KANSAS CITY KANSAS COMMUNITY COLLEGE

INDEPENDENT AUDITORS REPORT AND FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

June 30, 2018

KANSAS CITY COMMUNITY COLLEGE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Kansas City Kansas Community College

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Kansas City Kansas Community College (the College), as of and for the years ended June 30, 2018 and 2017, and the related notes of 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those audits require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Kansas City Kansas Community College Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the Kansas City Kansas Community College as of June 30, 2018, and 2017, and changes in financial position and its cash flows for the years then ended in conformity 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 budgetary comparison information on pages 3-8 and 36-37, 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 and 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.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our reports, for the years ended June 30, 2018 and 2017 dated November 13, 2018 on our consideration of the Kansas City Kansas Community 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 Kansas City Kansas Community College's internal control over financial reporting and compliance.

Novak Burkhart p.c.
Shawnee, KS
November 13, 2018

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KANSAS CITY KANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2018 and 2017

Introduction

Management's discussion and analysis is an overview of the financial position and financial activities of Kansas City Kansas Community College (the College) for the fiscal years ended June 30, 2018 and June 30, 2017. The College's management prepared this discussion. It should be read in conjunction with the College's combined financial statements and notes that follow. Management is responsible for the objectivity and integrity of the accompanying financial statements and notes, and this discussion and analysis as reported.

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

There are three comparative financial statements presented: The Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Position; the Statements of Cash Flows. In addition, the report also includes supplemental schedules as noted in the table of contents. The emphasis of the discussion about the financial statements, and supplementary information is designed to focus on current activities, resulting changes and currently known facts.

The financial reporting entity as defined by Generally Accepted Accounting Principles consists of the College, as well as its discretely presented component unit; the Kansas City Kansas Community College Foundation (the Foundation).

Statements of Net Position

The Statements of Net Position present the assets, liabilities, and net position of the College at June 30, 2018 and 2017. The purpose of the Statements of net position is to present a snapshot of the financial condition of the College. Total net position, which is the difference between total assets and total liabilities, is one of the indicators of the current financial condition of the College.

The assets and liabilities are categorized between current and noncurrent. Current assets and current liabilities mature or become payable within the normal 12-month accounting cycle versus noncurrent assets and liabilities which mature or become payable after 12 months. For example, at June 30, 2018 and 2017, the College's current assets consist primarily of cash, short-term investments, property tax receivables and other revenue related receivables, while noncurrent assets consist primarily of capital assets. Capital assets are the property, plant, and equipment owned by the College.

Net position is presented in three major categories. The first is invested in Capital Assets, net of related debt, which represents the College's equity in its property, plant, and equipment. The second is Restricted, and the third is Unrestricted.

Restricted net position are funds that are limited in terms of the purpose and time for which the funds can be spent. Restricted net position is further categorized between expendable and nonexpendable. Restricted expendable net position, are net assets available to be spent by the College after externally imposed stipulations have been fulfilled or after the passage of time. Restricted nonexpendable net assets are endowments for which only the interest portion can be spent. The College had no restricted nonexpendable net assets at June 30, 2018 and 2017.

Unrestricted net position, include net assets which are available to the College for any lawful purpose. The following schedule is prepared from the College's Statements of Net Position (pages 9-10), which are presented on an accrual basis of accounting, whereby assets are capitalized and depreciated.

Condensed Statement of Net Position
As of June 30,
(Dollars in Millions)

	2018	2017	Increase (Decrease)	Percent Change
Assets:				
Current assets	$ 30.7	$ 29.4	$ 1.3	4.4 %
Noncurrent assets	57.4	59.6	(2.2)	(3.7) %
Total Assets	$ 88.1	$ 89.0	$ (0.9)	(1.0) %
Liabilities:				
Current liabilities	$ 13.3	$ 13.2	$ 0.1	0.8 %
Noncurrent liabilities	25.0	28.6	(3.6)	(12.6) %
Total Liabilities	$ 38.3	$ 41.8	$ (3.5)	(8.4) %
Net Position:				
Invested in capital assets, net of related debt	$ 27.5	$ 27.0	$ 0.5	1.9 %
Restricted – expendable				
Capital Projects	5.3	4.6	0.7	15.2 %
Debt Service	0.1	0.1	0.0	0.0 %
Unrestricted	16.9	15.4	1.5	9.7 %
Total Net Position	$ 49.8	$ 47.1	$ 2.7	5.7 %

Total net position at June 30, 2018 increased to $49.8 million from $47.1 million at June 30, 2017. Net Position, Invested in capital assets, net of related debt, increased by $.5 million; net assets, restricted-expendable, increased by $.7 million, and unrestricted increased by $1.5 million. Total net position, increased by $2.7 million during the period.

Current assets increased in part due to cost cutting measures and increase in Taxes Receivable due to a sharp increase in property valuation and vehicle and personal property taxes collected. Non-current assets (capital items) decreased slightly as significant assets purchased in 2018 were less than accumulated depreciation which increased as the result of major additions being placed into service during 2017.

The College has not entered into any long term debt obligations since March of 2014. Subsequently, for the fiscal years since then (2015, 2016, 2017, and 2018), the College has made $11,789,820 in principal payments which reduced the total of long term debt obligations outstanding from $38,574,820 at June 30, 2014 to $26,785,000 as of June 30, 2018. This has significantly strengthened the College's financial position, contributing to an increase in the College's net positon, from $38.5 million at June 30, 2014 to $49.8 million as of June 30, 2018.

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position present the College's financial results for the fiscal years ended June 30, 2018 and 2017. The statements include the College's revenues and expenses, both operating and non-operating.

Operating revenues and expenses are those for which the College directly exchanges goods and services. Non-operating revenues and expenses are those that exclude specific, direct exchanges of goods and services. County property tax revenue and state aid are two examples of non-operating revenues where the local taxpayers and state legislature, respectively, do not directly receive goods and services for the revenue.

The following summary is prepared from the College's Statements of Revenues, Expenses, and Changes in Net Position (page 12).

Summary of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30,
(Dollars in Millions)

	2018	2017	Increase (Decrease)	Percent Change
Operating revenues	$ 27.3	$ 27.5	$ (0.2)	(0.7)%
Operating expenses	73.6	69.5	4.1	5.9 %
Operating gain/(loss)	(46.3)	(42.0)	3.9	(9.3)%
Non-operating revenues, net	49.0	46.4	2.6	5.6 %
Increase in net position	2.7	4.3	(1.6)	(37.2)%
Net position, beginning of year	47.1	42.7	4.4	10.3 %
Net position, end of year	$ 49.8	$ 47.0	$ 2.8	6.0 %

One of the financial strengths of the College is the diverse stream of revenues that supplement its student tuition and fees. The following summary is prepared from the College's Statements of Revenues, Expenses, and Changes in Net Position (page 12).

Summary of Revenues
For the Years Ended June 30,
(Dollars in Millions)

	2018	2017	Increase (Decrease)	Percent Change
Operating Revenues:				
Student tuition and fees	$ 12.9	$ 13.0	$ (0.1)	(0.8)%
Grants and contracts	10.6	10.9	(0.3)	(2.8)%
Auxiliary enterprise revenues	2.3	2.4	(0.1)	(4.2)%
Other operating revenues	1.5	1.2	0.3	(25.0)%
Total Operating Revenues	$ 27.3	$ 27.5	$ (0.2)	(0.7)%
Nonoperating Revenues (Expenses):				
County property taxes	$ 37.9	$ 36.2	$ 1.7	4.7 %
State aid	12.1	11.3	0.8	7.1 %
Investment income	0.2	0.1	0.1	100.0 %
Interest on capital asset debt	(1.2)	(1.2)	0.0	0.0 %
Total Nonoperation Revenues (Expenses)	$ 49.0	$ 46.4	$ 2.6	5.6 %

The total operating expenses for the College for the years ended June 30, 2018 and 2017 were as follows:

Summary of Operating Expenses
For the Years Ended June 30,
(Dollars in Millions)

	2018	2017	Increase (Decrease)	Percent Change
Operating Expenses:				
Salaries and benefits	$ 41.7	$ 40.3	$ 1.4	3.5 %
Supplies and services	15.3	13.2	2.1	15.9 %
Depreciation and amortization	4.0	4.1	(0.1)	(2.4)%
Scholarship and financial aid	10.3	10.1	0.2	2.0 %
Other Operating Expenses	2.3	1.8	0.5	27.8 %
Total Operating Expenses	$ 73.6	$ 69.5	$ 4.1	5.9 %

The total operating expenses of the College by function for the years ended June 30, 2018 and 2017 were as follows:

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Summary of Operating Expenses by
Functional Expenditure Classification
For the Years Ended June 30,
(Dollars in Millions)

	2018	2017	Increase (Decrease)	Percent Change
Operating Expenses:				
Instruction	$ 33.0	$ 29.2	$ 3.8	13.0 %
Research	0.2	0.1	0.1	100.0 %
Academic support	1.5	2.0	(0.5)	(25.0)%
Student services	6.8	6.3	0.5	7.9 %
Institutional support	8.0	7.3	0.7	9.6 %
Student financial aid	10.3	10.1	0.2	2.0 %
Plant and maintenance	6.0	6.3	(0.3)	(4.8)%
Auxiliary	3.8	3.9	(0.1)	(2.6)%
Depreciation	4.0	4.3	(0.3)	(7.0)%
Total Operating Expenses	$ 73.6	$ 69.5	$ 4.1	5.9 %

Combined Statements of Cash Flows

The Combined Statements of Cash Flows present information about the cash activity of the College. The statements show the major sources and uses of cash. The following summary is prepared from the College's Combined Statements of Cash Flows (page 15).

Summary of Cash Flows
For the Years Ended June 30,
(Dollars in Millions)

	2018	2017	Increase (Decrease)	Percent Change
Cash provided by (used in):				
Operating activities	$ (43.3)	$ (39.8)	$ 3.5	8.8 %
Noncapital financing activities	48.6	47.7	0.9	1.9 %
Capital and related financing Activities	(5.7)	(5.7)	0.0	0.0 %
Investment activities	0.2	0.1	0.1	100.0 %
Net Change in Cash	(0.2)	2.3	(2.5)	(108.7)%
Cash, beginning of year	18.8	16.6	2.2	13.3 %
Cash, end of year	$ 18.6	$ 18.9	$ (0.3)	(1.6)%

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Economic Outlook

The economic outlook for institutions of higher education remains challenging nationally based on trends which include changing student demographics, the digitization of classrooms and costs associated with providing accredited higher education to students. Student enrollment growth remains challenging for institutions of higher learning during times of economic growth and the demands placed on the shrinking labor market. Additionally, the College faces ongoing funding challenges in relation to state aid as provided by the State of Kansas. State aid currently represents approximately 16% of revenues to the College. Locally, we are seeing slightly stronger economic characteristics visible through increased sales tax collections and growth of the assessed valuation of local property taxes. Revenue provided by students has decreased approximately .6% for the current fiscal year. In aggregate, operating revenue to the College was down $.2 million in the current period and is forecasted to remain stable for the 2018-2019 school year. Student activities are anticipated to grow in certain areas including technical education in which the College has recently invested significant resources.

The College measures student enrollment by enrolled credit hours which increased slightly by 1.86% during the 2017-2018 school year. The College has implemented various cost controls to limit increased spending which include 1) improved budgeting processes, 2) reduced expenses associated with certain post-retirement benefits, 3) improved technology to track and measure underlying student and faculty activities, and 4) realignment of campus locations and buildings including our campus in Leavenworth Kansas. For the year just ended the College produced an increase in net position of $2.7 million dollars as a partial result of these strategies.

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KANSAS CITY KANSAS COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	2018	2017
Assets:		
Current assets -		
Cash and temporary investments	$ 16,427,879	$ 17,234,639
Restricted cash and temporary investments	2,203,270	1,597,266
Investments - CD's	563,172	560,985
Student, tuition and grants receivable, net of allowance for uncollectible amount of $3,430,000 and $2,870,000, respectively	6,217,392	5,798,199
Taxes receivables	4,650,177	3,300,000
Inventory	633,722	854,660
Prepaid expenses	-	-
Total Current Assets	30,695,612	29,345,749
Noncurrent Assets -		
Restricted investments - CD's	3,054,437	3,036,123
Refinancing expenses, net of accumulated amortization of $657,498 for 2018 and $624,309 for 2017	62,502	95,691
Capital assets not being depreciated	1,518,942	1,242,977
Capital assets, being depreciated	110,018,261	108,496,728
Less accumulated depreciation	(57,207,169)	(53,223,734)
Total noncurrent assets	57,446,973	59,647,785
Total assets	$ 88,142,585	$ 88,993,534

The accompanying notes are an integral part of these statements.

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KANSAS CITY KANSAS COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	2018	2017
Liabilities:		
Current Liabilities		
Accounts payable -	$ 674,561	$ 219,773
Accrued compensated absences	3,385,091	2,829,382
Accrued interest	197,735	211,233
Accrued payroll	733,969	1,270,000
Funds held for others	1,404,797	1,664,350
Unearned revenue	3,382,943	3,492,231
Current portion of early retirement payable	614,066	775,167
Current portion of certificates of participation/ bonds payable	345,000	340,000
Current portion of certification - capital lease obligations	2,530,000	2,440,000
Total Current Liabilities	13,268,162	13,242,136
Noncurrent Liabilities -		
Early retirement payable	1,136,886	1,837,865
Certificates of Participation/Bonds payable	360,000	705,000
Certification of participation-capital lease obligation	23,550,000	26,080,000
Total Noncurrent Liabilities	25,046,886	28,622,865
Total Liabilities	38,315,048	41,865,001
Net Position		
Invested In Capital Assets, net of related debt:	27,545,034	26,950,971
Restricted, expendable for -		
Capital projects	5,257,707	4,633,389
Debt service	62,501	95,691
Unrestricted	16,962,295	15,448,482
Total Net Position	49,827,537	47,128,533
Total Liabilities and Net Position	$ 88,142,585	$ 88,993,534

The accompanying notes are an integral part of these statements.

KANSAS CITY KANSAS COMMUNITY
COLLEGE FOUNDATION
(A COMPONENT UNIT OF KANSAS CITY KANSAS COMMUNITY COLLEGE)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
Cash and Cash Equivalents	$ 664,454	$ 428,041
Investments	471,682	454,981
Accounts Receivable	-	-
Total Assets	$ 1,136,136	$ 883,022

LIABILITIES AND FUND BALANCES

Liabilities:		
Deposits held for others	$ 1,457	$ 5,000
Total Liabilities	1,457	5,000
Net Assets:		
Permanently restricted (Note E)	95,000	95,000
Temporarily restricted (Note D)	768,841	561,643
Unrestricted	270,838	221,379
Total Net Assets	1,134,679	878,022
Total Liabilities and Net Assets	$ 1,136,136	$ 883,022

The accompanying notes are an integral part of these statements.

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KANSAS CITY KANSAS COMMUNITY COLLEGE
STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
June 30, 2018 and 2017

	2018	2017
Operating revenues:		
Student tuition and fees	$ 12,887,785	$ 12,971,962
Federal grants and contracts	9,964,346	10,030,973
State grants and contracts	418,391	573,114
Gifts, grants, and contracts	177,737	323,590
Auxilliary enterprise revenue	2,341,958	2,359,762
Other operating revenue	1,480,897	1,214,630
Total operating revenues	27,271,114	27,474,031
Operating expenses:		
Salaries	34,356,911	33,538,955
Benefits	7,389,838	6,752,810
Contractual services	2,041,342	1,641,676
Supplies and other operating expenses	13,276,079	11,535,881
Utilities	1,777,383	1,568,356
Repairs and maintenance to plant	484,935	229,747
Scholarships and financial aid	10,272,556	10,126,611
Depreciation and amortization	3,983,435	4,120,057
Total operating expenses	73,582,479	69,514,093
Operating loss	(46,311,365)	(42,040,062)
Nonoperating revenues (expenses):		
County property taxes	37,917,566	36,162,027
State aid	12,066,485	11,315,165
Investment income	213,648	96,714
Interest expense on capital asset debt	(1,187,330)	(1,145,357)
Total nonoperating revenues	49,010,369	46,428,549
Increase in net position	2,699,004	4,388,487
Net position, beginning of year	47,128,533	42,740,046
Net position, end of year	$ 49,827,537	$ 47,128,533

The accompanying notes are an integral part of these statements.

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KANSAS CITY KANSAS COMMUNITY
COLLEGE FOUNDATION
(A COMPONENT UNIT OF KANSAS CITY KANSAS COMMUNITY COLLEGE)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions	$ 117,862	$ 259,932	-	$ 377,794
In-kind contributions (Note G)	324,033	-	-	324,033
Realized gain on investments	9,308	-	-	9,308
Interest and dividend income	8,686	-	-	8,686
Net assets released from restrictions	52,734	(52,734)	-	-
Total Revenues and Other Support	512,623	207,198	-	719,821
Expenses:				
Scholarships	98,526	-	-	98,526
In-kind expenses (Note G)	324,033	-	-	324,033
Fundraising	13,340	-	-	13,340
General and administrative	27,265	-	-	27,265
Total Expenses	463,164	-	-	463,164
Change in Net Assets	49,459	207,198	-	256,657
Net Assets, beginning of year	221,379	561,643	95,000	878,022
Net Assets, end of year	$ 270,838	$ 768,841	$ 95,000	$ 1,134,679

The accompanying notes are an integral part of these statements.

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KANSAS CITY KANSAS COMMUNITY
COLLEGE FOUNDATION
(A COMPONENT UNIT OF KANSAS CITY KANSAS COMMUNITY COLLEGE)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions	$ 149,592	$ 327,100	-	$ 476,692
In-kind contributions (Note G)	244,838	-	-	244,838
Unrealized gain on investments	20,821	-	-	20,821
Realized loss on investments	(2,250)	-	-	(2,250)
Interest and dividend income	4,950	-	-	4,950
Net assets released from restrictions	267,432	(267,432)	-	-
Total Revenues and Other Support	685,383	59,668	-	745,051
Expenses:				
Scholarships	273,551	-	-	273,551
In-kind expenses (Note G)	244,838	-	-	244,838
Fundraising	19,403	-	-	19,403
General and administrative	30,817	-	-	30,817
Total Expenses	568,609	-	-	568,609
Change in Net Assets	116,774	59,668	-	176,442
Net Assets, beginning of year	104,605	501,975	95,000	701,580
Net Assets, end of year	$ 221,379	$ 561,643	$ 95,000	$ 878,022

The accompanying notes are an integral part of these statements.

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KANSAS CITY KANSAS COMMUNITY COLLEGE
COMBINED STATEMENTS OF CASH FLOWS
June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Student tuition & fees	$ 12,359,304	$ 12,957,555
Federal Grants and contracts	9,964,346	10,030,973
State Grants and contracts	418,391	573,114
Private Gifts, Grants and contracts	177,737	323,590
Cash received from customers	2,341,958	2,359,762
Other Receipts	1,480,897	1,214,630
Payments to employees	(34,892,942)	(34,414,816)
Payments to suppliers	(16,904,013)	(15,184,894)
Scholarships and financial aid	(10,272,556)	(10,126,611)
Employee benefits	(7,696,209)	(7,499,824)
Funds held for others	(259,553)	(283,799)
Net cash used in operating activities	(43,282,640)	(40,050,320)
Cash flows from noncapital financing activities:		
County property taxes	36,567,389	36,649,289
State aid	12,066,485	11,315,165
Net cash provided by noncapital financing activities	48,633,874	47,964,454
Cash flows from capital and related financing activities:		
Purchase of capital assets & Construction in Progress	(1,797,498)	(1,641,012)
Principal and interest paid on bonds payable	(340,000)	(330,000)
Principal on capital leases	(2,440,000)	(2,355,000)
KBOR Loan Payment	-	(259,468)
Interest Payments	(1,167,638)	(1,131,693)
Net cash used in capital and related financing activities	(5,745,136)	(5,717,173)
Cash flows from investing activities:		
Interest on investments	213,648	96,712
Investments (purchased) redeemed	(20,502)	(33,437)
Net cash provided in investing activities	193,146	63,275
Net increase(decrease) in cash	(200,756)	2,260,236
Cash and cash equivalents, beginning of year	18,831,905	16,571,669
Cash and cash equivalents, end of year	$ 18,631,149	$ 18,831,905

SUPPLEMENTAL DISCLOSURES

No items were recorded as donated to the College during the fiscal year ended June 30, 2018 and 2017

The accompanying notes are an integral part of these statements.

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KANSAS CITY KANSAS COMMUNITY COLLEGE
COMBINED STATEMENTS OF CASH FLOWS
June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities - Continued:		
Excess revenues over expenses from operating activities	$ (46,311,365)	$ (42,040,291)
Tuition receivable	(419,193)	204,493
Taxes receivable	(1,350,177)	487,262
Inventory	220,938	331,444
Prepaid expenses	-	299,315
Accounts payable	454,788	(839,764)
Accrued compensated absences	555,709	(48,784)
Accrued payroll	(536,031)	(875,861)
Funds held for others	(259,553)	(283,799)
Unearned revenue	(109,288)	(218,900)
Early retirement payable	(862,080)	(698,230)
Depreciation and amortization	3,983,435	4,120,057
Taxes receivable	1,350,177	(487,262)
Net Cash From Operating Activities	$ (43,282,640)	$ (40,050,320)

The accompanying notes are an integral part of these financial statements

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kansas City Kansas Community College (the "College"), a municipal corporation, was organized in 1923 and is governed pursuant to provisions of the Kansas State Statutes by a seven-member board of trustees. The College's service area is located in Wyandotte and Leavenworth Counties, including the Kansas City, Kansas metropolitan area.

The College is a public two-year community college and was established to provide associate degree programs in various professional and technical fields. In July, 2009 the College assumed operational control of the Kansas City Area Technical School (ATS) from USD 500, Kansas City, Kansas. The merger of the technical programs at the ATS was a result of legislation passed by the Kansas legislature. The College renamed ATS the KCKCC Technical Education Center (TEC) and now controls all curriculum, administration, and fiscal processes. The College is fully accredited by the Higher Learning Commission.

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

Discretely Presented Component Unit - The Foundation is considered to be a related organization to the College. The Foundation is a legally separate, tax-exempt organization formed in 1977 that acts primarily as a fund-raising organization to supplement the resources that are available to the College and its students. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests, are directed to the activities of the College and its students by the donors. Management has determined that based on a review of guidelines promulgated by the Government Accounting Standards Board, the Foundation be included in the College's financial report and statements as a discreetly presented component unit. In addition, the College has elected to present separate financial statements to provide the reader with detailed information regarding the Foundation.

The financial statements of the Foundation are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended June 30, 2018, and 2017. The Foundation is a not-for-profit organization that reports its financial results under FASB standards. Most significant to the Foundation's operations and reporting model are FASB Codification ASC 958, *Not-for-Profit Entities*, and FASB Codification ASC 958-605, *Revenue Recognition – Contributions Received.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences; however significant note disclosures (see Note M) to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

Financial statements for the Foundation may be obtained by contacting the Foundation.

BE POSITIVE.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The accounting policies of the College conform to accounting principles generally accepted in the United States as applicable to colleges and universities. The College reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The following is a summary of the more significant policies.

In December 1998, GASB released Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions, which revised reporting of property tax revenue. In November 1999, the GASB approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, followed by Statement No. 35, Basic Financial Statements – and the Management's Discussion and Analysis – for Public Colleges and Universities. The College, as required, has implemented these changes in past years. The change in financial statement presentation provides a comprehensive one-line look at the total college and requires capitalization of assets and recording of depreciation. The significant changes made in order to comply with the new requirements were elimination of internal revenue and expense charges, recording scholarship credit to student accounts as tuition and fee allowances, removal of capital related items from revenues and expenses, recording of depreciation, reporting summer school revenue and expense between fiscal years rather than in one fiscal year, and the recording of property tax revenues on an accrual basis rather than on a modified accrual basis.

The College's combined 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 maintains an encumbrance system for tracking outstanding purchase orders and other commitments for material or services not received during the year. Encumbrances at June 30, 2018 and 2017 were $147,186 and $84,676, respectively, which represents the estimated amount of expenses ultimately to result if unperformed contracts in process at fiscal year-end are completed. Encumbrances outstanding at June 30, 2018 do not constitute expenses or liabilities and are not reflected in these combined financial statements. These balances as recorded are reflective of a substantial completion of construction projects.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include depreciation of fixed assets, allowances for collectability of accounts, compensated absences, and certain post-employment obligations. Actual results could differ from those estimates.

BE POSITIVE.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes – The County Treasurer serves as the tax collection agent for the College. Taxes are levied based on assessed valuations as determined by the County Appraiser on a calendar year basis. Under Kansas Statute, taxes are levied and become a lien on the property on November 1st in the year of assessment and are revenue for the fiscal year the following June 30.

Property taxes are collected by the county treasurer, who remits to the College its' respective share of the collections. Taxes levied in one year become due and payable in two installments, generally on December 20 and May 20, followed by major distributions to the College on approximately January 20 and June 5th. Smaller distributions are made to taxing units in March, May, September, and October each year.

The tax rates for the fiscal year ended June 30, 2018 and 2017, per $100 of assessed valuation, are reflected in the following table:

Fund	2018 Tax Levy Rate	2017 Tax Levy Rate
General	25.118	25.075
Capital outlay	2.265	2.261
Total Mill Levy	27.383	27.336

Cash and Cash Equivalents - The College considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2018 and 2017.

Capital Assets - Capital assets are defined by the College as assets with initial, individual costs of more than $5,000 and an estimated useful life in excess of two years. These assets generally include land, works of art, buildings, improvements, equipment and vehicles. Purchases or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvement are capitalized as projects are constructed.

Capital assets subject to depreciation by the College are depreciated using the straight-line method over the following useful lives (See Note C for further detail):

Assets	Years
Building	40
Building improvements	15
Land improvements	10
Furniture	5
Computer technology	4

Capital assets not subject to depreciation include certain land, construction in progress, and works of art.

BE POSITIVE.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories - The College bookstore maintains an inventory of textbooks and supplies, which are sold to students, the general public, and other college bookstores. The inventory on hand at June 30, 2018 and 2017 was 633,722 and $854,660, respectively. This valuation is based on the lower of cost (determined on first-in, first-out basis) or market.

Unearned Tuition and Fee Revenue - Tuition and fee revenue received and related to courses starting after June 30, 2018 and 2017 have been deferred as unearned revenue. The amount of unearned revenue at June 30, 2018 and 2017 was $3,382,943 and $3,492,231, respectively.

Net Position - Net position is presented in three major categories. The first is invested in Capital Assets, net of related debt, which represents the College's equity in its property, plant, and equipment. The second is Restricted while the third is Unrestricted.

Restricted net assets are funds that are limited in terms of the purpose and time for which the funds can be spent. Restricted net assets are further categorized between expendable and nonexpendable. Restricted expendable net assets are available to be spent by the College after externally imposed stipulations have been fulfilled or after the passage of time. Restricted nonexpendable net assets are endowments for which only the interest portion can be spent. The College has no restricted nonexpendable net assets at June 30, 2018 and 2017.

Unrestricted net assets are available to the College for any lawful purpose. The College first applies restricted sources when an expense or outlay is incurred for purposes for which both restricted and unrestricted sources are available.

Compensated Absences - The College records a liability for employees' vacation and sick leave earned, but not taken. Employees are allowed to carry over a limited number of vacation and unlimited sick days from year to year. The College pays employees upon separation for up to 200 hours of unused vacation and unlimited sick hours over 720 hours for staff and limited to 1,456 hours for 182 day professional employees, and 1,484 for 212 day professional employees. At June 30, 2018 and 2017, the College had accrued compensated absences liability of $3,385,091 and $2,829,382, respectively.

Advertising - Advertising costs, which consist primarily of schedule and course offering advertising, are included in supplies and other operating expenses and are expensed in the period the costs are incurred. Advertising expenses for the years ended June 30, 2018 and 2017 were $406,191 and $385,906, respectively. Advertising, generally, does not benefit future years.

Reclassification of Prior Year Balances - Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. Reclassifications have been made to the College's Statement of Net Position for the fiscal year ended June 30, 2017, to identify restricted cash and temporary investments of $1,597,266, and restricted investments of $3,036,123. The College's Unrestricted Net Position and Restricted, Expendable for Capital Projects have been reclassified in the amount of $4,633,389, to properly reflect expendable amounts restricted for capital projects.

BE POSITIVE.

NOTE B - CASH DEPOSITS AND INVESTMENTS

Cash and cash equivalents include deposits held at banks plus small amounts of cash maintained for change funds. State statute, K.S.A. 12-1675, authorizes the College to invest in temporary notes, time deposits, open accounts, certificates of deposit, repurchase agreements, the State of Kansas Municipal carrying amount of the Colleges unrestricted and restricted deposits was $18,631,149 and $18,831,905, respectively. The bank balance at June 30, 2018 and 2017 was $20,359,201 and $17,653,524 respectively. The difference between carrying amounts and bank balances primarily represent checks which have not cleared the bank.

The College had unrestricted investments of $563,172 and $560,985, and restricted investments of $3,597,108 and $3,563,671 in certificates of deposits for the years ended June 30, 2018 and 2017, respectively. The College's current cash deposits and investments are not subject to credit risk, concentrations of credit risk, interest rate risk, or foreign currency risk.

Custodial Credit Risk – The College is subject to custodial credit risk, which is the risk that in the event of a bank failure, an entity's deposits may not be returned. The College's deposit policy for credit risk requires depository banks to pledge qualified securities with a market value exceeding deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage. The College's cash and temporary investments at June 30, 2018 and 2017 were secured by federal depository insurance and/or collateral held by the College's custodial financial institution in the College's name.

NOTE C – TUITION RECEIVABLE

Tuition Receivable includes amounts that the college has billed for tuition and for which the College recognizes as having been earned, but not collected. The College had Tuition Receivable at June 30, 2018 and 2017, in the amounts of $ $6,217,392 and $5,798,199, respectively.

NOTE D – TAXES RECEIVABLE

Taxes Receivable includes real property, vehicle, and personal property taxes that have been levied which are uncollected at year end. The College had total Taxes Receivable at June 30, 2018 and 2017, in the amounts of $4,650,177 and $3,300,000, respectively.

NOTE E – CAPITALIZED REFINANCING EXPENSE

The College has capitalized refinancing expenses relevant to the refinancing activities of debt issues. Capitalized refinancing expense is amortized over the remaining lives for the refinanced debt issues. The College included in interest expense, amortization of capitalized refinancing expense for the year ended June 30, 2018 and 2017, in the amount of $33,189. The unamortized Refinancing Expense at June 30, 2018 and 2017, was $62,502 and $95,691, respectively.

BE POSITIVE.

NOTE F – CAPITAL ASSETS

Capital assets consist of the following categories at June 30, 2018 and 2017:

	July 1, 2017 Beginning Balance	Additions	Retirements	June 30, 2018 Ending Balance
Capital Assets not being depreciated:				
Land	$ 1,105,094	$ -	$ -	$ 1,105,094
Construction in progress	65,978	341,943	(65,978)	341,943
Works of art	71,905	-	-	71,905
Total Capital assets not being depreciated	1,242,977	341,943	(65,978)	1,518,942
Capital Assets being depreciated:				
Buildings	58,009,001	-	-	58,009,001
Improvements	28,194,862	894,497	-	29,089,359
Equipment and vehicles	22,292,864	627,037	-	22,919,901
Total Capital Assets being depreciated	108,496,727	1,521,534	-	110,018,261
Less Accumulated Depreciation	(53,223,734)	(3,983,435)	-	(57,207,169)
Capital Assets, net	$56,515,970	($2,119,958)	$ (65,978)	$ 54,330,034

	July 1, 2016 Beginning Balance	Additions	Retirements	June 30, 2017 Ending Balance
Capital Assets not being depreciated:				
Land	$ 1,105,094	$ -	$ -	$ 1,105,094
Construction in progress	921,802	65,978	(921,802)	65,978
Works of art	71,905	-	-	71,905
Total Capital assets not being depreciated	2,098,801	65,978	(921,802)	$ 1,242,977
Capital Assets being depreciated:				
Buildings	58,009,001	-	-	58,009,001
Improvements	26,357,356	1,837,506	-	28,194,862
Equipment and vehicles	21,633,535	659,329	-	22,292,864
Total Capital Assets being depreciated	105,999,892	2,496,835	-	108,496,728
Less Accumulated Depreciation	(49,103,677)	(4,120,057)	-	(53,223,734)
Capital Assets, net	$58,995,016	$(1,557,244)	$ 921,802)	$56,515,970

BE POSITIVE.

NOTE G – REVENUE BONDS AND CERTIFICATES OF PARTICIPATION PAYABLE

The Refunding Certification of Participation, Series 2010 payable as of June 30, 2018, and 2017 consist of the following:

	2018	2017
Noncurrent revenue bonds payable	$360,000	$705,000
Current portion	$345,000	$340,000

In August 2010, the College refinanced the Series 2004 bond issue with Lease Agreement Refunding Certificates of Participation, Series 2010. The refinanced debt will retain the same maturity date as the Series 2004 bond issue with final maturity of May 15, 2020 but with lower interest rate ranging from 2% to 3.125% resulting in a cash savings of $178,641. The refunding certificates of participation will continue to be retired from a $3 student fee per credit hour.

The College had total unamortized deferred refinancing expenses at June 30, 2018 and 2017 of $62,502 and $95,691, net of accumulated amortization of $657,498 and $624,309, respectively. Deferred refinancing expenses are amortized over the remaining maturity of the original bond series. Annual amortization of $33,189 for the years ended June 30, 2018 and 2017 was included as interest expense.

Future maturities of the Certificates of Participation Series 2010 are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$345,000	$21,600	$366,600
2020	$360,000	$11,250	$371,250
	$705,000	$32,850	$737,850

BE POSITIVE.

NOTE H – COMMITMENTS AND CONTINGENCIES

Operating Leases - Property - The College maintains certain operating leases which are subject to an annual appropriation by the College. These operating leases are related to housing and certain educational facilities and equipment.

In April of 2017 the College entered into a lease agreement under which the College agreed to use a building owned by the School District for the College's technical education programs. In lieu of paying rent, the College agreed to grant admission to the technical education courses only to students who are enrolled in the Leavenworth School District without requiring the payment of any tuition or course fees. Management would note that such tuition will be covered by the State under KS Senate Bill 155. The Leavenworth facility previously used by the College was vacated in the summer of 2015 and the non-technical education courses held at that facility were transferred to the new Leavenworth facility.

The College, subject to annual appropriation, is also obligated to a 5 year lease to provide apartments for student housing ending in July of 2018. Monthly rents for the year ended June 30, 2018 were $45,097. Subsequent to June 30, 2018, this lease was extended to June 30, 2019. Future minimum lease commitments for the year ending June 30, 2019 are $541,164. This lease will continued to be renewed on a year to year basis.

On October 14, 1999, the College leased 2,955 square feet of its space for a crime lab. The term of the lease was for a 15-year period (180 months) and ends October 13, 2015, with one lease payment of $5 plus reimbursement for renovation of the space in the amount of $459,467 in the year ending June 30, 2000. There are no future lease payments under this lease.

The college leases space from a third party to conduct forklift classes for the Technical Education Center. $800.00 payments began June 2018 and have continued monthly.

Operating Leases – Equipment - The College is the lessee for 58 photocopiers, all determined to be operating leases; hence the copiers are not capitalized nor depreciated. All leases are for 60 months in duration.

The college entered into an agreement with on August 26, 2013 to lease 3 – 25 passenger buses. This lease ended on May 26, 2018, however, it was extended to include the month June and July 2018. Total monthly rent was $3,829.08. There are no future lease payments under this lease. Subsequently the college signed another five year lease with Master Leasing beginning August 1, 2018 and ending July 31, 2023. Monthly payment is now $3,727.00.

The college entered into an agreement in February 2013 for the Simulation Nursing Labs. Lease payments began in July 2013 for a period of 36 months. At the end of the 36 months the lease continues to renew every three months. Payment is $7,617.08 monthly.

BE POSITIVE.

NOTE H – COMMITMENTS AND CONTINGENCIES (Continued)

The future minimum lease commitments under these equipment leases are as follows:

Year Ending June 30,	
2019	197,956
2020	186,828
2021	176,346
2022	158,681
2023	139,811
	$ 859,622

Capital Leases - December 1, 2010 the College issued Certificates of Participation Series 2010-B in the amount of $25,940,000 for facility renovations to the new Technical Education Center, the Sports Complex, the Performing Arts Center and other facility improvements. The obligation has a 15 year maturity with payments beginning April 1, 2011 and a final payment due April 1, 2026. Interest will be paid semiannually at rates varying from 3.00% to 4.125% beginning October 1, 2011 and a final payment April 1, 2026.

The College entered into 2 lease agreements with UMB Bank (which were subsequently transferred to Security Bank of Kansas City), the provider of funds for the construction of improvements and the purchase of equipment. The lease begins December 1, 2010 and shall terminate upon the full payment of all rent payments which are in an amount to cover all payments due on the Certificates of Participation Series 2010-B.

Capital lease obligations outstanding at June 30, 2018 and 2017 consist of the following:

	Original Amount	2018	2017
TEC building improvements and equipment – Certificates of Participation, Series 2010-B capital cost of $25,940,000, 3-4 .125% interest paid semi-annual principal payments vary at approximately $2,306,000 Including interest through April, 2026	$25,940,000	$15,560,000	$17,225,000
Total Capital Lease Obligations – Series 2010-B	$25,940,000	$15,560,000	$17,225,000

The minimum lease commitments for capital lease obligations at June 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Capital Leases
2019	1,715,000	576,511	2,291,511
2020	1,770,000	522,256	2,292,256
2021	1,830,000	461,956	2,291,956
2022	1,895,000	392,722	2,287,722
2023-2026	8,350,000	785,788	9,135,788
	$15,560,000	$27,392,233	$18,299,233

BE POSITIVE.

NOTE H – COMMITMENTS AND CONTINGENCIES (Continued)

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

In FY 2013, the College entered into the following Capital lease obligations outstanding at June 30, 2018 and 2017 consist of the following:

	Original Amount	2018	2017
TEC building improvements and equipment – Certificates of Participation, Series 2013 capital cost of $5,520,000, 2-4 % interest paid annually principal and interest payments vary at approximately $352,000 to 518,000 through June, 2027	$ 5,520,000	$3,770,000	$4,130,000
Total Capital Lease Obligations – Series 2013	$ 5,520,000	$3,770,000	$4,130,000

The minimum lease commitments for capital lease obligations at June 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Capital Leases
2019	370,000	129,506	499,506
2020	380,000	118,406	498,406
2021	390,000	107,006	497,006
2022	400,000	95,306	495,306
2023	415,000	82,806	497,806
2024-2027	1,815,000	179,850	1,994,850
	$ 3,770,000	$ 712,880	$ 4,482,880

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

In FY 2014, the College entered into the following Capital lease obligations outstanding at June 30, 2018 and 2017 consist of the following:

	Original Amount	2018	2017
TEC building improvements and equipment – Certificates of Participation, Series 2014 capital cost of $8,045,000, 3 - 4.00% interest paid semi-annually, principal payments vary at approximately $360,000 to $810,000 plus interest through May , 2029	$ 8,045,000	$6,750,000	$ 7,165,000
Total Capital Lease Obligations – Series 2014	$ 8,045,000	$6,750,000	$ 7,165,000

BE POSITIVE.

NOTE H – COMMITMENTS AND CONTINGENCIES (Continued)

The minimum lease commitments for capital lease obligations at June 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Capital Leases
2019	445,000	220,753	665,753
2020	475,000	207,403	682,403
2021	510,000	193,153	703,153
2022	540,000	177,853	717,853
2023	570,000	161,653	731,653
2024-2029	4,210,000	554,845	4,764,845
	$ 6,750,000	$1,515,660	$ 8,265,660

NOTE I - CONTINGENCIES

The College is party to various legal proceedings arising principally in the normal course of operations. In the opinion of the administration, the outcome of these proceedings will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

NOTE J – RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; or acts of God.

The College pays an annual premium to The Accident Fund for workmen's compensation insurance coverage.

The College maintains commercial insurance for risks of loss not covered by The Accident Fund, including property, general and automobile liability, public officials, errors and omissions, and employee health and accident insurance. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

NOTE K – DEFINED BENEFIT PENSION PLAN

Plan Description - The College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq; as defined in Governmental Accounting Standards Board Statement No. 67, *Financial reporting for Pension Plans*. KPERS provides benefit provisions to statewide pension groups for State/School Employees, Local Employees, Police and Firemen, and Judges under one plan. Those employees participating in the pension plan for the College are included in the State/School employee group.

KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees with ten or more years of credited service may retire as early as age 55 with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points" for KPERS 1; KPERS 2 and KPERS 3 employees may retire with full benefits at age 60 with 30 years of service (no points system) or 65 with 5 years of service.

BE POSITIVE.

NOTE K – DEFINED BENEFIT PENSION PLAN (Continued)

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A 74-4922. A full copy of the KPERS Plan and related information may be obtained at WWW.KPERS.ORG or by contacting 1-785-296-6166.

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% if member is a KPERS 1 hired prior to July 1, 2009, the maximum lump sum payment for KPERS 2 & KPERS 3 is 30% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. The retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

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

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

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

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

The Kansas City Kansas Community College employer rate, as contributed by the State of Kansas on behalf of the College, was 10.81% for the fiscal 2018 year and 11.27% for the 2017 fiscal year.

BE POSITIVE.

NOTE K – DEFINED BENEFIT PENSION PLAN (Continued)

The state of Kansas is treated as a non-employer contributing entity to KPERS and is required to recognize its proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources, and expenses for the pension plan attributable to the College. At June 30, 2017 and 2015, the proportionate share of the net pension liability recognized by the State of Kansas that was attributable to the College was $42,006,346 and $45,756,555, respectively.

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

The State of Kansas contributes directly to KPERS on behalf of the College for the years ended June 30, 2018 and 2017, respectively. The payments made by the State of Kansas on behalf of the College have been recorded as both revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position.

The employees of the College contributed to the plan for the fiscal year ended June 30, 2018 and 2017 totaling $1,728,878 and $1,719,506, respectively. The contribution requirements and rates are established by KPERS and are periodically revised.

NOTE L – OTHER POSTEMPLOYMENT BENEFITS

The College had adopted a policy, which was discontinued effective July 1, 2015, which provided certain early retirement benefit options to eligible employees. The policy allowed applicable employees with at least 15 years of full-time service to the College, or 10 years of current and consecutive full time service at the College and 30 years' service credit in KPERS, who were eligible to retire under KPERS with full or reduced benefits, the option to retire early.

Benefits were computed at a maximum of 125% of final contract salary, paid annually at the lesser of: 1) 25% of their last annual salary (without overload, overtime, extra duty, etc.), or 2) the difference between full social security benefits and the employee's current eligible social security benefits, until 125% is paid or the early retiree reaches the age of full social security benefits. The employee is limited to five installments of this benefit.

In addition, the College also adopted an associated policy which expired at June 30, 2015 which will fund certain continuing health insurance benefits to individuals meeting the above criteria. The College sponsored plan was available to eligible early retired employees until 1) they become eligible for a federally funded health care plan, 2) the employee acquires employment where the health insurance is provided by the new employer, or 3) upon death of the early retired employee.

The College has elected to fund these benefits on a pay-as-you-go basis. In addition, the College has elected to record and report post-employment benefits related to certain employees of the College; which met certain criteria while employed by the Kansas City Kansas School District as a result of an agreement between the College and the Kansas City Kansas School District. These benefits aggregate to $294,084 for the year ended July 30, 2018.

NOTE L – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The following is a summary of estimated benefits at present value payable for eligible employees that have taken early retirement as of June 30, 2018:

Payable on	Fiscal Year	Net Present Value
January 1, 2019	2019	614,066
January 1, 2020	2020	475,663
January 1, 2021	2021	257,903
January 1, 2022	2022	117,695
Payable	Thereafter	285,625
		$1,750,952

NOTE M – STUDENT LOANS

The College provides Student Financial Aid as provided by the United States Department of Education. Student financial aid includes certain loans to students who attend the College. For the period ending June 30, 2018 and 2017 loan proceeds were recorded as federal grants and contracts and subsequently expensed through scholarships and financial aid. For the period ending June 30, 2018, and 2017 these balances were recorded in the Student Loan Fund (Agency Fund).

Student loan activities for the respective periods are as follows:

	2018	2017
Direct Subsidized Loans	$2,215,297	$2,630,271
Direct Un-Subsidized Loans	$2,119,210	$2,515,038
Direct PLUS Loans	$ 90,454	$ 30,078

NOTE N – PRONOUNCEMENTS

The College was required to implement GASB Statement No. 68, Accounting and Financial Reporting for Pensions, issued June 2017, which became effective for the College July 1, 2017. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The Statement requires governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. Upon review and discussion with the Kansas Public Employees Retirement System (KPERS) contributions made by the State on behalf of the College are reported and disclosed by the State of Kansas. The College does not receive, record or report these balances. Additional information regarding the Plan is included in Note K.

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NOTE O – TAX ABATEMENTS

The Unified Government of Wyandotte County may provide certain property tax abatements to encourage capital investment, employment opportunities and quality services for the benefit of the community. Tax abatements are the result of an agreement between the Unified Government and an outside party in which the Unified Government promises to forgo tax revenues and the outside party promises to take specific actions that contributes to the economic development or benefits citizens of the Unified Government. The issuances of these abatements are pursuant to Section 13 of Article 11 of the Kansas Constitution and K.S.A. 12-1740 et seq. and 79-201a. The Economic Development Program "EDX" has the following criteria:

- Existence of Economic Benefit – The project must add to the local economy according to: capital investment, producing value-added products and services, number of jobs created and associated payroll, and whether the project provides a positive fiscal and economic impact.
- Type of Business – The project shall be of a nature that is desirable and stimulates the local economy and improves the quality of life for its citizens.
- Compatibility with Adopted Plans – The project shall be consistent with the Unified Government Comprehensive Plan, any applicable corridor plans, and other plans of the Unified Government which may be relevant to the project.
- Excluded Business – The project may not be listed as prohibited by state law (K.S.A. 79-201a) or otherwise listed as ineligible under the Unified Government Tax Abatement Policy.
- Maintaining Existing Tax Base – The amount of property taxes or special assessments on the existing land and facilities shall under no circumstances be reduced for new development projects.
- Transfer of Ownership – The owner or lessee of any property that is all or partially exempt from ad valorem taxes as the result of the Unified Government having granted the exemption shall obtain the Unified Government written consent before transferring majority ownership of the property unless the transfer is to an affiliate or a related entity.

During the 2018 calendar year the Unified Government reported $1,912,847 in taxes abated relative to the College.

NOTE P – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 13, 2018, the date the financial statements were available to be issued.

NOTE Q – KANSAS CITY KANSAS COMMUNITY COLLEGE FOUNDATION NOTES

Organization and Summary of Significant Accounting Policies

Kansas City Kansas Community College Foundation (the Foundation) was incorporated in 1977 under the state laws of Kansas and is located in Kansas City, Kansas. The Foundation's purposes are to solicit, receive, invest, manage and award monies toward achieving the goals of the students and Kansas City Kansas Community College (the College) and to develop alumni support for the College. Donors are typically located in the Kansas City metropolitan area.

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NOTE Q – KANSAS CITY KANSAS COMMUNITY COLLEGE FOUNDATION NOTES (Continued)

Organization and Summary Of Significant Accounting Policies (Continued)

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in FASB ASC 958-210. Under FASB ASC 958-210, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are those currently available at the discretion of the Board for use in the entity's operations and those resources invested in land, buildings and equipment and other property.

Temporarily restricted net assets are those which are stipulated by donors for specific operating purposes, special projects, or for the acquisition or construction of land, buildings, and equipment. The Foundation has chosen to show contributions whose restrictions are met in the same reporting period as unrestricted support. The Foundation's policy is to use temporarily restricted funds first, before any unrestricted funds would be used for the restricted purpose.

Permanently restricted amounts are those restricted by donors in perpetuity as endowments or irrevocable trusts.

Property and Equipment –Property and equipment is recorded at fair value at the date of acquisition. There was no property and equipment held at June 30, 2018 or 2017.

Cash Flows – For purpose of the statement of cash flows, the Foundation considers highly liquid investments purchased with initial maturities of less than three months to be cash equivalents.

Expense Allocation - The Foundation allocates its expenses on a functional basis among its program, administrative, and fundraising activities. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses. Actual results could differ from those estimates.

Concentrations of Risk – During the years ended June 30, 2018 and 2017, two donors accounted for approximately 25% and 34% of the contributions received, respectively. These donations are received from established trust funds of which only the earnings less fees can be spent, and must be directed for scholarship purposes at the College.

Income Taxes – The Foundation qualifies as tax exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

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NOTE Q – KANSAS CITY KANSAS COMMUNITY COLLEGE FOUNDATION NOTES (Continued)

Organization and Summary Of Significant Accounting Policies (Continued)

The Foundation recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax position meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Foundation is subject to income tax regulations in the U.S. federal jurisdiction and certain state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Foundation is no longer subject to income tax examinations by the applicable tax authorities for the years before 2012. If any were to be incurred, the Foundation's policy is to record penalties and interest assessed by income tax authorities as operating expenses

Date of Management's Review – In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 13, 2018, the date that the financial statements were available to be issued.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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NOTE Q – KANSAS CITY KANSAS COMMUNITY COLLEGE FOUNDATION NOTES (Continued)

Fair Value Measurements (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

- Money Market accounts are valued based on quoted prices for the underlying securities assets or liabilities and are classified within Level 2 of the fair value hierarchy.
- Equity securities are valued based on quoted prices for the underlying securities assets or liabilities and are classified within Level 1 of the fair value hierarchy.
- Fixed income securities are valued based on quoted prices for the underlying securities assets or liabilities and are classified within Level 2 of the fair value hierarchy.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2018 and 2017.

	Assets at Fair Value as of June 30, 2018			
	Total	Level 1	Level 2	Level 3
Money markets	$ 16,279	$ -	$ 16,279	$ -
Fixed income securities	216,925	-	216,925	-
Equity securities	238,478	238,478	-	-
	$471,682	$238,478	$233,204	$ -

	Assets at Fair Value as of June 30, 2017			
	Total	Level 1	Level 2	Level 3
Money markets	$ 46,786	$ -	$ 46,786	$ -
Fixed income securities	174,086	-	174,086	-
Equity securities	234,109	234,109	-	-
	$454,981	$234,109	$220,872	$ -

Deposits Held for Others

The Foundation holds funds for various departments of the College. These funds are not controlled by the Foundation, and the departments may request a withdrawal at any time.

Net Assets

Temporarily restricted net assets consisted of amounts contributed for specific scholarship programs. Total temporarily restricted net assets totaled $768,841 and $561,643 at June 30, 2018 and 2017, respectively.

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NOTE Q – KANSAS CITY KANSAS COMMUNITY COLLEGE FOUNDATION NOTES (Continued)

Net assets released from temporary donor restrictions, by incurring expenses satisfying the restricted purpose, or by occurrence of events specified by the donors, totaled $52,734 and $267,432 at June 30, 2018 and 2017, respectively.

Permanently restricted net assets of $95,000 are restricted to investments in perpetuity at June 30, 2018 and 2017. It is the policy of the Kansas City Kansas Community College Foundation Board of Directors to invest the Foundation's scholarship funds in a wise and prudent manner. Funds will be invested to create the best return while maintaining the security and availability of the funds for students for many years to come. Investments will be reviewed yearly by the Board of Directors.

Functional Classification of Expenses

Certain costs have been allocated between areas benefited and are classified as follows at June 30:

	2018	2017
Program	$ 98,526	$273,551
In-kind	324,033	244,838
Fundraising	13,340	19,403
Management and General	27,265	30,817
Total Expenses	$ 463,164	$568,609

IN-KIND SERVICES

The Kansas City Kansas Community College provides office and management resources to the Foundation. For the year ended June 30, 2018 and 2017 the Foundation recorded and reported $324,033 and $244,838 in resources received as in-kind services by the College limited to personnel costs, supplies, and contractual services expended by the College.

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KANSAS CITY KANSAS COMMUNITY COLLEGE
SUPPLEMENTAL SCHEDULE OF CHANGES IN LONG TERM OBLIGATIONS
Years Ended June 30, 2018 and June 30, 2017

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning 6/30/2017	Additions	Reductions/ Payments	Net Change	Balance End of 6/30/2018
Capital Leases:									
TEC Certificate of Participation Series 2010-B	3-4.125%	12/1/2010	$ 25,940,000	4/1/2026	$ 17,225,000	$ -	$ 1,665,000	$ (1,665,000)	$ 15,560,000
Refunding Certificates of Participation, Series 2010	2-3.125%	8/1/2010	3,080,000	5/15/2020	1,045,000	-	340,000	(340,000)	705,000
TEC Certificate of Participation Series 2013	2-4%	7/1/2013	5,520,000	6/1/2027	4,130,000	-	360,000	(360,000)	3,770,000
TEC Certificate of Participation Series 2014	3-4%	3/1/2014	8,045,000	5/1/2029	7,165,000	-	415,000	(415,000)	6,750,000
KBOR Loan	0%	7/1/2008	$ 4,583,224	12/1/2016	-	-	-	-	-
Other accrued liabilities									
Early retirement payable					2,613,032	-	862,080	(862,080)	1,750,952
Total Long-Term Obligations					$ 32,178,032	$ -	$ 3,642,080	$ (3,642,080)	$ 28,535,952

					6/30/2016				6/30/2017
Capital Leases:									
Series 2010-B	3-4.125%	12/1/2010	$ 25,940,000	4/1/2026	$ 18,840,000	$ -	$ 1,615,000	$ (1,615,000)	$ 17,225,000
Refunding Certificates of Participation, Series 2010	2-3.125%	8/1/2010	3,080,000	5/15/2020	1,375,000	-	330,000	(330,000)	1,045,000
TEC Certificate of Participation Series 2013	2-4%	7/1/2013	5,520,000	6/1/2027	4,480,000	-	350,000	(350,000)	4,130,000
TEC Certificate of Participation Series 2014	3-4%	3/1/2014	8,045,000	5/1/2029	7,555,000	-	390,000	(390,000)	7,165,000
KBOR Loan	0%	7/1/2008	$ 4,583,224	12/1/2016	259,468	-	259,468	(259,468)	-
Other accrued liabilities									
Early retirement payable					3,311,262	-	698,230	(698,230)	2,613,032
Total Long-Term Obligations					$ 35,820,730	-	$ 3,642,698	$ (3,642,698)	$ 32,178,032

KANSAS CITY KANSAS COMMUNITY COLLEGE
SUPPLEMENTAL SCHEDULE OF COMPARISON OF
BUDGETARY EXPENDITURES WITH APPROPRIATIONS
Year Ended June 30, 2018

	Budgetary Expenditures	Legal Appropriations Budget	(Over) Under Budget
Current Funds:			
Unrestricted			
General	$ 45,105,280	$ 57,130,307	$ 12,025,027
PTE	15,597,507	15,439,608	(157,899)
Adult Education	544,809	1,086,093	541,284
Adult Supplemental Education	917,744	1,561,155	643,411
Motorcycle Driver	84,063	370,833	286,770
Total	62,249,403	75,587,996	13,338,593
Auxiliary Enterprises	3,582,988	5,728,131	2,145,143
Total Unrestricted	65,832,391	81,316,127	15,483,736
Total Current Funds	65,832,391	81,316,127	15,483,736
Plant Funds:			
Capital Outlay	5,810,294	10,485,003	4,674,709
Bond & Interest	3,176,571	3,176,572	1
Total Plant Funds	8,986,865	13,661,575	4,674,710
Total Current, Loan and Plant Funds	$ 74,819,256	$ 94,977,702	$ 20,158,446

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