

***PRATT COMMUNITY COLLEGE***

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

AND

INDEPENDENT AUDITOR'S REPORT



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WITH SUPPLEMENTARY INFORMATION  
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**WITH SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2019

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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, 2019, 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 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, 2019, 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 in 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 December 13, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's 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

December 13, 2019  
Wichita, KS

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis of Pratt Community College's (College) financial performance provides an overview of the College's financial activities for the fiscal year ended June 30, 2019. This discussion and analysis should be utilized in conjunction with the financial statements with supplementary information for the year ended June 30, 2019 and the independent auditor's report.

### **Financial Highlights**

- The College reported net position of \$29,897,115. Of this amount, \$18,051,533 is unrestricted and available to meet ongoing obligations. This represents a \$2.1 million increase in total net position from 2018.
- Total assets and deferred outflows of resources increased by \$4,653,983, primarily related to an increase in cash, which included \$2,029,721 in unspent proceeds for the construction of a new track and field complex.
- Unrestricted cash and cash equivalents increased by \$1,885,592. 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, 3) required supplementary information, and 4) supplementary financial information.

The basic financial statements provide both long-term and short-term information about the College's overall financial status. The required supplementary information provides additional information regarding the College's pension and OPEB liabilities. 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis of the College Net Position

As of June 30,

	<u>2019</u>	<u>2018</u>	Increase (Decrease)
Current Assets	\$ 24,661,915	\$ 22,721,100	\$ 1,940,815
Non-current assets:			
Restricted cash and deposits held	2,187,283	157,329	2,029,954
Capital assets, net of depreciation	9,919,535	9,230,121	689,414
Deferred outflows	29,111	35,311	(6,200)
Total assets and deferred outflows	<u>36,797,844</u>	<u>32,143,861</u>	<u>4,653,983</u>
Current liabilities	1,117,782	893,645	224,137
Non-current liabilities	5,714,869	3,359,693	2,355,176
Deferred inflows	68,078	54,245	13,833
Total liabilities and deferred inflows	<u>6,900,729</u>	<u>4,307,583</u>	<u>2,593,146</u>
Net position			
Net investment in capital assets	6,021,804	5,812,457	209,347
Restricted for:			
Programs	5,823,778	5,678,659	145,119
Unrestricted	18,051,533	16,345,162	1,706,371
Total net position	<u>\$ 29,897,115</u>	<u>\$ 27,836,278</u>	<u>\$ 2,060,837</u>

#### Long-term Debt and Capital Assets

Capital assets, net of accumulated depreciation, increased by \$689,414 due to ongoing capital acquisitions, which included construction of the new track and field complex and a bus purchase financed through capital lease during 2019. The College entered into two new capital lease arrangements and paid off \$406,588 of long-term debt. See Note 6 for additional information on the College's long-term debt.

#### Operating Results

Total revenues increased \$1,100,190 due to an increase in governmental appropriations and an increase in grants and gifts, with an offsetting decrease in capital contributions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis of the College Operating Results for the Years Ended

As of June 30,

	2019	2018	Increase (Decrease)
Operating revenues			
Tuition and fees	\$ 1,573,251	\$ 1,213,149	\$ 360,102
Auxiliary	2,266,693	2,196,677	70,016
Non-operating revenues			
Governmental appropriations	12,876,674	12,081,481	795,193
Grants and gifts	1,058,046	907,700	150,346
Capital contributions	368,863	729,000	(360,137)
Investment income	47,207	2,396	44,811
Other	255,750	215,891	39,859
Total Revenues	18,446,484	17,346,294	1,100,190
Expenses:			
Operating expenses			
Instruction	4,550,316	4,049,053	501,263
Academic support	569,105	662,024	(92,919)
Student services	2,262,526	2,274,558	(12,032)
Institutional support	2,635,147	2,390,027	245,120
Operations and maintenance	1,020,402	474,543	545,859
Equipment	6,775	19,187	(12,412)
Depreciation	826,378	841,616	(15,238)
Scholarships and fellowships	1,775,143	1,672,972	102,171
Auxiliary	2,533,978	2,437,757	96,221
Interest expense	205,877	115,073	90,804
Total expenses	16,385,647	14,936,810	1,448,837
Increase in net position	2,060,837	2,409,484	(348,647)
Net position, beginning of year	27,836,278	25,256,944	2,579,334
Prior period adjustment	--	169,850	(169,850)
Net position, end of year	\$ 29,897,115	\$ 27,836,278	\$ 2,060,837



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **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's enrollment trend has stabilized and is expected to trend-up as new programs gain enrollment. The state restored the remainder of the prior four percent budget cut plus provided some additional funding. The College will continue to monitor the state funding situation. The College continues to focus on developing additional programs to grow enrollment.

**PRATT COMMUNITY COLLEGE**

**STATEMENT OF NET POSITION**

June 30, 2019

	<u>College</u>	<u>Foundation</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 24,190,911	\$ 925,882
Receivables, net of allowance for uncollectible accounts of \$49,983	471,004	19,400
Total current assets	<u>24,661,915</u>	<u>945,282</u>
Noncurrent assets:		
Restricted cash	2,187,283	--
Other investments	--	3,148,249
Beneficial interest in South Central Community Foundation	--	593,450
Capital assets	27,736,106	165,452
Accumulated depreciation	(17,816,571)	--
Total noncurrent assets	<u>12,106,818</u>	<u>3,907,151</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	29,111	--
Total deferred outflows of resources	<u>29,111</u>	<u>--</u>
Total assets and deferred outflows of resources	<u>\$ 36,797,844</u>	<u>\$ 4,852,433</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 111,685	\$ 96
Retainage payable	88,648	--
Deposits held in custody for others	174,889	--
Salaries payable	194,393	--
Certificates of participation	330,000	--
Capital leases	192,682	--
Accrued interest	25,485	--
Total current liabilities	<u>1,117,782</u>	<u>96</u>
Noncurrent liabilities:		
Certificates of participation	2,640,000	--
Capital leases	2,764,770	--
Net pension liability	114,031	--
Total OPEB liability	196,068	--
Total noncurrent liabilities	<u>5,714,869</u>	<u>--</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	43,479	--
Deferred inflows related to OPEB	24,599	--
Total deferred inflows of resources	<u>68,078</u>	<u>--</u>
<b>NET POSITION</b>		
Net investment in capital assets	6,021,804	165,452
Restricted for:		
Scholarships (expendable)	--	494,625
Programs (expendable)	5,823,778	--
Restricted for scholarships (nonexpendable)	--	473,624
Unrestricted	18,051,533	3,718,636
Total net position	<u>29,897,115</u>	<u>4,852,337</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 36,797,844</u>	<u>\$ 4,852,433</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, 2019

	<u>College</u>	<u>Foundation</u>
Operating revenues:		
Student tuition and fees	\$ 1,573,251	\$ --
Auxiliary enterprises - dormitory	2,266,693	--
Net investment income (loss)	--	150,886
Grants and gifts	--	1,064,950
Total operating revenues	<u>3,839,944</u>	<u>1,215,836</u>
Operating expenses		
Education and general		
Instruction	4,550,316	--
Academic support	569,105	--
Student services	2,262,526	--
Institutional support	2,635,147	115,368
Operation and maintenance of plant	1,020,402	110,763
Equipment	6,775	--
Depreciation	826,378	--
Scholarships and fellowships	1,775,143	208,700
Total education and general	<u>13,645,792</u>	<u>434,831</u>
Auxiliary enterprises	2,533,978	--
Total operating expenses	<u>16,179,770</u>	<u>434,831</u>
Operating income (loss)	<u>(12,339,826)</u>	<u>781,005</u>
Nonoperating revenues (expenses):		
Governmental appropriations	12,876,674	--
Grants and gifts	1,058,046	--
Capital contributions	368,863	--
Investment income	47,207	--
Interest expenses	(205,877)	--
Other	255,750	--
Total nonoperating revenues (expenses)	<u>14,400,663</u>	<u>--</u>
Change in net position	2,060,837	781,005
Net position, beginning of year	<u>27,836,278</u>	<u>4,071,332</u>
Net position, end of year	<u>\$ 29,897,115</u>	<u>\$ 4,852,337</u>

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

**PRATT COMMUNITY COLLEGE**

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2019

	<u>College</u>	<u>Foundation</u>
Cash flows from operating activities:		
Tuition and fees	\$ 1,518,028	\$ --
Auxiliary enterprise revenue	2,266,693	--
Income from grants and other	--	955,932
Payments to suppliers and employees	(12,591,438)	(117,356)
Payments for scholarships	<u>(2,757,860)</u>	<u>(208,700)</u>
Net cash flow from operating activities	<u>(11,564,577)</u>	<u>629,876</u>
Cash flows from noncapital financing activities		
Governmental appropriations, grants and gifts	13,934,720	--
Other	<u>255,750</u>	<u>--</u>
Net cash flow from noncapital financing activities	<u>14,190,470</u>	<u>--</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(899,642)	--
Payments on capital leases	(34,718)	--
Proceeds from issuance of capital leases	2,758,007	--
Payment on certificates of participation	(372,140)	--
Interest paid on long-term debt	<u>(209,061)</u>	<u>--</u>
Net cash flow from capital and related financing activities	<u>1,242,446</u>	<u>--</u>
Cash flows from investing activities		
Investment purchases and earnings reinvested	--	(427,930)
Investment maturities and sales	--	333,179
Interest and dividends received on investments	<u>47,207</u>	<u>97,566</u>
Net cash flow from investing activities	<u>47,207</u>	<u>2,815</u>
Net change in cash and cash equivalents	3,915,546	632,691
Cash and cash equivalents, beginning of year	<u>22,462,648</u>	<u>293,191</u>
Cash and cash equivalents, end of year	<u>\$ 26,378,194</u>	<u>\$ 925,882</u>
Reconciliation of operating income (loss)		
to net cash flows from operating activities:		
Operating income (loss)	\$ (12,339,826)	\$ 781,005
Adjustments to reconcile operating income (loss)		
to net cash flows from operating activities:		
Depreciation expense	826,378	--
Net unrealized gain on investments	--	(150,886)
Changes in assets, deferred outflows of resources,		
liabilities and deferred inflows of resources		
Accounts receivable	(55,223)	6,350
Deferred outflows	6,200	--
Accounts payable	(1,237)	(6,593)
Salaries payable	10,125	--
Other payables	(1,400)	--
Net pension liability	(20,304)	--
Total OPEB liability	(3,123)	--
Deferred inflows	<u>13,833</u>	<u>--</u>
Total adjustments	<u>775,249</u>	<u>(151,129)</u>
Net cash flows from operating activities	<u>\$ (11,564,577)</u>	<u>\$ 629,876</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 \$115,368 was recognized by the Foundation for these services for the year ended June 30, 2019. 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 realized or realizable and 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, construction, 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, 2019, the County Treasurer had distributed to the College approximately 100% of the 2018 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 2019 summer session have been included in the current year's revenues.

Capital assets - Capital assets over \$5,000 are recorded at cost or estimated acquisition 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, 2019.

# 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 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 \$26,378,194 and the bank balance was \$26,463,426.

*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, 2019, 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

*Deposits:* At year-end, the Foundation's carrying amount of deposits was \$925,882 and the bank balance was \$916,239.

Investments include the following at June 30, 2019:

Equity	\$ 1,819,467
Fixed income	1,279,029
Cash management fund	49,753
Investment in South Central Community Foundation	593,450
	<u>\$ 3,741,699</u>

Investment income consists of the following for the year ended June 30, 2019:

Unrealized loss	\$ (253,229)
Realized gain	330,364
Dividends and interest income	97,567
Investment management expenses	(23,816)
	<u>\$ 150,886</u>

### 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;



**PRATT COMMUNITY COLLEGE**

NOTES TO THE FINANCIAL STATEMENTS

**4. FAIR VALUE OF FINANCIAL INSTRUMENTS - FOUNDATION (CONTINUED)**

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 Foundation's investments classified as Level 1 in the fair value hierarchy are based on quoted prices in active markets. The Foundation's beneficial interest in the South Central Community Foundation (SCCF) is valued by the SCCF based on estimates of the underlying investments of the fund as provided by fund managers and other market data. Because the Foundation has an undivided interest in the SCCF Fund (Fund), its unit of account for the fair value measurement purposes is the Fund. The Fund is classified as Level 3 in the fair value hierarchy because no observable inputs exist for an undivided interest in the Fund.

The following table sets forth the Foundation's financial assets that were measured at fair value on a recurring basis as of June 30, 2019.

	2019 Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
Equity investments	1,819,467	--	--	1,819,467
Fixed income investments	1,279,029	--	--	1,279,029
Cash management fund	49,753	--	--	49,753
Community Foundation	--	--	593,450	593,450
	<u>\$ 3,148,249</u>	<u>\$ --</u>	<u>\$ 593,450</u>	<u>\$ 3,741,699</u>

**5. CAPITAL ASSETS**

Capital assets are comprised of the following at June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
College:				
Land	\$ 458,000	\$ --	\$ --	\$ 458,000
Construction in progress	103,195	886,480	(103,195)	886,480
Building and improvements	17,843,743	265,293	--	18,109,036
Equipment, furniture and fixtures	7,815,377	467,213	--	8,282,590
Less accumulated depreciation	<u>(16,990,194)</u>	<u>(826,377)</u>	--	<u>(17,816,571)</u>
Total	<u>\$ 9,230,121</u>	<u>\$ 792,609</u>	<u>\$ (103,195)</u>	<u>\$ 9,919,535</u>
Foundation: Land	<u>\$ 165,452</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 165,452</u>

**PRATT COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**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, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within one year
Certificates of Participation *					
Series 2006	\$ 595,000	\$ --	\$ (40,000)	\$ 555,000	\$ 45,000
Series 2008	27,140	--	(27,140)	--	--
Series 2009	775,000	--	(70,000)	705,000	75,000
Series 2010	35,000	--	(35,000)	--	--
Series 2012	1,910,000	--	(200,000)	1,710,000	210,000
Capital lease obligations	75,524	2,916,376	(34,448)	2,957,452	192,682
	<u>\$ 3,417,664</u>	<u>\$ 2,916,376</u>	<u>\$ (406,588)</u>	<u>\$ 5,927,452</u>	<u>\$ 522,682</u>

\* The College's Certificates of Participation have been issued as direct placement debt.

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>	Principal	Interest
2020	\$ 210,000	\$ 40,082
2021	215,000	35,882
2022	215,000	31,582
2023	200,000	26,960
2024	185,000	22,460
2025-2029	685,000	42,290
	<u>\$ 1,710,000</u>	<u>\$ 199,256</u>

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>	Principal	Interest
2020	\$ 75,000	\$ 31,798
2021	75,000	28,648
2022	85,000	25,498
2023	85,000	21,758
2024	90,000	18,018
2025-2029	295,000	43,374
	<u>\$ 705,000</u>	<u>\$ 169,094</u>

**PRATT COMMUNITY COLLEGE**

NOTES TO THE FINANCIAL STATEMENTS

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

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 3.60% to 4.50%, were issued to crossover advance refund Certificates 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>
2020	\$ 45,000	\$ 24,975
2021	45,000	22,950
2022	50,000	20,925
2023	50,000	18,675
2024	50,000	16,425
2025-2029	295,000	45,450
2030-2034	20,000	900
	<u>\$ 555,000</u>	<u>\$ 150,300</u>

Capital Leases

Equipment, vehicles and campus improvements, with a net depreciated cost of \$1,078,948, 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 3.0% to 4.0% and expire in various years through 2039.

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, 2019:

	<u>Year ending June 30,</u>	
	2020	\$ 192,682
	2021	205,539
	2022	213,439
	2023	217,049
	2024	212,380
	2025-2029	1,060,564
	2030-2034	1,035,425
	2035-2039	<u>1,048,284</u>
Total future minimum lease payments		4,185,362
Less: amount representing interest		<u>(1,227,910)</u>
Present value of future minimum lease payments		2,957,452
Less: current portion		<u>(192,682)</u>
		<u>\$ 2,764,770</u>

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 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 Legislature. Members 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, members 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.

Members choose one of seven payment options for their monthly retirement benefits. At retirement, a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member'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 members 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.

PRATT COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

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

*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 for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability program) was 14.59% and 13.21%, respectively for the fiscal year ended June 30, 2019.

For the year ended June 30, 2019, College contributions to the plan for "working after retirement" payments were \$10,423.

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

At June 30, 2019, 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	\$ 114,031
State's proportionate share of the collective net pension liability associated with the College	<u>7,662,276</u>
	<u>\$ 7,776,307</u>

The collective net pension liability was measured by KPERS as of June 30, 2018, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. 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

**PRATT COMMUNITY COLLEGE**

NOTES TO THE FINANCIAL STATEMENTS

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

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, 2018. 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, 2018. As of the measurement date of June 30, 2018, the College's "working after retirement" contributions were 1.466% 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, 2018 was .001748%, a decrease of 0.000242% from the prior measurement date.

For the year ended June 30, 2019, the College recognized pension expense of \$1,079,279 and revenue of \$1,083,315 for support provided by the state in the form of non-employer contributions to KPERS on the College's behalf. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ --	\$ 4,950
Net difference between projected and actual earnings on pension plan investments	1,956	--
Changes in proportionate share	12,441	38,430
Changes in assumptions	4,291	99
College contributions subsequent to the measurement date	10,423	--
	<u>\$ 29,111</u>	<u>\$ 43,479</u>

The \$10,423 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	Deferred (Outflows) Inflows of Resources
2020	\$ 8,953
2021	7,643
2022	5,691
2023	1,723
2024	781
	<u>\$ 24,791</u>

**PRATT COMMUNITY COLLEGE**

NOTES TO THE FINANCIAL STATEMENTS

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

*Actuarial assumptions:* The total pension liability for KPERS in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75%
Wage inflation	3.50%
Salary increases, including wage increases	3.50% to 12.00%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	7.75%

Mortality rates were based on the RP-2014 Combined Mortality, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using scale MP-2016.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013, through December 31, 2015. The experience study is dated November 18, 2016.

The actuarial assumptions changes adopted by the Pension Plan for all groups based on the experience study were as follows:

- Price inflation assumption lowered from 3.00 percent to 2.75 percent.
- Investment return assumption was lowered from 8.00 percent to 7.75 percent.
- General wage growth assumption was lowered from 4.00 to 3.5 percent.
- Payroll growth assumption was lowered from 4.00 percent to 3.00 percent.

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 as of the most recent experience study, dated November 18, 2016, as provided by KPERS' investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.85%
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	<u>100%</u>	

**PRATT COMMUNITY COLLEGE**

NOTES TO THE FINANCIAL STATEMENTS

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

*Discount rate:* The discount rate used by KPERS to measure the total pension liability was 7.75%. 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 and subsequent legislation, the employer contribution rates certified by the KPERS' Board of Trustees 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 7.75% 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
College's proportionate share of the net pension liability	\$ 153,569	\$ 114,031	\$ 80,587

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

**9. POST-EMPLOYMENT HEALTHCARE PLAN**

The College participates in two other post-employment benefit plans (OPEB), which are separately disclosed in this section under the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*.

**The College's OPEB 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



**PRATT COMMUNITY COLLEGE**

NOTES TO THE FINANCIAL STATEMENTS

**9. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

as a single-employer defined benefit plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue a separate report.

*Benefits provided:* As provided by K.S.A. 12-5040, the College allows retirees to participate in the College's 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. Retirees pay 100% of their premiums; the College is not required to share costs of retiree premiums.

*Members covered by benefit terms.* At June 30, 2019, the following members were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	111
	<hr/>
	113
	<hr/>

*Total OPEB Liability:* The College's total OPEB liability of \$196,068 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2019.

*Actuarial Assumptions and other inputs:* The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise noted:

Salary increases, including inflation	2.50%
Discount Rate	3.00% as of June 30, 2019
Healthcare cost trend rates	6.0% for 2019, decreasing by 0.5% per year until 2020 and then decreasing by 0.25% per year to an ultimate rate of 4.5% for 2024 and later years
Retiree share of benefit cost	Retirees pay 100% of COBRA rates

The discount rate was based on the average of the published yields from the S&P Municipal Bond 20 year High Grade and the Fidelity GO AA-20 Years indexes.

Mortality rates were based on the RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with Scale MP-2017 Full Generational Improvement.

The actuarial assumptions used in the July 1, 2017 valuation were based reasonable expectations of future experience under the postretirement insurance program based on years of experience information provided by the College.

**PRATT COMMUNITY COLLEGE**

NOTES TO THE FINANCIAL STATEMENTS

**9. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

Change in the total OPEB liability:

Total OPEB liability, beginning of year	\$ 199,191
Service cost	20,332
Interest	7,013
Difference between expected and actual experience	(1,217)
Effect of assumption changes or inputs	(15,251)
Benefit payments	<u>(14,000)</u>
Net changes	<u>(3,123)</u>
Total OPEB liability, end of year	<u><u>\$ 196,068</u></u>

*Changes of assumptions.* Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate decreased from 3.30% on June 30, 2018 to 3.00% on June 30, 2019.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00%) or 1-percentage-point higher (4.00%) than the current discount rate:

	<u>1% Decrease (2.00%)</u>	<u>Current Discount Rate (3.00%)</u>	<u>1% Decrease (4.00%)</u>
Total OPEB liability	\$ 212,964	\$ 196,068	\$ 180,657

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5.0% decreasing to 3.5%) or 1-percentage-point higher (7.0% decreasing to 5.5%) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Assumption</u>	<u>1% Decrease</u>
Total OPEB liability	\$ 171,011	\$ 196,068	\$ 226,627

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:*

For the year ended June 30, 2018, the College recognized OPEB expense of \$25,065. At June 30, 2019, the College reported deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,117
Changes in assumptions	23,482
	<u><u>\$ 24,599</u></u>

**PRATT COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**9. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

Amounts reported as deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

<u>Year ending June 30.</u>	<u>Deferred Inflows of Resources</u>
2020	\$ 2,280
2021	2,280
2022	2,280
2023	2,280
2024	2,280
Thereafter	13,199
	<u>\$ 24,599</u>

**KPERS Death and Disability OPEB Plan**

*Plan Description.* The College participates in an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan which is administered by KPERS. The plan provides long-term disability benefits and life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. Because the trust's assets are used to pay employee benefits other than OPEB, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the plan.

***Special Funding Situation***

The employer contributions for the College, as defined in K.S.A. 74-4931 (2) and (3), are made by the State of Kansas on behalf of the College. Therefore, the College is considered to be in a special funding situation. Accordingly, the state is required to recognize the total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense for the OPEB plan attributable to the College. The College records revenue and OPEB expense in an amount equal to the expense recognized by the state on behalf of the College.

*Benefits provided:* Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66 2/3%) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver premium provision.

PRATT COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

9. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Long-term disability benefit: Monthly benefit is 60% of the member's monthly compensation, with a minimum of \$100 and maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65<sup>th</sup> birthday or retirement date, whichever occurs first. If the disability occurs after age 60, benefits are payable while disability continues, for a period of 5 years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the term of the disability or 24 months per lifetime, whichever is less. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of living increase.

Group life waiver of premium benefit: Upon the death of an employee who is receiving monthly disability benefits, the plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of the member's annual rate of compensation at the time of disability or the member's previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual life insurance policy.

Members covered by benefit terms: At June 30, 2019, the following members were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	--
Active employees	125
	<u>125</u>

Total OPEB Liability

At June 30, 2019, the state support provided to the College reduced the College's total OPEB liability to zero. The state reported a liability of \$37,783 measured as of June 30, 2018, and was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018.

For the year ended June 30, 2019, the College recognized OPEB expense and revenue of \$11,123 for support provided by the state in the form of non-employer contributions on the College's behalf.

**PRATT COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**9. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

*Actuarial assumptions and other inputs.* The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise noted:

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50% to 11.50%, including price inflation
Discount Rate	3.87%
Healthcare cost trend rates	Not applicable for coverage in this plan
Retiree share of benefit cost	Not applicable for coverage in this plan

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Mortality tables, as appropriate, with adjustment for mortality improvements based on Scale MP-2018.

The actuarial assumptions used in the December 31, 2017 valuation were based on actuarial experience study for the period July 1, 2014 through June 30, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2017 KPERS pension valuation.

*Changes of assumptions.* Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate increased from 3.58% on June 30, 2017 to 3.87% on June 30, 2018.

**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, 2019.

## PRATT COMMUNITY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS

#### 10. BUDGETARY INFORMATION (CONTINUED)

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.

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 year ending June 30, 2019 are as follows:

Condensed statement of net position

Assets:	
Current assets	\$ 5,785,295
Noncurrent assets	129,693
Capital assets	3,872,033
Total assets	<u>\$ 9,787,021</u>
Liabilities:	
Current liabilities	\$ 259,895
Long-term liabilities	630,000
Total liabilities	<u>889,895</u>
Net position:	
Net investment in capital assets	3,167,033
Unrestricted	5,730,093
Total net position	<u>8,897,126</u>
Total liabilities and net position	<u>\$ 9,787,021</u>

Condensed statement of revenues, expenses  
and changes in net position

Operating revenues	\$ 2,218,140
Operating expenses	(1,215,603)
Depreciation	(175,220)
Net operating income	<u>827,317</u>
Nonoperating revenues (expenses)	<u>(278,884)</u>
Change in net position	548,433
Net position, beginning of year	8,348,693
Net position, end of year	<u>\$ 8,897,126</u>

Condensed statement of cash flows

Net cash flows from:	
Operating activities	\$ 999,836
Non-capital financing activities	(245,333)
Capital and related financing activities	(104,598)
Investing activities	<u>1,047</u>
Net change in cash and cash equivalents	650,952
Cash and cash equivalents, beginning of year	<u>5,134,343</u>
Cash and cash equivalents, end of year	<u>\$ 5,785,295</u>

# PRATT COMMUNITY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### 12. ENDOWMENTS – FOUNDATION

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 position 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 nonspendable restricted net position (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 nonspendable restricted net position is classified as spendable restricted net position 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, 2019 is as follows:

	Unrestricted	Restricted for Scholarships Expendable	Restricted for Scholarships Nonexpendable	Total
Board-designated endowment funds	\$ 5,933	\$ --	\$ --	\$ 5,933
Donor-restricted endowment funds	--	--	473,624	473,624
Accumulated investment gains	--	235,899	--	235,899
	<u>\$ 5,933</u>	<u>\$ 235,899</u>	<u>\$ 473,624</u>	<u>\$ 715,456</u>

Changes in endowment net position for the year ended June 30, 2019 are as follows:

	Unrestricted	Restricted for Scholarships Expendable	Restricted for Scholarships Nonexpendable	Total
Endowed net position, beginning of year	\$ 5,886	\$ 246,936	\$ 440,985	\$ 693,807
Net appreciation	247	11,463	--	11,710
Donations	--	--	32,639	32,639
Amounts appropriated for expenditure	(200)	(22,500)	--	(22,700)
Endowed net position, end of year	<u>\$ 5,933</u>	<u>\$ 235,899</u>	<u>\$ 473,624</u>	<u>\$ 715,456</u>

**13. RELATED PARTY TRANSACTIONS**

During 2019, the City of Pratt (City) issued Series 2019 Industrial Revenue Bonds in the principal amount of \$2,720,000, for which the Pratt Community College Foundation is named as the primary obligor. The bonds are being used to pay a portion of the costs of acquiring, constructing and equipping a track and field facility, which will be owned by the City, but available for the use of the College. Concurrently with the issuance of the bonds, a lease agreement was entered into between the College and the Foundation under which the rights and responsibilities of the Foundation will be performed by the College. As a result, the College has recorded a capital lease obligation for the repayment of this obligation over the 20-year term of the agreement. As of June 30, 2019 construction of the track and field complex was ongoing.

The Foundation recorded in-kind revenue and expense for the value of administrative services performed by College staff. For the year ended June 30, 2019, the value of in-kind services was \$115,368. In addition, the Foundation provided scholarships of \$208,700 to the College for the year ended June 30, 2019.

## PRATT COMMUNITY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS

#### 14. PENDING GOVERNMENTAL ACCOUNTING STANDARDS

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. 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.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies the accounting for interest cost incurred before the end of a construction period. Provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2021.

GASB Statement No. 90, *Major Equity Interests*, improves consistency and comparability of reporting a government's majority equity interest in a legally separate organization, and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. Provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2020.

GASB Statement No. 91, *Conduit Debt Obligations*, provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions of this statement are effective for the College's fiscal year ending June 30, 2022.

**PRATT COMMUNITY COLLEGE**

REQUIRED SUPPLEMENTARY INFORMATION

As of June 30, 2019

Schedule of Changes in the College's Total OPEB Liability and Related Ratios  
Last Two Fiscal Years\*

	<u>2019</u>	<u>2018</u>
Measurement date	June 30, 2019	June 30, 2018
Service cost	\$ 20,332	\$ 20,491
Interest cost	7,013	7,153
Differences between expected and actual experience	(1,217)	--
Changes in assumptions or other inputs	(15,251)	(11,341)
Benefit payments	<u>(14,000)</u>	<u>(14,000)</u>
Net change in OPEB liability	<u>(3,123)</u>	<u>2,303</u>
Total OPEB liability, beginning	199,191	196,888
Total OPEB liability, ending	<u>\$ 196,068</u>	<u>\$ 199,191</u>
Covered-employee payroll	\$ 4,366,128	\$ 4,366,128
Total OPEB liability as a percentage of covered-employee payroll	4.49%	4.56%

\* GASB 75 requires presentation of ten years. As of June 30, 2019, only two years of information is available.

*Changes of assumptions:* Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate increased from 3.00% on June 30, 2017 to 3.30% on June 30, 2018. The discount rate decreased from 3.30% on June 30, 2018 to 3.00% on June 30, 2019.

**PRATT COMMUNITY COLLEGE**

REQUIRED SUPPLEMENTARY INFORMATION

As of June 30, 2019

Schedule of Changes in the College's Proportional Share of the Death & Disability  
Total OPEB Liability and Related Ratios  
Last Two Fiscal Years\*

	<u>2019</u>	<u>2018</u>
	June 30, 2018	June 30, 2017
Measurement date		
Service cost	\$ 10,724	\$ 11,118
Interest cost	1,723	1,058
Effect of economic/demographic gains or losses	(11,694)	--
Changes in assumptions or other inputs	(361)	(778)
Benefit payments	--	--
Net change in OPEB liability	<u>392</u>	<u>11,398</u>
Total OPEB liability, beginning	<u>37,391</u>	<u>25,993</u>
Total OPEB liability, ending	<u>\$ 37,783</u>	<u>\$ 37,391</u>
State's proportionate share of the total OPEB liability	\$ 37,783	\$ 37,391
College's proportionate share of the total OPEB liability	\$ --	\$ --
Covered payroll	\$ 5,113,257	\$ 4,941,380
College's proportionate share of the total OPEB liability as a percentage of covered-employee payroll	0.00%	0.00%

\* GASB 75 requires presentation of ten years. As of June 30, 2019, only two years of information is available.

*Changes of assumptions:* Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate increased from 2.85% on June 30, 2016 to 3.58% on June 30, 2018. The discount rate increased from 3.58% on June 30, 2017 to 3.87% on June 30, 2018.

**PRATT COMMUNITY COLLEGE**

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
College's proportion of the collective net pension liability	0.00175%	0.00199%	0.00169%	0.00232%	0.00000%	0.00000%
College's proportionate share of the collective net pension liability	\$ 114,031	\$ 134,335	\$ 113,782	\$ 160,770	\$ --	\$ --
State's proportionate share of the collective net pension liability	<u>7,662,276</u>	<u>7,684,833</u>	<u>7,662,362</u>	<u>8,276,566</u>	<u>8,176,669</u>	<u>9,620,564</u>
Total	<u>\$ 7,776,307</u>	<u>\$ 7,819,168</u>	<u>\$ 7,776,144</u>	<u>\$ 8,437,336</u>	<u>\$ 8,176,669</u>	<u>\$ 9,620,564</u>
College's covered payroll	\$ 6,222,645	\$ 5,245,417	\$ 4,703,472	\$ 5,263,690	\$ 5,536,462	\$ 5,658,730
College's proportionate share of the collective net pension liability as a percentage of covered payroll	1.83%	2.56%	2.42%	3.05%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%

\* GASB 68 requires presentation of ten years. As of June 30, 2019, only six years of information is available.

^ Covered payroll is measured as of the measurement date, the most recent of which was June 30, 2018.

**PRATT COMMUNITY COLLEGE**

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 10,423	\$ 10,008	\$ 9,912	\$ 7,910	\$ --	\$ --
Contributions in relation to the contractually required contribution	<u>10,423</u>	<u>10,008</u>	<u>9,912</u>	<u>7,910</u>	<u>--</u>	<u>--</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
College's covered payroll	\$ 6,351,312	\$ 6,222,645	\$ 5,245,417	\$ 4,703,472	\$ 5,536,462	\$ 5,658,730
Contributions as a percentage of covered payroll	0.16%	0.16%	0.19%	0.17%	0.00%	0.00%

\* GASB 68 requires presentation of ten years. As of June 30, 2019, only six years of information is available.

Note: Contractually required contributions for the College consist of "working after retirement" contributions for KPERS retirees who are filling KPERS covered positions as College employees under K.S.A. 74-4937.

## 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.

January 1, 2015, the KPERS 3 cash balance plan became effective. 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.

For the state fiscal year 2017, the Legislature changed the working after retirement rules for members who retire on or after January 1, 2018. The key changes to the working after retirement rules were to lengthen the waiting period for KPERS members to return to work from 60 days to 180 days for members who retire before attaining age 62, remove the earnings limitation for all retirees and establish a single-employer contribution schedule for all retirees.

*Changes in assumptions for KPERS.* As a result of the experience study completed in November 2016, there were several changes made to the actuarial assumptions and methods since the prior valuation. The changes that impact all groups were effective December 31, 2016 and include:

- The price inflation assumption was lowered from 3.00% to 2.75%.
- The investment return assumption was lowered from 8.00% to 7.75%.
- The general wage growth assumption was lowered from 4.00% to 3.50%.
- The payroll growth assumption was lowered from 4.00% to 3.00%.

Changes from the November 2016 experience study that impacted individual groups are listed below:

#### KPERS:

- The post-retirement healthy mortality assumption was changed to the RP-2014.
- Mortality Table, with adjustments to better fit the observed experience for the various KPERS groups. The most recent mortality improvement scale, MP-2016, is used to anticipate future mortality improvements in the valuation process through the next experience study.
- The active member mortality assumption was modified to also be based on the RP-2014 Employee Mortality Table with adjustments.
- The retirement rates for the select period (when first eligible for unreduced benefits under Rule of 85) were increased, but all other retirement rates were decreased.
- Disability rates were decreased for all three groups.
- The termination of employment assumption was increased for all three groups.
- The interest crediting rate assumption for KPERS 3 members was lowered from 6.50% to 6.25%.

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, 2019

GENERAL FUND

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>RECEIPTS</b>			
General property tax:			
Ad valorem property tax	\$ 6,293,230	\$ 6,180,120	\$ 113,110
Delinquent tax	106,070	--	106,070
Motor vehicle tax	468,311	381,620	86,691
State aid	1,216,635	1,228,851	(12,216)
Student tuition and fees	729,474	1,014,697	(285,223)
Interest	12,832	10,000	2,832
Other	204,297	648,448	(444,151)
Total receipts	<u>9,030,849</u>	<u>9,463,736</u>	<u>(432,887)</u>
<b>EXPENDITURES</b>			
Instruction	1,505,554	1,693,119	(187,565)
Academic support	283,256	326,188	(42,932)
Student services	2,293,219	2,313,226	(20,007)
Institutional support	1,736,226	1,786,062	(49,836)
Operation and maintenance	606,355	658,005	(51,650)
Scholarships	222,497	200,000	22,497
Transfers	2,161,469	2,732,770	(571,301)
Total expenditures	<u>8,808,576</u>	<u>9,709,370</u>	<u>(900,794)</u>
<b>EXCESS (DEFICIT) OF RECEIPTS OVER EXPENDITURES</b>	<u>222,273</u>	<u>\$ (245,634)</u>	<u>\$ 467,907</u>
<b>UNENCUMBERED CASH, BEGINNING OF YEAR</b>	<u>11,036,746</u>		
<b>UNENCUMBERED CASH, END OF YEAR</b>	<u>\$ 11,259,019</u>		

**PRATT COMMUNITY COLLEGE**

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

For Year Ended June 30, 2019

**AUXILIARY FUNDS**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>RECEIPTS</b>			
Student sources	\$ 48,553	\$ 1,850,000	\$ (1,801,447)
Gifts and grants	1,388,173	258,200	1,129,973
Other	--	1,150,000	(1,150,000)
Total receipts	<u>1,436,726</u>	<u>3,258,200</u>	<u>(1,821,474)</u>
<b>EXPENDITURES</b>			
General operating expense	232,842	900,000	(667,158)
Supplies	132,748	600,000	(467,252)
Scholarships	<u>982,717</u>	<u>1,758,200</u>	<u>(775,483)</u>
Total expenditures	<u>1,348,307</u>	<u>3,258,200</u>	<u>(1,909,893)</u>
<b>EXCESS OF RECEIPTS OVER EXPENDITURES</b>	<u>88,419</u>	<u>\$ --</u>	<u>\$ 88,419</u>
<b>UNENCUMBERED CASH, BEGINNING OF YEAR</b>	<u>1,136,257</u>		
<b>UNENCUMBERED CASH, END OF YEAR</b>	<u>\$ 1,224,676</u>		

**PRATT COMMUNITY COLLEGE**

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

For Year Ended June 30, 2019

STUDENT HOUSING FUND

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>RECEIPTS</b>			
Student sources	\$ 2,218,140	\$ 1,800,000	\$ 418,140
Other	1,047	500,000	(498,953)
Total receipts	<u>2,219,187</u>	<u>2,300,000</u>	<u>(80,813)</u>
<b>EXPENDITURES</b>			
Student services	186,222	218,777	(32,555)
General operating expense	824,340	479,801	344,539
Supplies	198,266	1,251,492	(1,053,226)
Equipment	6,775	--	6,775
Transfers	349,930	349,930	--
Total expenditures	<u>1,565,533</u>	<u>2,300,000</u>	<u>(734,467)</u>
<b>EXCESS OF RECEIPTS OVER EXPENDITURES</b>	<u>653,654</u>	<u>\$ --</u>	<u>\$ 653,654</u>
<b>UNENCUMBERED CASH, BEGINNING OF YEAR</b>	<u>5,076,443</u>		
<b>UNENCUMBERED CASH, END OF YEAR</b>	<u>\$ 5,730,097</u>		

**PRATT COMMUNITY COLLEGE**

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

For Year Ended June 30, 2019

POST-SECONDARY/TECHNICAL EDUCATION FUND

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>RECEIPTS</b>			
State aid	\$ 1,676,613	\$ 1,568,574	\$ 108,039
Student tuition and fees	788,555	546,375	242,180
Transfers	1,783,005	1,742,089	40,916
Other receipts	99,349	500,000	(400,651)
Total receipts	<u>4,347,522</u>	<u>4,357,038</u>	<u>(9,516)</u>
<b>EXPENDITURES</b>			
Instruction	1,950,324	2,329,249	(378,925)
Academic support	122,915	16,883	106,032
Institutional support	955,187	961,726	(6,539)
Operation and maintenance	307,714	354,311	(46,597)
Transfers out	--	694,869	(694,869)
Total expenditures	<u>3,336,140</u>	<u>4,357,038</u>	<u>(1,020,898)</u>
<b>DEFICIT OF RECEIPTS OVER EXPENDITURES</b>	<u>1,011,382</u>	<u>\$ --</u>	<u>\$ 1,011,382</u>
<b>UNENCUMBERED CASH, BEGINNING OF YEAR</b>	<u>5,261,687</u>		
<b>UNENCUMBERED CASH, END OF YEAR</b>	<u>\$ 6,273,069</u>		

**PRATT COMMUNITY COLLEGE**

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

For Year Ended June 30, 2019

**ADULT BASIC EDUCATION FUND**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>RECEIPTS</b>			
Other receipts	\$           --	\$         5,000	\$       (5,000)
<b>EXPENDITURES</b>	--	5,000	(5,000)
<b>EXCESS OF RECEIPTS OVER EXPENDITURES</b>	--	<u>\$           --</u>	<u>\$           --</u>
<b>UNENCUMBERED CASH, BEGINNING 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  
(REGULATORY BASIS)**

For Year Ended June 30, 2019

**ADULT SUPPLEMENTAL EDUCATION FUND**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>RECEIPTS</b>	\$ --	\$ 20,000	\$ (20,000)
<b>EXPENDITURES</b>	--	20,000	(20,000)
<b>EXCESS OF RECEIPTS OVER</b>			
<b>OVER EXPENDITURES</b>	--	\$ --	\$ --
<b>UNENCUMBERED CASH, BEGINNING 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, 2019

UNEXPENDED PLANT FUND

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>RECEIPTS</b>			
General property tax:			
Ad valorem property tax	\$ --	\$ --	\$ --
Delinquent tax	81	--	81
Transfers in	225,000	--	225,000
Miscellaneous income	--	825,000	(825,000)
Total receipts	<u>225,081</u>	<u>825,000</u>	<u>(599,919)</u>
<b>EXPENDITURES</b>	<u>236,482</u>	<u>825,000</u>	<u>(588,518)</u>
<b>EXCESS OF RECEIPTS OVER EXPENDITURES</b>	<u>(11,401)</u>	<u>\$ --</u>	<u>\$ (11,401)</u>
<b>UNENCUMBERED CASH, BEGINNING OF YEAR</b>	<u>808,226</u>		
<b>UNENCUMBERED CASH, END OF YEAR</b>	<u>\$ 796,825</u>		

**PRATT COMMUNITY COLLEGE**

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

For Year Ended June 30, 2019

**RETIREMENT OF INDEBTEDNESS PLANT FUND**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>RECEIPTS AND TRANSFERS IN</b>	<b>\$ 480,435</b>	<b>\$ 480,394</b>	<b>\$ 41</b>
<b>EXPENDITURES</b>			
Principal	362,866	372,141	(9,275)
Interest and fees	106,730	108,253	(1,523)
Total expenditures	<u>469,596</u>	<u>480,394</u>	<u>(10,798)</u>
<b>DEFICIT OF RECEIPTS OVER EXPENDITURES</b>	<u>10,839</u>	<u>\$ --</u>	<u>\$ 10,839</u>
<b>UNENCUMBERED CASH, BEGINNING OF YEAR</b>	<u>495,525</u>		
<b>UNENCUMBERED CASH, END OF YEAR</b>	<u>\$ 506,364</u>		