,144</u> |

The collective net pension liability was measured by KPERS as of June 30, 2016, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The College's proportion of the collective net pension liability was first based on the ratio of the total actual contributions made for the College (including on behalf contributions from the State and contributions paid by the College) to KPERS, relative to the total employer and nonemployer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2016. The resulting proportion was then allocated to the College based on the ratio of the College's actual contributions paid directly to KPERS for "working after retirement" employees relative to the total employer and nonemployer contributions of the College for the fiscal year ended June 30, 2016. As of the measurement date of June 30, 2016, the College's "working after retirement" contributions were .473% of total contributions made for the College (including on-behalf contributions made by the State). The total local allocation percentage for the College as of the measurement date of June 30, 2016 was .00169%

For the year ended June 30, 2017, the College recognized pension expense of \$572,844 and revenue of \$567,030 for support provided by the State in the form of non-employer contributions to KPERS on the College's behalf. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 8. DEFINED BENEFIT PENSION PLAN AND EMPLOYEE BENEFITS (CONTINUED)

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience                                | \$ --                                | \$ 5,372                            |
| Net difference between projected and actual earnings on pension plan investments | 10,277                               | --                                  |
| Changes in proportionate share   | --                                   | 48,919                              |
| Changes in assumptions   | --                                   | 206                                 |
| College contributions subsequent to measurement date                             | 9,912                                | --                                  |
| Total  | <u>\$ 20,189</u>                     | <u>\$ 54,497</u>                    |

\$9,912 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | Deferred Outflows<br>(Inflows) of<br>Resources |
|---------------------|--|
| 2017                | \$ (12,066)                                    |
| 2018                | (12,066)                                       |
| 2019                | (8,270)  |
| 2020                | (6,923)  |
| 2021                | (4,895)  |
|                     | <u>\$ (44,220)</u>                             |

*Actuarial assumptions:* The total pension liability for KPERS in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |                                      |
|--|--------------------------------------|
| Price inflation  | 3.00%                                |
| Wage inflation   | 4.00%                                |
| Salary increases, including wage increases   | 4.00% to 16.00%, including inflation |
| Long-term rate of return, net of investment expense, and including price inflation | 8.00%                                |

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 8. DEFINED BENEFIT PENSION PLAN AND EMPLOYEE BENEFITS (CONTINUED)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted for the three-year period beginning December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2016 are summarized in the following table:

| <b>Asset Class</b>     | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|------------------------|--------------------------|---|
| Global equity          | 47%                      | 6.80%   |
| Fixed income           | 13                       | 1.25  |
| Yield driven           | 8                        | 6.55  |
| Real return            | 11                       | 1.71  |
| Real estate            | 11                       | 5.05  |
| Alternatives           | 8                        | 9.85  |
| Short-term investments | 2                        | (0.25)  |
| Total                  | 100%                     |   |

*Discount rate:* The discount rate used by KPERS to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State/School subgroup employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 8. DEFINED BENEFIT PENSION PLAN AND EMPLOYEE BENEFITS (CONTINUED)

|  | <b>1% Decrease<br/>(7.00%)</b> | <b>Current<br/>Discount Rate<br/>(8.00%)</b> | <b>1% Increase<br/>(9.00%)</b> |
|--|--------------------------------|--|--------------------------------|
| College's proportionate share of the net pension liability | \$ 147,960                     | \$ 113,782                                   | \$ 84,761                      |

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

*Subsequent events:* Under the budgetary allotment process for the State of Kansas, the Kansas governor has authority to reduce or defer the approved budget for purposes of balancing the budget. For the State's fiscal year ending June 30, 2017, approximately \$99 million in State funded employer contributions to the state/School group were deferred. It is unknown at the time whether this reduction will have a significant effect on the College's proportionate share of the KPERS' collective net pension liability, or an effect on any actuarial assumptions used by KPERS to calculate the collective net pension liability.

### 9. POSTEMPLOYMENT HEALTHCARE PLAN

*Plan Description:* The College provides for medical, dental and prescription drug insurance coverage to qualifying retirees and their dependents. Retirees must contribute carrier charged premiums to maintain coverage. Coverage is provided on a fully-insured basis with two medical plan options. Retirees and spouses have the same benefit as active employees. Retiree coverage terminates either when the retiree becomes covered under another employer health plan, or when the retiree reaches the Medicare eligibility age which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age, or dies. The retiree healthcare program operates as a single-employer defined benefit plan. The Plan does not issue a separate report.

*Funding Policy:* As provided by K.S.A. 12-5040, the College allows retirees to participate in the group health insurance plan. The funding policy of the College is to pay premiums as they become due through the general operating assets of the College. The contribution requirements of plan members and the College are established and may be amended by the Board of Trustees. The required contribution is based on projected pay-as-you-go financing requirements. College retirees pay 100% of their premiums; the College is not required to share costs of retiree premiums.

*Annual OPEB Cost and Net OPEB Obligation:* The College's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) 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 actually contributed to the plan, and changes in the College's net OPEB obligation to the Plan:

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 9. POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

|  |    |          |
|--|----|----------|
| Annual required contribution               | \$ | 47,150   |
| Interest on net OPEB obligation            |    | 9,793    |
| Adjustment to annual required contribution |    | 13,353   |
| Annual OPEB cost (expense)                 |    | 70,296   |
| Contributions made                         |    | (30,000) |
| Increase in net OPEB obligation            |    | 40,296   |
| Net OPEB obligation – beginning of year    |    | 326,442  |
| Net OPEB obligation – end of year          | \$ | 366,738  |

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Net Employer Contributions | Percentage Contributed | Net OPEB Obligation |
|-------------------|------------------|----------------------------|------------------------|---------------------|
| 6/30/2015         | \$ 44,436        | \$ 12,000                  | 27%                    | \$ 281,344          |
| 6/30/2016         | \$ 67,098        | \$ 22,000                  | 33%                    | \$ 326,442          |
| 6/30/2017         | \$ 70,296        | \$ 30,000                  | 43%                    | \$ 366,738          |

*Funded Status and Funding Progress:* As of July 1, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$333,576, and there was no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$333,576. The covered payroll (annual payroll of active employees covered by the plan) was \$4,691,466, and the ratio of the UAAL to the covered payroll was 7 percent.

Actuarial valuations 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 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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability 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 include 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.

## **PRATT COMMUNITY COLLEGE**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **9. POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the College's operating fund assets on investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.0 percent initially reduced to an ultimate rate of 5.0 percent after six years. Both rates included a 1.5 percent inflation assumption.

The UAAL is being amortized as a level percent of pay on an open basis. The remaining amortization period at July 1, 2014 was thirty years.

#### **10. BUDGETARY INFORMATION**

For the purpose of levying taxes, the College used several tax levy funds. Kansas statutes require budgets be adopted for all funds unless exempted by a specific statute. The statutes provide for the following sequence and timetable in the adoption for the legal budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes.

To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after the publication, the hearing may be held and the governing body may amend the budget at that time. The College did not amend its budget during the fiscal year ended June 30, 2017.

Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Management may amend the amount of a specific object or purpose appropriation without obtaining authorization from the Board of Trustees providing the amendments or transfers do not create a total budgeted expenditure amount for a specific fund in excess of the amount originally adopted by the Board of Trustees.

## **PRATT COMMUNITY COLLEGE**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **10. BUDGETARY INFORMATION (CONTINUED)**

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

Encumbered appropriations are not reappropriated in the ensuing year's budget but are carried forward until liquidated or canceled.

Accordingly, the data presented in the budgetary comparison statements included as supplementary information differ from the data presented in the financial statements prepared in accordance with GAAP.

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

#### **11. SEGMENT INFORMATION**

The Student Dormitory Revenue Refunding Series 2008 were issued to provide funding of the costs of constructing, acquiring, equipping and furnishing improvements to the College's student union and dormitory system or any building constituting a part thereof. Investors in the Student Dormitory Revenue bonds rely solely on the revenue generated from the operation of the system for repayment.

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 11. SEGMENT INFORMATION (CONTINUED)

Condensed financial information for the student union and dormitory system segment as of and for the years ending June 30, are as follows:

#### Condensed statement of net position

##### Assets:

|                   |                  |
|-------------------|------------------|
| Current assets    | \$ 4,739,203     |
| Noncurrent assets | 129,693          |
| Capital assets    | <u>4,237,137</u> |
| Total assets      | <u>9,106,033</u> |

##### Liabilities:

|                       |                  |
|-----------------------|------------------|
| Current liabilities   | 258,450          |
| Long-term liabilities | <u>775,000</u>   |
| Total liabilities     | <u>1,033,450</u> |

##### Net position:

|                                  |                     |
|----------------------------------|---------------------|
| Net investment in capital assets | 3,203,687           |
| Unrestricted                     | <u>4,868,896</u>    |
| Total net position               | <u>\$ 8,072,583</u> |

#### Condensed statement of revenues, expenses and changes in net position

|                                   |                     |
|-----------------------------------|---------------------|
| Operating revenues                | \$ 2,127,059        |
| Operating expenses                | 1,227,340           |
| Depreciation expense              | <u>194,774</u>      |
| Net operating income              | 704,945             |
| Nonoperating revenues/(expenses)  | <u>(296,817)</u>    |
| Change in net position            | 408,128             |
| Net position at beginning of year | <u>7,664,455</u>    |
| Net position at end of year       | <u>\$ 8,072,583</u> |

#### Condensed statement of cash flows

##### Net cash flows provided by:

|                               |            |
|-------------------------------|------------|
| Operating activities          | \$ 855,981 |
| Non-capital financing         | (254,422)  |
| Capital and related financing | (207,677)  |
| Investing                     | <u>282</u> |

|  |                     |
|--|---------------------|
| Net increase in cash and cash equivalents      | 394,164             |
| Cash and cash equivalents at beginning of year | <u>4,345,039</u>    |
| Cash and cash equivalents at end of year       | <u>\$ 4,739,203</u> |



## PRATT COMMUNITY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS

#### 12. ENDOWMENTS – FOUNDATION

The permanent restricted endowment has \$340,985 invested in a trust at the South Central Community Foundation, and the Foundation is entitled to an annual distribution of the earnings. The remaining \$50,000 is invested with Intrust. The primary objective is to provide maximum income for the beneficiary.

The Foundation's investment in the South Central Community Foundation was established for the benefit of the Foundation, and includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation is subject to the South Central Community Foundation's (SCCF) spending policy and donor agreements for scholarships. SCCF's primary investment objective is to achieve an annualized total return (net of fees and expenses), through appreciation and income, equal to or greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending and administrative expenses thus, at a minimum, maintaining the purchasing power. The assets are to be managed in a manner that will meet the primary investment objective, while at the same time attempting to limit volatility in year-to-year spending. The Foundation's investment and spending policy covers amounts not invested at South Central Community Foundation. The Foundation's primary investment objective is to preserve the real purchasing power of the principal and provide a stable source of perpetual financial support to beneficiaries in accordance with the Foundation's spending policy. In order to preserve the purchasing power both of principal and of withdrawals made available for spending, the long-term annualized total rate of return objective is inflation plus the Foundation's current spending rate and management fee assessment. To satisfy its long-term rate of return objective, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and from current yield (interest and dividends). Asset allocation guidelines and the investment manager structure should ensure adequate diversification in order to reduce volatility of investment returns.

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 12. ENDOWMENTS – FOUNDATION (CONTINUED)

Endowment net position composition by type of fund as of June 30, 2017 is as follows:

|                                     | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total Net<br/>Endowment<br/>Assets</u> |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|---|
| Donor-restricted<br>endowment funds | \$ --               | \$ 164,522                        | \$ 390,985                        | \$ 555,507                                |
| Board designated<br>endowment funds | 5,554               | --                                | --                                | 5,554                                     |
| Total funds                         | <u>\$ 5,554</u>     | <u>\$ 164,522</u>                 | <u>\$ 390,985</u>                 | <u>\$ 561,061</u>                         |

Changes in endowment net position as of June 30, 2017 are as follows:

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total Net<br/>Endowment<br/>Assets</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---|
| Endowment net<br>position, beginning of<br>year | \$ 5,252            | \$ 122,832                        | \$ 390,985                        | \$ 519,069                                |
| Net appreciation                                | 502                 | 50,099                            | --                                | 50,601                                    |
| Donations                                       | --                  | 1,524                             | --                                | 1,524                                     |
| Amounts appropriated<br>for expenditure         | (200)               | (9,933)                           | --                                | (10,133)                                  |
| Endowment net<br>position, end of year          | <u>\$ 5,554</u>     | <u>\$ 164,522</u>                 | <u>\$ 390,985</u>                 | <u>\$ 561,061</u>                         |

### 13. PENDING GOVERNMENTAL ACCOUNTING STANDARDS

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2018.

## PRATT COMMUNITY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS

#### 13. PENDING GOVERNMENTAL ACCOUNTING STANDARDS (CONTINUED)

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability and a corresponding deferred outflow of resources for AROs when the liability is incurred and reasonable estimable. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for estimating the liability and the estimated remaining useful life of the associated tangible capital asset. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when demands for resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2018.

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resource based on the payment provisions of the contract. It establishes a single model for lease accounting based on foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2021.

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PENDING GOVERNMENTAL ACCOUNTING STANDARDS (CONTINUED)

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability<br>(AAL) | Unfunded<br>AAL | Funded<br>Ratio | Covered<br>Payroll | UAAL as a<br>Percent of<br>Covered<br>Payroll |
|--------------------------------|---------------------------------|--|-----------------|-----------------|--------------------|---|
| 07/01/14                       | \$ --                           | \$ 333,576                                 | \$ 333,576      | 0%              | \$ 4,691,466       | 7%  |
| 07/01/11                       | \$ --                           | \$ 518,033                                 | \$ 518,033      | 0%              | \$ 4,787,218       | 11%   |
| 07/01/08                       | \$ --                           | \$ 375,902                                 | \$ 375,902      | 0%              | \$ 4,129,156       | 9%  |

Note 1: Significant Factors Affecting Trends in Actuarial Information for the Pratt Community College Other Post-Employment Benefits other than Pensions

The major items of impact in the actuarial valuation dated July 1, 2014 relative to the prior valuation are as follows:

- Retirement and turnover assumptions were updated when applicable to reflect the latest statistics from KPERS.
- Expected per capita retiree costs increased less than plan premiums (i.e. retiree contribution premiums). Retiree costs are projected at expected while group premiums under the self-funded program are based on 120% of expected. This resulted in lower present value employer costs for retirees.
- The assumed mortality was updated to reflect the Society of Actuaries Adjusted RPH-2014 Total Dataset Mortality table with MP-2015 full generational improvement.
- Based on College experience and considering experience in the region, the assumed proportion of future employees retiring at ages 60 to 64 who will elect coverage with the College upon retirement was lowered from 70% to 60%.
- The assumed proportion of future retirees with a covered spouse was lowered from 35% to 20%. This is based on current enrollment of actives close to retirement age and multiple years of retiree experience.

# PRATT COMMUNITY COLLEGE

## REQUIRED SUPPLEMENTARY INFORMATION

### Share of the Collective Net Pension Liability Kansas Public Employees Retirement System Last Four Fiscal Years\*

|  | <u>2017</u>                | <u>2016</u>         | <u>2015</u>         | <u>2014</u>         |
|--|----------------------------|---------------------|---------------------|---------------------|
| College's proportion of the collective net pension liability   | <b>0.00169%</b>            | 0.00232%            | 0.00000%            | 0.00000%            |
| College's proportionate share of the collective net pension liability  | <b>\$ 113,782</b>          | \$ 160,770          | \$ --               | \$ --               |
| State's proportionate share of the collective net pension liability associated with the College              | <b>7,662,362</b>           | 8,276,566           | 8,176,669           | 9,620,564           |
| Total  | <b><u>\$ 7,776,144</u></b> | <u>\$ 8,437,336</u> | <u>\$ 8,176,669</u> | <u>\$ 9,620,564</u> |
| College's covered payroll  | <b>\$ 4,703,472</b>        | \$ 5,263,690        | \$ 5,536,462        | \$ 5,658,730        |
| College's proportionate share of the collective net pension liability as a percentage of its covered payroll | <b>2.42%</b>               | 3.05%               | 0.00%               | 0.00%               |
| Plan fiduciary net position as a percentage of the total pension liability                                   | <b>65.10%</b>              | 64.95%              | 66.60%              | 59.94%              |

\* GASB 68 requires presentation of ten years. As of June 30, 2017, only four years of information is available.

^ Covered payroll is measured as of the measurement date, the most recent of which was June 30, 2016.

# PRATT COMMUNITY COLLEGE

## REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of College's Contributions Kansas Public Employees Retirement System Last Four Fiscal Years\*

|  | <u>2017</u>     | <u>2016</u>     | <u>2015</u>  | <u>2014</u>  |
|--|-----------------|-----------------|--------------|--------------|
| Contractually required contribution                                  | \$ 9,912        | \$ 7,910        | \$ --        | \$ --        |
| Contributions in relation to the contractually required contribution | --              | --              | --           | --           |
| Contribution deficiency (excess)                                     | <u>\$ 9,912</u> | <u>\$ 7,910</u> | <u>\$ --</u> | <u>\$ --</u> |
| College's covered payroll  | \$ 5,245,417    | \$ 4,703,472    | \$ 5,536,462 | \$ 5,658,730 |
| Contributions as a percentage of covered payroll                     | 0.19%           | 0.17%           | 0.00%        | 0.00%        |

\* GASB 68 requires presentation of ten years. As of June 30, 2017, only four years of information is available.

## PRATT COMMUNITY COLLEGE

### REQUIRED SUPPLEMENTARY INFORMATION

*Changes in benefit terms for KPERS:* Effective January 1, 2014, KPERS Tier 1 members' employee contribution rate increased to 5.0% and then on January 1, 2015, increased to 6.0% with an increase in benefit multiplier to 1.85% for future years of service. For Tier 2 members retiring after July 1, 2012, the cost of living adjustment (COLA) is eliminated, but members will receive a 1.85% multiplier for all years of service.

The KPERS 3 cash balance plan became effective January 1, 2015. Members enrolled in this plan are ones first employed in a KPERS covered position on or after January 1, 2015, or KPERS 1 or KPERS 2 members who left employment before vesting and returned to employment on or after January 1, 2015. The retirement benefit is an annuity based on the account balance at retirement.

*Changes in assumptions.*

The major items of impact in the actuarial valuation dated December 31, 2014 relative to the prior valuation are as follows:

- Reduce disability rates by 20% for all three KPERS groups.
- Increase the termination of employment rates for State males and local males and females.
- Modify the election of a deferred benefit by local vested members who terminate employment in future years.
- Modify the retirement rates for the C60 group.
- Increase the load for the impact of final average salary provisions for local, C55 and C60 members hired before July 1, 1993.
- Establish an interest crediting rate of 6.50% for KPERS 3 members.

## SUPPLEMENTARY FINANCIAL INFORMATION



**PRATT COMMUNITY COLLEGE**  
**SCHEDULE OF RECEIPTS, EXPENDITURES, CHANGES IN**  
**UNENCUMBERED CASH, AND COMPARISON WITH BUDGET**  
**(REGULATORY BASIS)**  
For Year Ended June 30, 2017

**GENERAL FUND**

|   | <u>Actual</u>        | <u>Budget</u>     | <u>Over<br/>(Under)<br/>Budget</u> |
|---|----------------------|-------------------|------------------------------------|
| <b>RECEIPTS</b>   |                      |                   |                                    |
| General property tax:                                     |                      |                   |                                    |
| Ad valorem property tax                                   | \$ 5,797,310         | \$ 5,880,475      | \$ (83,165)                        |
| Delinquent tax  | 504                  | --                | 504                                |
| Motor vehicle tax   | 438,217              | 422,994           | 15,223                             |
| State aid   | 1,183,980            | 1,195,885         | (11,905)                           |
| Student tuition and fees                                  | 842,140              | 886,421           | (44,281)                           |
| Interest  | 1,100                | 30,000            | (28,900)                           |
| Other   | 131,284              | 614,448           | (483,164)                          |
| Total receipts  | <u>8,394,535</u>     | <u>9,030,223</u>  | <u>(635,688)</u>                   |
| <b>EXPENDITURES</b>                                       |                      |                   |                                    |
| Instruction   | 1,453,745            | 1,606,531         | (152,786)                          |
| Academic support  | 247,955              | 318,944           | (70,989)                           |
| Student services  | 2,168,909            | 2,259,474         | (90,565)                           |
| Institutional support                                     | 1,231,028            | 1,326,928         | (95,900)                           |
| Operation and maintenance                                 | 556,860              | 603,583           | (46,723)                           |
| Scholarships  | 180,012              | 180,000           | 12                                 |
| Transfers   | 2,134,021            | 2,738,482         | (604,461)                          |
| Total expenditures  | <u>7,972,530</u>     | <u>9,033,942</u>  | <u>(1,061,412)</u>                 |
| <b>EXCESS (DEFICIT) OF RECEIPTS<br/>OVER EXPENDITURES</b> | <u>422,005</u>       | <u>\$ (3,719)</u> | <u>\$ 425,724</u>                  |
| <b>UNENCUMBERED CASH, BEGINNING<br/>OF YEAR</b>           | <u>10,138,180</u>    |                   |                                    |
| <b>UNENCUMBERED CASH, END OF YEAR</b>                     | <u>\$ 10,560,185</u> |                   |                                    |

**PRATT COMMUNITY COLLEGE**  
**SCHEDULE OF RECEIPTS, EXPENDITURES, CHANGES IN**  
**UNENCUMBERED CASH, AND COMPARISON WITH BUDGET**  
**(REGULATORY BASIS)**  
**For Year Ended June 30, 2017**

**AUXILIARY FUNDS**

|   | <u>Actual</u>            | <u>Budget</u>    | <u>Over<br/>(Under)<br/>Budget</u> |
|---|--------------------------|------------------|------------------------------------|
| <b>RECEIPTS</b>                                 |                          |                  |                                    |
| Student sources                                 | \$ 77,727                | \$ 1,700,000     | \$ (1,622,273)                     |
| Gifts and grants                                | 1,398,375                | 208,200          | 1,190,175                          |
| Other   | --                       | 1,050,000        | (1,050,000)                        |
| Total receipts                                  | <u>1,476,102</u>         | <u>2,958,200</u> | <u>(1,482,098)</u>                 |
| <b>EXPENDITURES</b>                             |                          |                  |                                    |
| General operating expense                       | 256,949                  | 850,000          | (593,051)                          |
| Supplies  | 192,317                  | 550,000          | (357,683)                          |
| Scholarships                                    | 1,009,780                | 1,558,200        | (548,420)                          |
| Total expenditures                              | <u>1,459,046</u>         | <u>2,958,200</u> | <u>(1,499,154)</u>                 |
| <b>EXCESS OF RECEIPTS OVER<br/>EXPENDITURES</b> | <u>17,056</u>            | <u>\$ --</u>     | <u>\$ 17,056</u>                   |
| <b>UNENCUMBERED CASH, BEGINNING<br/>OF YEAR</b> | <u>963,862</u>           |                  |                                    |
| <b>UNENCUMBERED CASH, END OF YEAR</b>           | <u><u>\$ 980,918</u></u> |                  |                                    |

**PRATT COMMUNITY COLLEGE**  
**SCHEDULE OF RECEIPTS, EXPENDITURES, CHANGES IN**  
**UNENCUMBERED CASH, AND COMPARISON WITH BUDGET**  
**(REGULATORY BASIS)**

For Year Ended June 30, 2017

**STUDENT HOUSING FUND**

|   | <u>Actual</u>       | <u>Budget</u>    | <u>Over<br/>(Under)<br/>Budget</u> |
|---|---------------------|------------------|------------------------------------|
| <b>RECEIPTS</b>                                 |                     |                  |                                    |
| Student sources                                 | \$ 2,126,969        | \$ 1,900,000     | \$ 226,969                         |
| Other   | 282                 | 500,000          | (499,718)                          |
| Total receipts                                  | <u>2,127,251</u>    | <u>2,400,000</u> | <u>(272,749)</u>                   |
| <b>EXPENDITURES</b>                             |                     |                  |                                    |
| Student services                                | 148,761             | 200,000          | (51,239)                           |
| General operating expense                       | 886,253             | 1,139,580        | (253,327)                          |
| Supplies  | 142,811             | 300,000          | (157,189)                          |
| Equipment                                       | 49,515              | 300,000          | (250,485)                          |
| Transfers                                       | 462,009             | 460,420          | 1,589                              |
| Total expenditures                              | <u>1,689,349</u>    | <u>2,400,000</u> | <u>(710,651)</u>                   |
| <b>EXCESS OF RECEIPTS OVER<br/>EXPENDITURES</b> | <u>437,902</u>      | <u>\$ --</u>     | <u>\$ 437,902</u>                  |
| <b>UNENCUMBERED CASH, BEGINNING<br/>OF YEAR</b> | <u>4,242,547</u>    |                  |                                    |
| <b>UNENCUMBERED CASH, END OF YEAR</b>           | <u>\$ 4,680,449</u> |                  |                                    |

**PRATT COMMUNITY COLLEGE**  
**SCHEDULE OF RECEIPTS, EXPENDITURES, CHANGES IN**  
**UNENCUMBERED CASH, AND COMPARISON WITH BUDGET**  
**(REGULATORY BASIS)**

For Year Ended June 30, 2017

**POSTSECONDARY/TECHNICAL EDUCATION FUND**

|  | <u>Actual</u>              | <u>Budget</u>    | <u>Over<br/>(Under)<br/>Budget</u> |
|--|----------------------------|------------------|------------------------------------|
| <b>RECEIPTS</b>                                  |                            |                  |                                    |
| State aid  | \$ 1,568,429               | \$ 1,698,077     | \$ (129,648)                       |
| Student tuition and fees                         | 817,872                    | 590,948          | 226,924                            |
| Transfers  | 1,783,005                  | 1,783,005        | --                                 |
| Other receipts                                   | 110,068                    | 500,000          | (389,932)                          |
| Total receipts                                   | <u>4,279,374</u>           | <u>4,572,030</u> | <u>(292,656)</u>                   |
| <b>EXPENDITURES</b>                              |                            |                  |                                    |
| Instruction                                      | 1,593,568                  | 2,206,086        | (612,518)                          |
| Academic support                                 | 129,295                    | 219,744          | (90,449)                           |
| Institutional support                            | 841,714                    | 887,953          | (46,239)                           |
| Operation and maintenance                        | 351,514                    | 402,388          | (50,874)                           |
| Transfers out                                    | --                         | 855,859          | (855,859)                          |
| Total expenditures                               | <u>2,916,091</u>           | <u>4,572,030</u> | <u>(1,655,939)</u>                 |
| <b>DEFICIT OF RECEIPTS OVER<br/>EXPENDITURES</b> | <u>1,363,283</u>           | <u>\$ --</u>     | <u>\$ 1,363,283</u>                |
| <b>UNENCUMBERED CASH, BEGINNING<br/>OF YEAR</b>  | <u>3,448,655</u>           |                  |                                    |
| <b>UNENCUMBERED CASH, END OF YEAR</b>            | <u><u>\$ 4,811,938</u></u> |                  |                                    |

**PRATT COMMUNITY COLLEGE**  
**SCHEDULE OF RECEIPTS, EXPENDITURES, CHANGES IN**  
**UNENCUMBERED CASH, AND COMPARISON WITH BUDGET**  
**(STATUTORY BASIS)**  
**For Year Ended June 30, 2017**

**ADULT BASIC EDUCATION FUND**

|   | <u>Actual</u>          | <u>Budget</u>          | <u>Over<br/>(Under)<br/>Budget</u> |
|---|------------------------|------------------------|------------------------------------|
| <b>RECEIPTS</b>                                 |                        |                        |                                    |
| Other receipts                                  | \$       --            | \$       5,000         | \$       (5,000)                   |
| <b>EXPENDITURES</b>                             | <u>          --</u>    | <u>          5,000</u> | <u>          (5,000)</u>           |
| <b>EXCESS OF RECEIPTS OVER<br/>EXPENDITURES</b> | <u>          --</u>    | <u>\$        --</u>    | <u>\$        --</u>                |
| <b>UNENCUMBERED CASH, BEGINNING<br/>OF YEAR</b> | <u>         40,891</u> |                        |                                    |
| <b>UNENCUMBERED CASH, END OF YEAR</b>           | <u>\$       40,891</u> |                        |                                    |

**PRATT COMMUNITY COLLEGE**  
**SCHEDULE OF RECEIPTS, EXPENDITURES, CHANGES IN**  
**UNENCUMBERED CASH, AND COMPARISON WITH BUDGET**  
**(STATUTORY BASIS)**  
**For Year Ending June 30, 2017**

**ADULT SUPPLEMENTAL EDUCATION FUND**

|  | <u>Actual</u>       | <u>Budget</u>       | <u>Over<br/>(Under)<br/>Budget</u> |
|--|---------------------|---------------------|------------------------------------|
| <b>RECEIPTS</b>                                      | \$        --        | \$     20,000       | \$    (20,000)                     |
| <b>EXPENDITURES</b>                                  | --                  | 20,000              | (20,000)                           |
| <b>EXCESS OF RECEIPTS OVER<br/>OVER EXPENDITURES</b> | --                  | <u>\$        --</u> | <u>\$        --</u>                |
| <b>UNENCUMBERED CASH, BEGINNING<br/>OF YEAR</b>      | <u>1,107</u>        |                     |                                    |
| <b>UNENCUMBERED CASH, END OF YEAR</b>                | <u>\$     1,107</u> |                     |                                    |

**PRATT COMMUNITY COLLEGE**  
**SCHEDULE OF RECEIPTS, EXPENDITURES, CHANGES IN**  
**UNENCUMBERED CASH, AND COMPARISON WITH BUDGET**  
**(REGULATORY BASIS)**  
For Year ended June 30, 2017

**UNEXPENDED PLANT FUND**

|   | <u>Actual</u>     | <u>Budget</u>  | <u>Over<br/>(Under)<br/>Budget</u> |
|---|-------------------|----------------|------------------------------------|
| <b>RECEIPTS</b>                                 |                   |                |                                    |
| General property tax:                           |                   |                |                                    |
| Ad valorem property tax                         | \$ 54             | \$ --          | \$ 54                              |
| Delinquent tax                                  | 15                | --             | 15                                 |
| Motor vehicle tax                               | 1                 | --             | 1                                  |
| Transfers in                                    | 192,500           | --             | 192,500                            |
| Miscellaneous income                            | --                | 392,500        | (392,500)                          |
| Total receipts                                  | <u>192,570</u>    | <u>392,500</u> | <u>(199,930)</u>                   |
| <b>EXPENDITURES</b>                             | <u>124,448</u>    | <u>392,500</u> | <u>(268,052)</u>                   |
| <b>EXCESS OF RECEIPTS<br/>OVER EXPENDITURES</b> | <u>68,122</u>     | <u>\$ --</u>   | <u>\$ 68,122</u>                   |
| <b>UNENCUMBERED CASH, BEGINNING<br/>OF YEAR</b> | <u>740,863</u>    |                |                                    |
| <b>UNENCUMBERED CASH, END OF YEAR</b>           | <u>\$ 808,985</u> |                |                                    |

**PRATT COMMUNITY COLLEGE**  
**SCHEDULE OF RECEIPTS, EXPENDITURES, CHANGES IN**  
**UNENCUMBERED CASH, AND COMPARISON WITH BUDGET**  
**(REGULATORY BASIS)**  
**For Year Ended June 30, 2017**

**EMPLOYEE BENEFITS FUND**

|   | <u>Actual</u>         | <u>Budget</u>       | <u>Over<br/>(Under)<br/>Budget</u> |
|---|-----------------------|---------------------|------------------------------------|
| <b>RECEIPTS</b>                                 | \$       --           | \$       --         | \$       --                        |
| <b>EXPENDITURES</b>                             | <u>          --</u>   | <u>          --</u> | <u>          --</u>                |
| <b>EXCESS OF RECEIPTS<br/>OVER EXPENDITURES</b> | <u>          --</u>   | <u>\$       --</u>  | <u>\$       --</u>                 |
| <b>UNENCUMBERED CASH, BEGINNING<br/>OF YEAR</b> | <u>         9,587</u> |                     |                                    |
| <b>UNENCUMBERED CASH, END OF YEAR</b>           | <u>\$       9,587</u> |                     |                                    |



**PRATT COMMUNITY COLLEGE**  
**SCHEDULE OF RECEIPTS, EXPENDITURES, CHANGES IN**  
**UNENCUMBERED CASH, AND COMPARISON WITH BUDGET**  
**(REGULATORY BASIS)**  
**For Year Ended June 30, 2017**

**RETIREMENT OF INDEBTEDNESS PLANT FUND**

|  | <u>Actual</u>     | <u>Budget</u>  | <u>Over<br/>(Under)<br/>Budget</u> |
|--|-------------------|----------------|------------------------------------|
| <b>RECEIPTS AND TRANSFERS IN</b>                 | \$ 601,930        | \$ 601,931     | \$ (1)                             |
| <b>EXPENDITURES</b>                              |                   |                |                                    |
| Principal  | 468,687           | 468,688        | (1)                                |
| Interest and fees                                | 130,993           | 133,261        | (2,268)                            |
| Total expenditures                               | <u>599,680</u>    | <u>601,949</u> | <u>(2,269)</u>                     |
| <b>DEFICIT OF RECEIPTS OVER<br/>EXPENDITURES</b> | <u>2,250</u>      | <u>\$ (18)</u> | <u>\$ 2,268</u>                    |
| <b>UNENCUMBERED CASH, BEGINNING<br/>OF YEAR</b>  | <u>491,960</u>    |                |                                    |
| <b>UNENCUMBERED CASH, END OF YEAR</b>            | <u>\$ 494,210</u> |                |                                    |