

BUTLER COUNTY COMMUNITY COLLEGE

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2011 AND 2010

AND

INDEPENDENT AUDITORS' REPORT

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WITH SUPPLEMENTARY INFORMATION
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INDEPENDENT AUDITORS' REPORT

BUTLER COUNTY COMMUNITY COLLEGE

El Dorado, Kansas

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BUTLER COUNTY COMMUNITY COLLEGE

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Butler County Community College
El Dorado, Kansas

We have audited the accompanying statements of net assets of Butler County Community College (College) as of June 30, 2011 and 2010 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Butler Community College Foundation, Inc. (Foundation), a component unit of the College. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College and the Foundation at June 30, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Other schedules listed in the table of contents as supplementary financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements of the College. In addition, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

December 14, 2011
Wichita, KS

Butler County Community College
Management's Discussion and Analysis

Overview of Financial Statements and Financial Analysis

Management's discussion and analysis is an overview of the financial position and financial activities of Butler County Community College (College). The College's management prepared this discussion. It should be read in conjunction with the financial statements and notes that follow.

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

As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the College, as well as its component unit, the Butler Community College Foundation, Inc. The following discussion focuses on the College; separately issued audited financial statements for the Foundation can be obtained as discussed in Note 1.

Financial statements for fiscal year 2011 and 2010 are presented; comparative data for fiscal years 2010 and 2009 are discussed. The emphasis of discussions concerning these statements will be for the current year data. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Each one of these statements will be discussed.

Statement of Net Assets

The Statement of Net Assets presents the Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (Assets minus Liabilities) at the end of the fiscal year. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Butler County Community College. The difference between current and noncurrent assets will be discussed in the footnotes to the financial statements.

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

Net assets are divided into three major categories. The first category, Invested in Capital Assets, Net of Related Debt, provides the College's equity in or ownership of property, plant and equipment. The next asset category is Restricted Net Assets, which is divided into two categories, Nonexpendable and Expendable. Nonexpendable restricted net assets include endowments. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for use by the College, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted Net Assets. Unrestricted assets are available to the College for any lawful purpose.

Condensed Statements of Net Assets (in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	2011 vs. 2010 Increase (Decrease)	2010 vs. 2009 Increase (Decrease)
Current assets	\$ 20,210	\$ 18,450	\$ 19,451	\$ 1,760	\$ (1,001)
Noncurrent assets	41,794	41,523	35,727	271	5,796
Total assets	<u>62,004</u>	<u>59,973</u>	<u>55,178</u>	<u>2,031</u>	<u>4,795</u>
Current liabilities	6,989	6,875	5,903	114	972
Noncurrent liabilities	11,800	12,346	11,239	(546)	1,107
Total liabilities	<u>18,789</u>	<u>19,221</u>	<u>17,142</u>	<u>(432)</u>	<u>2,079</u>
Invested in capital assets	29,403	27,510	22,448	1,893	5,062
Restricted - expendable	609	1,099	508	(490)	591
Unrestricted	13,048	12,143	15,080	905	(2,937)
Total net assets	<u>\$ 43,060</u>	<u>\$ 40,752</u>	<u>\$ 38,036</u>	<u>\$ 2,308</u>	<u>\$ 2,716</u>

Changes to Total Assets

The total assets of the College increased by \$2,031,135 primarily related to an increase in cash.

Changes to Total Liabilities

The total liabilities of the College for the year have decreased by \$432,400. This change is attributed to a pay down in long-term debt and an increase in the net OPEB obligation.

Changes to Net Assets

The final section of the Statement of Net Assets reflects the changes of balances from one year to the next which reflects the net growth or contraction of the College over time with each category reflecting the varying degrees of liquidity and restrictions for which these assets are available to be used.

The net asset category "Invested in capital assets, net of related debt" reflects overall changes to the buildings, equipment and other capital assets net of depreciation and net of the liabilities associated with those assets. During fiscal 2011, the investment in capital assets, net of related debt increased by \$1,892,393. Along with the combination of a decrease in expendable net assets of \$490,337 and an increase in unrestricted net assets of \$905,397, overall net assets of the College increased \$2,307,453.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the College, both operating and nonoperating, and the expenses paid by the College, operating and nonoperating, and gains and losses incurred by the institution.

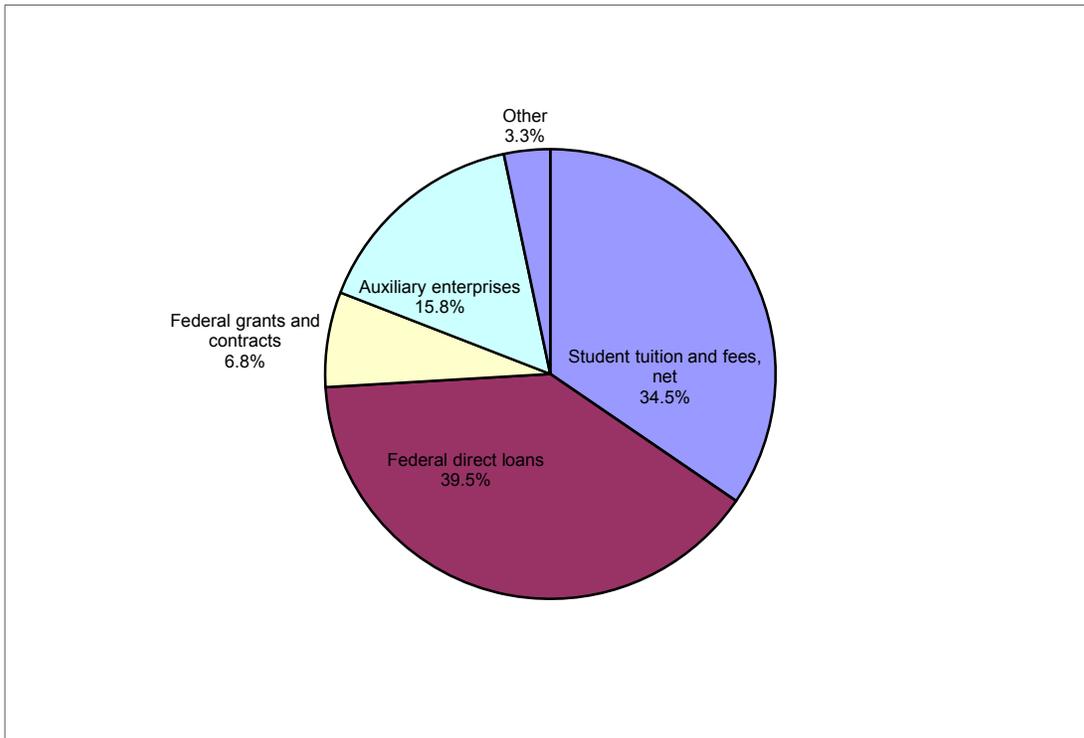
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Revenues received for which goods and services are not provided are reported as nonoperating revenues. For example, local property tax revenue and state operating grant revenue are two examples of nonoperating revenues where the local taxpayers and state legislature, respectively, do not directly receive goods and services in exchange for the revenue.

State appropriations and tax revenues are necessary to maintain a balanced operation at the College. Since these revenues are not classified as operating, the College (like most public colleges and universities) experienced an operating loss. The College's operating loss under this method of presentation was \$38,552,559 and \$33,183,129 in fiscal years 2011 and 2010, respectively.

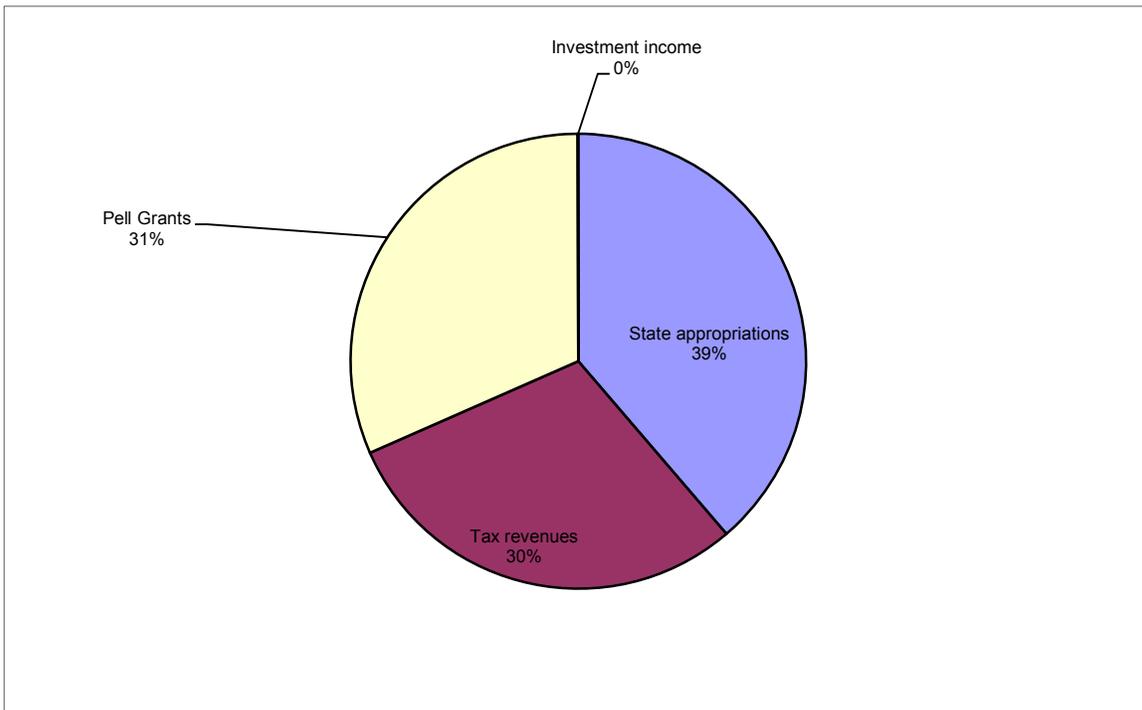
Condensed Statements of Revenues, Expenses and Changes in Net Assets (in thousands)

	2011	2010	2009	2011 vs. 2010 Increase (Decrease)	2010 vs. 2009 Increase (Decrease)
Operating revenue	\$ 48,115	\$ 25,347	\$ 22,101	\$ 22,768	\$ 3,246
Operating expenses	<u>86,667</u>	<u>58,530</u>	<u>55,014</u>	<u>28,137</u>	<u>3,516</u>
Operating loss	(38,552)	(33,183)	(32,913)	(5,369)	(270)
Nonoperating revenues (expenses)	<u>40,860</u>	<u>35,899</u>	<u>37,329</u>	<u>4,961</u>	<u>(1,430)</u>
Increase in net assets	2,308	2,716	4,416	(408)	(1,700)
Net assets, beginning of the year	<u>40,752</u>	<u>38,036</u>	<u>33,620</u>	<u>2,716</u>	<u>4,416</u>
Net assets, end of the year	<u>\$ 43,060</u>	<u>\$ 40,752</u>	<u>\$ 38,036</u>	<u>\$ 2,308</u>	<u>\$ 2,716</u>

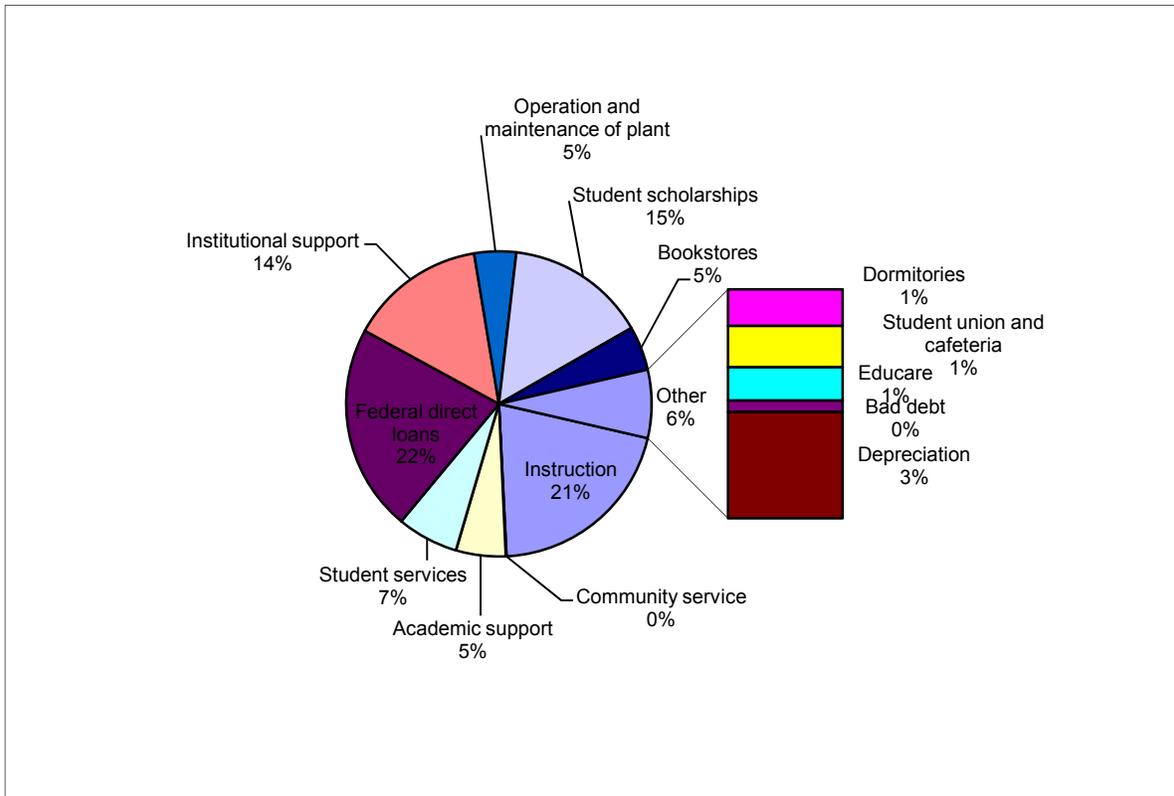
Operating Revenues by Source



Nonoperating Revenues by Major Source



Operating Expenses by Program



Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. This Statement presents detailed information about the cash activity of the College during the year. The Statement is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the College. The second section identifies cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section provides information on cash flows from capital and related financing activities. This section identifies the cash used for the acquisition and construction of capital and related items. The fourth section describes the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used by operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Condensed Statements of Cash Flows (in thousands)

	2011	2010	2009
Cash flows from:			
Operating activities	\$ (32,068)	\$ (29,819)	\$ (28,336)
Noncapital financing activities	39,373	34,475	31,435
Capital financing activities	(4,597)	(6,642)	(6,284)
Investing activities	<u>2,462</u>	<u>(1,578)</u>	<u>7,559</u>
Net increase (decrease) in cash	5,170	(3,564)	4,374
Cash, beginning of year	<u>6,628</u>	<u>10,192</u>	<u>5,818</u>
Cash, end of year	<u>\$ 11,798</u>	<u>\$ 6,628</u>	<u>\$ 10,192</u>

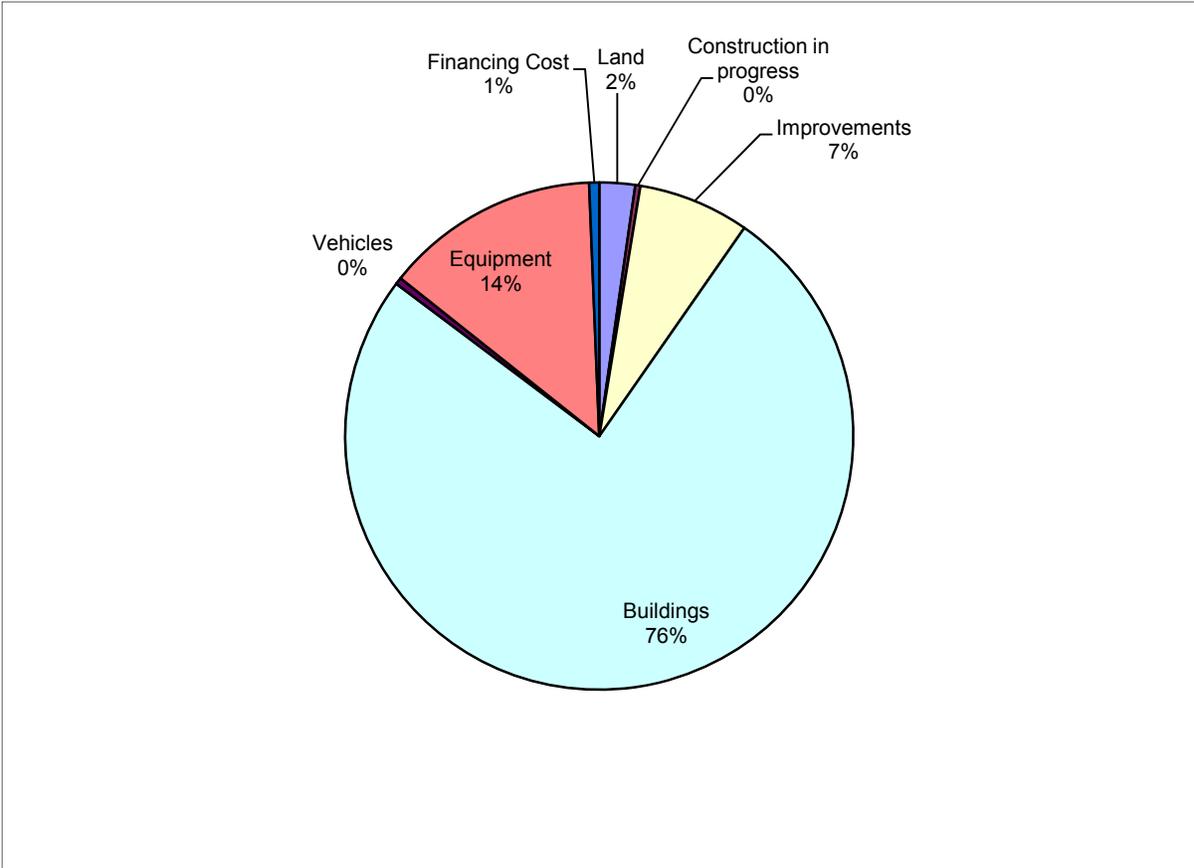
Significant sources of cash included local property taxes, the state operating grant, tuition and fees, and proceeds from maturities of investments. Significant uses of cash were payments to suppliers and vendors, payments to employees, employee benefits, payments for scholarships, capital assets and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

The cash position of the College increased by \$5,170,279 for the fiscal year ended June 30, 2011 compared to a decrease of \$3,564,795 for the fiscal year ended June 30, 2010.

Capital Asset and Debt Administration

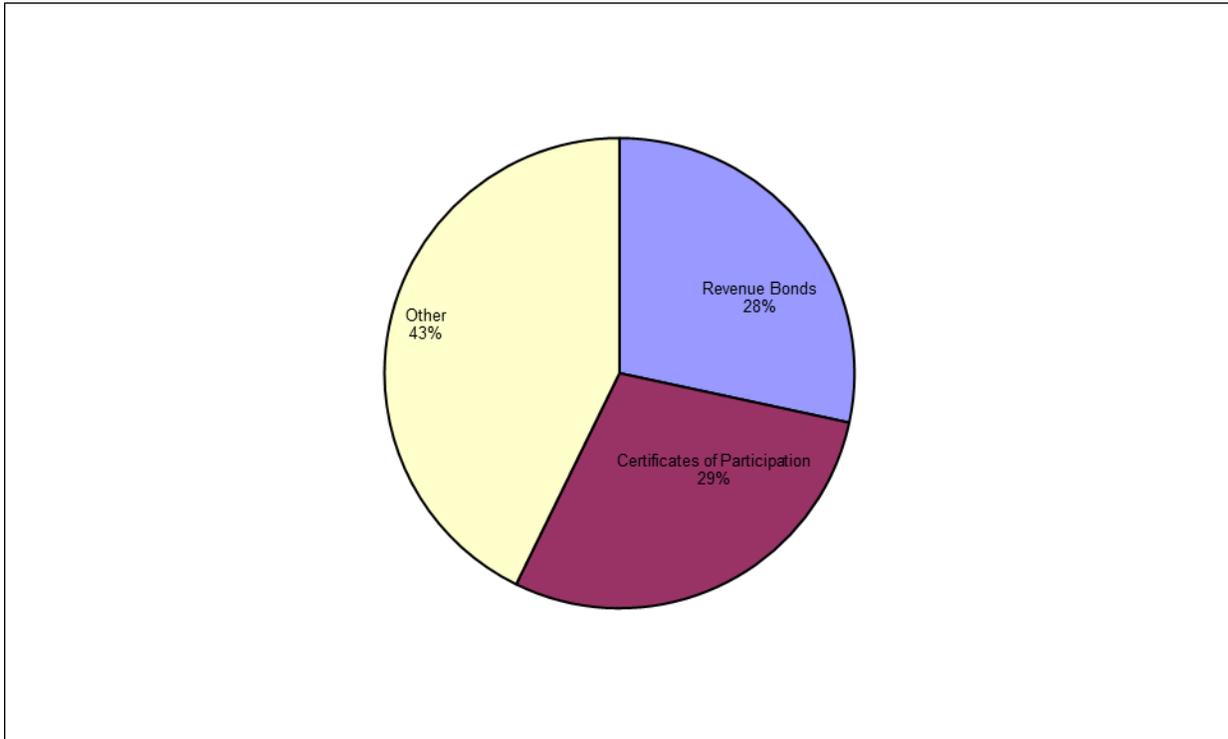
At fiscal year-end, the College had \$68,808,467 of capital assets, with accumulated depreciation of \$27,616,602. Related depreciation charges of \$2,906,656 were recognized in the fiscal year 2011. More detailed financial activity related to the changes in Capital Assets is presented in Note 3.

Capital Asset Categories



The table below summarizes the various debt instruments utilized by the College.

Categories of Debt



Economic Outlook

Management believes the College is well positioned to maintain its strong financial condition and continues to provide an excellent value to the student, regional economy and taxpayers. The College continues to place a heightened focus upon workforce development with key collaborative efforts with a variety of public and private entities. Additionally, expansion and enhancement continue on plans for high-demand, high-wage programs. The College continues in its efforts to foster in our students 21st century workplace skills in the areas of Personal Development, Analytical Thinking, Communication, and Technology.

As with any labor-intensive organization, a significant portion of the College's resources are expended on salaries and employee benefits. Investment in the faculty and staff of the college through salary increases and health insurance coverage continues to place economic pressure on the College.

As the College looks to the future, it will perpetuate its contributions to the economic and social well-being of the region and sustain its ability to prepare students and communities for the future. Management will continue to maintain a close watch over its resources and expenses to ensure its ability to plan and react to future internal and external issues and to ensure that the College maintains its strong financial condition.

BASIC FINANCIAL STATEMENTS

BUTLER COUNTY COMMUNITY COLLEGE

**STATEMENTS OF NET ASSETS
June 30, 2011 and 2010**

	<u>College</u>		<u>Foundation</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 16,447,830	\$ 13,276,985	\$ 1,753,746	\$ 1,295,838
Accounts receivable net of allowance for doubtful accounts of \$2,019,169 in 2011 and \$1,709,690 in 2010	953,758	1,001,827	-	-
Receivables from Federal and State governments	1,461,725	2,200,471	-	-
Current portion of pledges receivable	-	-	467,802	487,244
Receivable from Foundation	117,774	666,095	-	-
Bookstore inventory	1,229,125	1,304,737	-	-
Total current assets	<u>20,210,212</u>	<u>18,450,115</u>	<u>2,221,548</u>	<u>1,783,082</u>
Noncurrent assets:				
Cash and investments	527,182	968,327	7,106,915	5,963,982
Pledges receivable	-	-	750,337	139,900
Receivable from Foundation	75,315	231,707	-	-
Cash surrender value of life insurance	-	-	16,533	14,586
Capital assets, net of accumulated depreciation				
Land and construction in progress	1,067,362	1,791,733	-	-
Other capital assets, net of accumulated depreciation	40,124,503	38,531,557	15,308	21,447
Total noncurrent assets	<u>41,794,362</u>	<u>41,523,324</u>	<u>7,889,093</u>	<u>6,139,915</u>
Total assets	<u>62,004,574</u>	<u>59,973,439</u>	<u>10,110,641</u>	<u>7,922,997</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	997,424	1,089,924	82,459	95,679
Accounts payable to College	-	-	117,774	666,095
Compensated absences payable	1,165,160	1,237,940	-	-
Accrued salaries	779,494	651,568	-	-
Deposits held in custody for others	367,632	332,519	-	-
Accrued interest payable	80,773	90,547	-	-
Unearned revenue	1,033,894	1,012,874	-	-
Current portion of annuity payable	-	-	2,100	2,100
Current portion of long-term debt	1,791,037	1,654,605	1,676	2,194
Total current liabilities	<u>6,215,414</u>	<u>6,069,977</u>	<u>204,009</u>	<u>766,068</u>
Noncurrent liabilities:				
Long-term debt	9,991,999	11,158,500	7,007	8,683
Long-term compensated absences payable	929,651	805,444	-	-
Net OPEB Obligation	1,807,654	1,187,115	-	-
Accounts payable to College	-	-	75,315	231,707
Total noncurrent liabilities	<u>12,729,304</u>	<u>13,151,059</u>	<u>82,322</u>	<u>240,390</u>
Total liabilities	<u>18,944,718</u>	<u>19,221,036</u>	<u>286,331</u>	<u>1,006,458</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	29,402,577	27,510,184	15,308	21,447
Restricted - expendable:				
For debt service	269,552	260,343	-	-
For capital projects	176,857	617,436	1,692,037	-
For scholarships, instruction and other	162,609	221,576	879,489	74,541
For college support	-	-	615,207	494,290
Restricted - non-expendable:				
For scholarships	-	-	5,641,045	5,553,513
For college support	-	-	831,390	809,463
Unrestricted	13,048,261	12,142,864	149,834	(36,715)
Total net assets	<u>\$ 43,059,856</u>	<u>\$ 40,752,403</u>	<u>\$ 9,824,310</u>	<u>\$ 6,916,539</u>

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

BUTLER COUNTY COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years ended June 30, 2011 and 2010

	<u>College</u>		<u>Foundation</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>REVENUES</u>				
Operating revenues:				
Student tuition and fees, net of scholarship allowances of \$2,068,442 in 2011 and \$1,928,205 in 2010	\$ 16,623,405	\$ 15,209,433	\$ -	\$ -
Federal grants and contracts	3,286,381	1,676,384	-	-
Federal direct loans	19,014,894	124,562	-	-
Gifts and contributions	-	-	3,870,360	1,996,213
Nongovernmental grants	-	-	-	-
Auxiliary enterprises:				
Bookstores, net of scholarship allowances of \$550,465 in 2011 and \$610,640 in 2010	5,132,366	4,816,652	-	-
Dormitories, net of scholarship allowances of \$136,719 in 2011 and \$160,514 in 2010	1,274,728	1,266,114	-	-
Student union and cafeteria, net of scholarship allowances of \$75,094 in 2011 and \$85,872 in 2010	650,743	677,347	-	-
Educare, net of discounts	538,345	507,257	-	-
Net investment return	-	-	1,168,919	771,226
Other	1,593,572	1,069,415	-	-
Total operating revenues	48,114,434	25,347,164	5,039,279	2,767,439
<u>EXPENSES</u>				
Operating expenses:				
Instruction	17,852,177	17,173,830	-	-
Community service	69,160	56,290	-	-
Academic support	4,553,772	3,848,818	923,682	868,165
Student services	5,631,593	5,406,087	-	-
Federal direct loans	19,009,259	124,562	-	-
Institutional support	12,504,472	10,704,177	476,603	411,280
Operation and maintenance of plant	3,841,967	2,166,057	-	-
Student scholarships	12,898,848	10,013,558	422,449	214,897
Fundraising	-	-	302,074	305,732
Auxiliary enterprises:				
Bookstores	4,056,008	3,572,532	-	-
Dormitories	1,001,794	725,677	-	-
Student union and cafeteria	1,126,486	1,100,302	-	-
Educare	905,322	778,144	-	-
Bad debt expense	309,479	384,363	-	-
Depreciation expense	2,906,656	2,475,896	6,700	5,907
Total operating expenses	86,666,993	58,530,293	2,131,508	1,805,981
Operating income (loss)	(38,552,559)	(33,183,129)	2,907,771	961,458
<u>NONOPERATING REVENUES (EXPENSES)</u>				
State appropriations	16,310,674	14,518,395	-	-
Tax revenues	12,124,952	11,597,061	-	-
Pell grants	12,889,150	10,049,466	-	-
Gifts and contributions	-	165,000	-	-
Investment income	21,495	37,799	-	-
Interest on capital asset-related debt	(449,255)	(431,961)	-	-
Gain (loss) on disposal of assets	(37,004)	(36,144)	-	-
Total nonoperating revenues (expenses)	40,860,012	35,899,616	-	-
Increase in net assets	2,307,453	2,716,487	2,907,771	961,458
Net assets at beginning of year	40,752,403	38,035,916	6,916,539	5,955,081
Total net assets	\$ 43,059,856	\$ 40,752,403	\$ 9,824,310	\$ 6,916,539

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

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS - COLLEGE
Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Tuition and fees	\$ 16,697,271	\$ 15,393,894
Grants and contracts	23,040,021	345,432
Payments to suppliers and employees	(68,099,647)	(43,858,077)
Payments for scholarships	(12,898,848)	(10,013,558)
Auxiliary enterprise charges:		
Bookstores	5,132,366	4,816,652
Dormitories	1,274,728	1,266,114
Student union and cafeteria	654,204	652,898
Educare	538,345	507,257
Other	1,593,572	1,069,415
	<u>(32,067,988)</u>	<u>(29,819,973)</u>
Cash Flows From Noncapital Financing Activities:		
Tax receipts	12,124,952	11,597,061
State appropriations	14,336,889	12,811,421
Agency fund receipts	172,624	165,816
Agency fund payments	(150,802)	(148,337)
Other	12,889,150	10,049,466
	<u>39,372,813</u>	<u>34,475,427</u>
Cash Flows From Capital Financing Activities:		
Purchases of capital assets	(3,812,235)	(8,160,911)
Proceeds from long-term debt	618,287	2,149,757
Donations received from Foundation	704,713	1,273,648
Principal paid on long-term debt	(1,654,606)	(1,464,594)
Interest paid on long-term debt	(452,779)	(439,528)
	<u>(4,596,620)</u>	<u>(6,641,628)</u>
Cash Flows From Investing Activities:		
Investment income	21,495	37,799
Proceeds from sales and maturities of investments	39,937,885	38,998,190
Purchase of investments	(37,497,306)	(40,614,610)
	<u>2,462,074</u>	<u>(1,578,621)</u>
Net cash flow from investing activities	<u>2,462,074</u>	<u>(1,578,621)</u>
Net change in cash and cash equivalents	5,170,279	(3,564,795)
Cash and cash equivalents at beginning of year	<u>6,627,876</u>	<u>10,192,671</u>
Cash and cash equivalents at end of year	<u>\$ 11,798,155</u>	<u>\$ 6,627,876</u>

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

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS - COLLEGE
Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of Net Operating Loss to Net Cash Flow From Operating Activities:		
Operating loss	\$ (38,552,559)	\$ (33,183,129)
Adjustments to reconcile net operating loss to net cash flow from operating activities:		
Depreciation expense	2,906,656	2,475,895
State on-behalf payments for employee benefits	1,973,785	1,706,974
Changes in assets and liabilities:		
Accounts receivable	48,069	(200,805)
Receivable from Federal and State governments	738,746	(1,455,514)
Inventories	75,612	(546,748)
Accounts payable and accrued expenses	720,291	1,029,804
Deferred revenue	21,412	353,550
	<u>\$ (32,067,988)</u>	<u>\$ (29,819,973)</u>
Net cash flow from operating activities		
	<u>\$ (32,067,988)</u>	<u>\$ (29,819,973)</u>
 Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:		
Total cash and investments	\$ 16,447,830	\$ 13,276,985
Less: investments	(5,176,857)	(7,617,436)
Plus: noncurrent cash and investments	527,182	968,327
	<u>\$ 11,798,155</u>	<u>\$ 6,627,876</u>
Net cash and cash equivalents		
	<u>\$ 11,798,155</u>	<u>\$ 6,627,876</u>

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

BUTLER COUNTY COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS - FOUNDATION
Years ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities:		
Increase in net assets	\$ 2,907,771	\$ 961,458
Adjustments to reconcile the change in net assets to net cash flow from operating activities:		
Depreciation	6,700	5,907
Unrealized and realized (gain) loss on investments	(1,018,312)	(617,686)
Decrease (increase) in cash value of life insurance	(1,947)	(2,865)
Investment acquired through gift-in-kind	-	-
Income (loss) from annuities	-	(2,819)
Loss on disposal of capital assets	120	-
Net (increase) decrease in operating assets:		
Unconditional promises to give	(590,995)	796,130
Net increase (decreases) in operating liabilities:		
Accounts payable	(717,933)	(1,147,818)
Annuity payable	-	(2,100)
	<u>585,404</u>	<u>(9,793)</u>
 Cash Flows From Investing Activities:		
Purchases of capital assets	(681)	(16,183)
Net change in investments	(582,539)	(252,318)
Sale of equity investment	-	250,000
	<u>(583,220)</u>	<u>(18,501)</u>
 Cash Flows From Financing Activities:		
Proceeds from capital lease	-	10,213
Payments on capital lease obligations	(2,194)	(1,364)
	<u>(2,194)</u>	<u>8,849</u>
Net change in cash and cash equivalents	(10)	(19,445)
Cash and cash equivalents at beginning of year	11,651	31,096
Cash and cash equivalents at end of year	<u>\$ 11,641</u>	<u>\$ 11,651</u>
 Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:		
Cash and cash equivalents	\$ 11,641	\$ 11,651
Investments	8,849,020	7,248,169
Investments classified as noncurrent assets	(7,106,915)	(5,963,982)
	<u>\$ 1,753,746</u>	<u>\$ 1,295,838</u>

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Butler County Community College (College) is organized under the laws of the State of Kansas and is governed by an elected Board of Trustees. The College is located in El Dorado, Kansas with satellite programs and locations in various communities within the State of Kansas, and is accredited by the Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools. The College offers two-year programs in several areas of major concentrations, including arts, sciences and business. The College extends credit to students on an unsecured basis.

Financial Reporting Entity – During 2003, the College implemented Governmental Accounting Standards Board (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.

Butler 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 majority of the resources, or income thereon, that the Foundation holds and invests are restricted to the activities to 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 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. Separately issued audited financial statements for the Foundation may be obtained from the College's administrative office at 901 South Haverhill Road, El Dorado, Kansas 67042.

Related Organizations – During fiscal year 2011, the College announced a collaborative project with the City of El Dorado and the El Dorado school district USD 490. The BG Products Veterans Sports Complex will be constructed and located directly northeast of the College's campus. The proposed bowl-design stadium will accommodate 3,000 home fans and 1,000 visitors, with a future capacity to seat 4,500 and 2,000 respectively. The College has committed to raising \$4 million in private donations. Those fundraising efforts will be led by the Foundation. However, the College's accountability for this organization does not extend beyond funding its contribution to the construction project. The Educational Facilities Authority of Butler County is the official governing body of the BG Products Veterans Sports Complex.

Financial Statement Presentation – The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities.

Basis of Accounting – For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected to not apply FASB pronouncements issued after the applicable date.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Investments – Applicable state statutes authorize the College to invest in (1) temporary notes or no-fund warrants issued by the governmental unit; (2) time deposit, open accounts or certificates of deposit, with maturities of not more than two years, in commercial banks; (3) time certificates of deposit, with maturities of not more than two years, with state or federally chartered savings and loan associations or federally chartered savings banks; (4) repurchase agreements with commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks; (5) United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding two years; (6) the municipal investment pool maintained by the State Treasurer's Office; and (7) trust departments of commercial banks. Investments are reported at fair value.

For purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the State Treasurer's Municipal Investment Pool are considered cash equivalents (see Note 2).

Bookstore Inventory - The bookstore inventory is valued at the lower of cost (first-in, first-out method) or market.

Capital Assets - Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment purchased as a single asset, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. When multiple equipment items are purchased as an integrated system of assets, they are considered as a single asset when applying the above capitalization rules. Items purchased together, but that can function individually on a stand-alone basis, are considered on an item-by-item basis when applying the above thresholds. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and improvements, 15 years for land improvement and 4 to 10 years for equipment.

Property Taxes - In accordance with governing statutes, property taxes are levied each year on all taxable real property located in the County. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. Taxes levied during the current calendar year become a lien on the property on November 1 and are a revenue source to be used to finance the budget of the ensuing calendar year. State statutes prohibit the

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, the College recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied. As of June 30, 2011 and 2010, the County Treasurer had distributed to the College approximately 93% and 92%, respectively, of taxes levied in the prior year.

Personal property taxes are recognized as revenue when made available and distributed by the County Treasurer.

Receivables and Unearned Revenues - Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of which reside in the State of Kansas. Accounts receivable are recorded net of estimated uncollectible amounts. Receivables from Federal and State governments are related to reimbursements pursuant to the College's grants and contracts with these governments. Unearned revenues include amounts received from tuition and fees and certain auxiliary enterprise activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Pledges receivable for the Foundation are for campaign pledges that are due within one to five years. Pledges receivable due within the next year are recorded at their net realizable value. Amounts due in subsequent years are reported at the present value of their realizable value.

Accrued Vacation and Sick Pay – Employee vacation and sick pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences payable in the statement of net assets, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net assets. Such amounts are not accrued for budgetary purposes in accordance with Kansas budgetary law.

On-behalf Payments for Employee Benefits – The College recognizes revenues and expenses for the contributions (Note 7) made by the State of Kansas to the Kansas Public Employees Retirement System (KPERs) on behalf of the College's employees.

Net Assets – Invested in capital assets, net of related debt: 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 assets – expendable: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and vested for the purpose of producing present and future income, which may either be expended or added to principal.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted net assets: Unrestricted net assets represent 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.

Income Taxes – The College, as a political subdivision of the State of Kansas, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Contributions – The College, as a political subdivision of the State of Kansas, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Foundation is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Generally, contributions to the College or Foundation are tax deductible for the donors.

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support and increases those net asset classes.

Classification of Revenues – The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations, tax revenues, and investment income.

Pell grant receipts are classified as nonoperating revenues and any amounts applied to student receivable accounts are recorded as scholarship discounts or allowances per guidance provided in GASB No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

Scholarship Discounts and Allowances – Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Budgetary Information - Kansas statutes require that an annual operating budget be legally adopted for current funds – unrestricted and certain plant funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding year on or before August 1.
2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten 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 property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year ended June 30, 2011.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. All legal annual operating budgets are prepared using the cash basis, except that expenditures incurred but not paid and purchase commitments (encumbrances) at year-end are included in expenditures. Encumbrances are commitments for future payments and are supported by a document evidencing the commitments such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

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

Reclassifications – Certain balances in the financial statements for the year ended June 30, 2010 have been reclassified to be consistent with classifications adopted for the year ended June 30, 2011.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

Deposits – Custodial credit risk for deposits is the risk that in the event of bank failure, the College’s deposits may not be returned or the College will not be able to recover collateral securities in the possession of an outside party. The College’s policy follows applicable State statutes and requires deposits to be 100% secured by collateral (pledged securities) valued at market, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. State statutes define the allowable pledged securities.

The College’s cash and investments at June 30, 2011 and 2010 consisted of demand deposit accounts, money market savings accounts, certificates of deposits, and investments in the Kansas State Treasurer’s Municipal Investment Pool. At year-end, the carrying amount of the College’s deposits was \$11,798,155 with the bank balances of such accounts being \$11,671,524. Of the bank balances, \$2,250,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by the College’s custodial bank in joint custody in the name of the College and its bank.

Investments – At June 30, 2011 and 2010 the College had the following investments:

Investment Type	2011		2010	
	Fair Value/ Carrying Amount	Weighted Average Months to Maturity	Fair Value/ Carrying Amount	Weighted Average Months to Maturity
Municipal Investment Pool - 90 days	\$ 2,000,000	.80	\$ --	--
Municipal Investment Pool - 180 days	1,000,000	.82	--	--
Municipal Investment Pool - 90 days	2,000,000	1.07	--	--
Municipal Investment Pool - 30 days	--	--	1,000,000	.45
Municipal Investment Pool - 90 days	--	--	2,000,000	.74
Municipal Investment Pool - 90 days	--	--	2,000,000	.88
Municipal Investment Pool - 90 days	--	--	2,000,000	1.23
Money Market – held in trust	176,857	N/A	617,436	N/A
Total	\$ 5,176,857		\$ 7,617,436	

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Investment Policies – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investing activities are managed under the custody of the Director of Accounting. Investing is performed in accordance with investment policies adopted by the College Board of Trustees and complying with State statutes.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The College policy provides that to the extent practicable, investments are matched with anticipated cash flows.

The Kansas Municipal Investment Pool is managed by the Kansas State Treasurer under the oversight of the Pooled Money Investment Board. The Pooled Money Investment Board is comprised of five members, four being appointed by the Governor of the State of Kansas, subject to confirmation by the State Senate, and the fifth member is the State Treasurer. Investments by the State Treasurer of pooled moneys are limited to those investments defined by State statute and each participant's fair value of their position in the pool is the same as their value of the pool shares. The College had deposits with the Kansas Municipal Investment Pool at June 30, 2011 and 2010 of \$5,000,000 and \$7,000,000, respectively. The deposits with the Kansas Municipal Investment Pool are not subject to custodial credit risk.

Foundation – The fair value of investments at June 30 consists of the following:

	2011	2010
Money market funds	\$ 1,742,105	\$ 1,284,187
Equity investments	4,960,887	3,670,935
Federal government obligations	20,903	21,174
Corporate bonds	2,125,125	2,271,873
	<u>\$ 8,849,020</u>	<u>\$ 7,248,169</u>

Investment return for the year ended June 30 consists of the following:

	2011	2010
Investment income	\$ 150,607	\$ 153,540
Net realized and unrealized gains	1,018,312	617,686
	<u>\$ 1,168,919</u>	<u>\$ 771,226</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<u>College</u>				
Capital assets not being depreciated:				
Land	\$ 935,237	\$ --	\$ --	\$ 935,237
Construction in progress	856,496	34,429	758,800	132,125
Total capital assets not being depreciated	<u>1,791,733</u>	<u>34,429</u>	<u>758,800</u>	<u>1,067,362</u>
Capital assets being depreciated:				
Land improvements	4,861,810	218,889	21,978	5,058,721
Buildings and improvements	40,564,697	2,293,835	--	42,858,532
Vehicles	862,593	124,677	--	987,270
Equipment and furnishings	17,465,889	1,899,205	940,293	18,424,801
Financing costs	411,781	--	--	411,781
Total capital assets being depreciated	<u>64,166,770</u>	<u>4,536,606</u>	<u>962,271</u>	<u>67,741,105</u>
Less: accumulated depreciation				
Land improvements	1,884,802	254,244	733	2,138,313
Building and improvements	10,603,402	1,123,774	--	11,727,176
Vehicles	716,166	91,838	--	808,004
Equipment and furnishings	12,305,721	1,412,331	924,534	12,793,518
Financing costs	125,122	24,469	--	149,591
Total accumulated depreciation	<u>25,635,213</u>	<u>2,906,656</u>	<u>925,267</u>	<u>27,616,602</u>
Total capital assets being depreciated, net	<u>38,531,557</u>	<u>1,629,950</u>	<u>37,004</u>	<u>40,124,503</u>
Net capital assets	<u>\$ 40,323,290</u>	<u>\$ 1,664,379</u>	<u>\$ 795,804</u>	<u>\$ 41,191,865</u>
	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<u>Foundation</u>				
Equipment, at cost	\$ 52,058	\$ 681	\$ 7,669	\$ 45,070
Accumulated depreciation	30,611	6,700	7,549	29,762
Net capital assets	<u>\$ 21,447</u>	<u>\$ (6,019)</u>	<u>\$ 120</u>	<u>\$ 15,308</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>College</u>				
Capital assets not being depreciated:				
Land	\$ 935,237	\$ --	\$ --	\$ 935,237
Construction in progress	2,264,873	784,407	2,192,784	856,496
Total capital assets not being depreciated	<u>3,200,110</u>	<u>784,407</u>	<u>2,192,784</u>	<u>1,791,733</u>
Capital assets being depreciated:				
Land improvements	4,541,905	319,905	--	4,861,810
Buildings and improvements	32,991,160	7,577,811	4,274	40,564,697
Vehicles	968,882	41,263	147,552	862,593
Equipment and furnishings	16,164,672	1,622,310	321,093	17,465,889
Financing costs	403,781	8,000	--	411,781
Total capital assets being depreciated	<u>55,070,400</u>	<u>9,569,289</u>	<u>472,919</u>	<u>64,166,770</u>
Less: accumulated depreciation				
Land improvements	1,630,313	254,489	--	1,884,802
Building and improvements	9,667,006	937,946	1,550	10,603,402
Vehicles	761,264	102,454	147,552	716,166
Equipment and furnishings	11,437,897	1,155,497	287,673	12,305,721
Financing costs	99,612	25,510	--	125,122
Total accumulated depreciation	<u>23,596,092</u>	<u>2,475,896</u>	<u>436,775</u>	<u>25,635,213</u>
Total capital assets being depreciated, net	<u>31,474,308</u>	<u>7,093,393</u>	<u>36,144</u>	<u>38,531,557</u>
Net capital assets	<u>\$ 34,674,418</u>	<u>\$ 7,877,800</u>	<u>\$ 2,228,928</u>	<u>\$ 40,323,290</u>
	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>Foundation</u>				
Equipment, at cost	\$ 48,504	\$ 16,183	\$ 12,629	\$ 52,058
Accumulated depreciation	37,333	5,907	12,629	30,611
Net capital assets	<u>\$ 11,171</u>	<u>\$ 10,276</u>	<u>\$ --</u>	<u>\$ 21,447</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

4. UNEARNED REVENUE

At June 30 unearned revenue consists of the following:

	<u>2011</u>	<u>2010</u>
Prepaid tuition and fees	\$ 1,033,894	\$ 1,012,482

5. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2011</u>	<u>Amounts due within one year</u>
Bonds payable and capital lease obligations:					
Revenue bonds payable	\$ 3,395,000	\$ --	\$ 50,000	\$ 3,345,000	\$ 145,000
Capital lease obligations	9,430,605	618,287	1,604,606	8,444,286	1,646,037
Deferred refunding	<u>(12,500)</u>	<u>--</u>	<u>(6,250)</u>	<u>(6,250)</u>	<u>--</u>
	<u>12,813,105</u>	<u>618,287</u>	<u>1,648,356</u>	<u>11,783,036</u>	<u>1,791,037</u>
Other liabilities:					
Net OPEB obligation	1,187,115	620,539	--	1,807,654	--
Compensated absences payable	<u>2,043,384</u>	<u>1,216,586</u>	<u>1,165,159</u>	<u>2,094,811</u>	<u>1,165,160</u>
	<u>3,230,499</u>	<u>1,837,125</u>	<u>1,165,159</u>	<u>3,902,465</u>	<u>1,165,160</u>
	<u>\$ 16,043,604</u>	<u>\$ 2,455,412</u>	<u>\$ 2,813,515</u>	<u>\$ 15,685,501</u>	<u>\$ 2,956,197</u>

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2010</u>	<u>Amounts due within one year</u>
Bonds payable and capital lease obligations:					
Revenue bonds payable	\$ 3,395,000	\$ --	\$ --	\$ 3,395,000	\$ 50,000
Capital lease obligations	8,745,442	2,149,757	1,464,594	9,430,605	1,604,605
Deferred refunding	<u>(18,750)</u>	<u>--</u>	<u>(6,250)</u>	<u>(12,500)</u>	<u>--</u>
	<u>12,121,692</u>	<u>2,149,757</u>	<u>1,458,344</u>	<u>12,813,105</u>	<u>1,654,605</u>
Other liabilities:					
Net OPEB obligation	582,364	604,751	--	1,187,115	--
Compensated absences payable	<u>2,023,234</u>	<u>1,258,091</u>	<u>1,237,941</u>	<u>2,043,384</u>	<u>1,237,940</u>
	<u>2,605,598</u>	<u>1,862,842</u>	<u>1,237,941</u>	<u>3,230,499</u>	<u>1,237,940</u>
	<u>\$ 14,727,290</u>	<u>\$ 4,012,599</u>	<u>\$ 2,696,285</u>	<u>\$ 16,043,604</u>	<u>\$ 2,892,545</u>

Additional information regarding revenue bonds payable and capital lease obligations is included in Note 6.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT

At June 30 long-term debt consisted of the following:

	<u>2011</u>	<u>2010</u>
<i>April 4, 2003 real estate lease agreement</i> in the original amount of \$2,492,117 and amendments effective July 1, 2005 in the original amount of \$1,795,016. The lease requires monthly principal and interest payments at 6% of \$37,546 beginning July 1, 2005 through July 1, 2018 at which time the title to the property will pass to the College.	\$ 2,570,155	\$ 2,857,090
<i>Series 2008 Refunding Certificates of Participation</i> lease purchase agreement issued April 15, 2008 in the original amount of \$1,875,000 for the purpose of refunding series 1998 certificates maturing in years 2008 to 2012 inclusive. The lease required semiannual payments with an interest rate of 2.869% and annual principal payments with the final payment due September 1, 2012.	805,000	1,190,000
<i>Series 2008 B Certificate of Participation</i> lease purchase agreement issued June 5, 2008 in the original amount of \$2,230,000. The lease requires semiannual payments of interest with an interest rate of 3.98% and annual principal payments with the final payment due June 1, 2016.	1,475,000	1,735,000
<i>Series 2009 Certificate of Participation</i> lease purchase agreement issued December 10, 2009 in the original amount of \$1,337,380. The lease requires semiannual payments of interest with an interest rate of 3.5% and annual principal payments with the final payment due February 1, 2016.	1,124,038	1,337,380
Kansas Board of Regents Post Secondary Educational Institution Infrastructure Finance Program loan agreement effective March 2008. The loan provides for funding up to \$2,222,707 for infrastructure improvements at the College, bears interest at 0.00%, and requires principal payments annually beginning December 1, 2008 of \$277,838. The loan is secured by state appropriations received from the State of Kansas.	1,389,193	1,542,907

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (CONTINUED)

	<u>2011</u>	<u>2010</u>
<i>Student Union and Dormitory System Refunding Revenue Bonds, Series 2005</i> , issued April 12, 2005 in the original amount of \$3,395,000. The interest rates on the bonds range from 3.40% to 4.65%. Beginning on September 1, 2010 the principal is to be paid in varying amounts on an annual basis through the year 2026.	\$ 3,345,000	\$ 3,395,000
Kansas Board of Regents Post Secondary Education Institution Infrastructure Finance Program loan agreement effective March 2009. The loan provides for funding up to \$1,451,923 for infrastructure improvements at the College, bears interest at 0.00%, and requires principal payments annually beginning December 1, 2009 of \$181,490. The loan is secured by state appropriations received from the State of Kansas.	<u>1,080,901</u>	<u>768,228</u>
Total	11,789,287	12,825,605
Less: current portion	<u>1,791,037</u>	<u>1,654,605</u>
Long-term portion	<u>\$ 9,998,250</u>	<u>\$ 11,171,000</u>

Capital assets under capital leases at June 30 are as follows:

Land	\$ 113,942	\$ 113,942
Land improvements	2,148,090	2,148,090
Buildings	10,967,270	10,348,983
Equipment	3,388,767	3,388,767
Financing costs	<u>37,266</u>	<u>37,266</u>
	16,655,335	16,037,048
Less accumulated depreciation	<u>(6,095,518)</u>	<u>(5,616,605)</u>
	<u>\$ 10,559,817</u>	<u>\$ 10,420,443</u>

Future minimum lease payments are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,646,037	\$ 261,398	\$ 1,907,435
2013	1,698,624	212,717	1,911,341
2014	1,322,438	167,814	1,490,252
2015	1,357,550	127,029	1,484,579
2016	1,399,038	84,402	1,483,440
2017 – 2018	<u>1,020,600</u>	<u>53,959</u>	<u>1,074,559</u>
	<u>\$ 8,444,287</u>	<u>\$ 907,319</u>	<u>\$ 9,351,606</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (CONTINUED)

The Student Union and Dormitory System Refunding Revenue Bonds, series 2005 bond resolution provides for the establishment of: (a) a project fund for the purpose of paying the costs of the project; (b) a debt service account for the accumulation of funds to pay the principal and interest on the bonds; (c) a debt service reserve account to accumulate funds to be used to prevent default in the payment of interest on or principal for the bonds on any maturity or interest payment date if the monies in the respective debt service accounts are insufficient to pay the debt service requirements; (d) a surplus reserve account to accumulate excess funds remaining in the revenue fund and to be used for facility maintenance, improvement, etc.; (e) cost of issuance account used to accumulate funds to pay for the costs of issuance of the bonds; (f) an operation and maintenance account to accumulate funds to pay for the estimated cost of operating and maintaining the facility for an ensuing 60-day period; and (g) a rebate fund, to accumulate such amounts as are required to be deposited pursuant to any applicable arbitrage instructions.

The bond resolution requires that rates and charges be established at levels that will produce revenues sufficient to (a) pay the expenses of operating the facility; (b) pay the debt service requirements on the bonds; (c) enable the College to have in each fiscal year, a debt service coverage ratio of not less than 1.25 on parity bonds and obligations outstanding and 1.00 on any subordinate lien bonds outstanding; and (d) provide reasonable and adequate reserves for the payment of the bonds and the interest thereon and for the protection and benefit of the facility.

The bond resolution requires that the debt service fund be credited monthly for a proportionate amount of the next maturing interest and principal of the bonds. The bonds are secured by a pledge of the revenues derived from the operation of the facility.

At June 30, 2011, the College was in compliance with all reserve requirements of the revenue bond resolution.

Annual funding requirements for the Series 2005 refunding bonds are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 145,000	\$ 140,876	\$ 285,876
2013	155,000	135,435	290,435
2014	160,000	129,488	289,488
2015	160,000	123,208	283,208
2016	170,000	116,523	286,523
2017 - 2021	995,000	464,594	1,459,594
2022 - 2026	1,270,000	217,588	1,487,588
2027	<u>290,000</u>	<u>6,743</u>	<u>296,743</u>
	<u>\$ 3,345,000</u>	<u>\$ 1,334,455</u>	<u>\$ 4,679,455</u>

In prior years, the College defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly the trust account assets and the liability for the defeased bonds are not included in the financial statements of the reporting entity. At June 30, 2011, bonds totaling \$826,304 are considered defeased.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN

The College participates in the Kansas Public Employees retirement System (KPERs), a cost-sharing multiple employer defined benefit pension plan as provided by K.S.A. 74-4901, et. Seq. KPERs provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803 or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERs member-employee contribution rates. Effective July 1, 2009 KPERs has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERs member-employee contribution rate at 4% of covered compensation for Tier 1 members and at 6% of covered compensation for Tier 2 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.

The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. State law sets a limitation on annual increases in the contribution rates. The State of Kansas contributions rates for the period July 1, 2010 to June 30, 2011, July 1, 2009 to June 30, 2010, and July 1, 2008 to June 30, 2009, were 9.17%, 7.57%, and 7.97%, respectively, of covered payroll. Kansas' contributions to KPERs on-behalf of the College's employees for the years ending June 30, 2011, 2010, and 2009 were \$1,973,785, \$1,706,974, and \$1,625,102, respectively, equal to the statutory required contributions for each year as set forth by the legislature. These on-behalf payments have been recorded as both revenues and expenses in the statements of revenues, expenses, and changes in net assets.

8. SEGMENT INFORMATION

The *Series 2000 Student Union and Dormitory System Improvement Bonds* 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 *Series 2000 Student Union and Dormitory System Improvement Bonds* and *Student Union and Dormitory System Refunding Revenue Bonds, Series 2005* bonds rely solely on the revenue generated from the operation of the system for repayment. As of June 30, 2011 and 2010, \$3,345,000 and \$3,395,000 is outstanding on these bonds. Total principal and interest remaining on the bonds as of June 30, 2011 and 2010 is \$4,679,455 and \$4,873,754, payable through September 2029. Interest of \$145,150 was paid on the bonds for the years ended June 30, 2011 and 2010. Revenues generated from the system are disclosed on the following table. See also Note 6 for other Series 2005 bond resolutions requirements.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

8. SEGMENT INFORMATION (CONTINUED)

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

	<u>2011</u>	<u>2010</u>
<u>Condensed statement of net assets</u>		
Assets:		
Current assets	\$ 4,617,528	\$ 4,064,284
Noncurrent assets	350,325	350,891
Capital assets	<u>8,360,748</u>	<u>8,431,055</u>
Total assets	<u>13,328,601</u>	<u>12,846,230</u>
Liabilities:		
Current liabilities	446,638	468,849
Long-term liabilities	<u>3,200,000</u>	<u>3,460,366</u>
Total liabilities	<u>3,646,638</u>	<u>3,929,215</u>
Net assets:		
Invested in capital assets, net of related debt	4,950,382	4,970,689
Restricted	301,883	260,343
Unrestricted	<u>4,429,698</u>	<u>3,685,983</u>
Total net assets	<u>\$ 9,681,963</u>	<u>\$ 8,917,015</u>
<u>Condensed statement of revenues, expenses and changes in net assets</u>		
Operating revenues	\$ 7,502,493	\$ 7,157,407
Operating expenses	(5,860,640)	(5,351,026)
Depreciation expense	<u>(395,147)</u>	<u>(363,144)</u>
Net operating income	1,246,706	1,443,237
Nonoperating revenues/expenses:		
Interest expense	(145,758)	(148,226)
Transfers	<u>(336,000)</u>	<u>(168,000)</u>
Change in net assets	764,948	1,127,011
Net assets at beginning of year	<u>8,917,015</u>	<u>7,790,004</u>
Net assets at end of year	<u>\$ 9,681,963</u>	<u>\$ 8,917,015</u>
<u>Condensed statement of cash flows</u>		
Net cash flows provided by:		
Operating activities	\$ 1,137,875	\$ 1,132,386
Capital and related financing	<u>(506,124)</u>	<u>(369,400)</u>
Net change in cash and cash equivalents	631,751	762,986
Cash and cash equivalents at beginning of year	<u>3,061,029</u>	<u>2,298,043</u>
Cash and cash equivalents at end of year	<u>\$ 3,692,780</u>	<u>\$ 3,061,029</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

9. PLEDGES RECEIVABLE – FOUNDATION

Unconditional promises to give at June 30 are summarized as follows:

	2011	2010
Total pledges receivable	\$ 1,348,735	\$ 698,291
Less: unamortized discount	(75,596)	(8,647)
Less: allowance for unconditional pledges	<u>(55,000)</u>	<u>(62,500)</u>
Net pledges receivable	1,218,139	627,144
Less: pledges receivable, current portion	<u>(467,802)</u>	<u>(487,244)</u>
Pledges receivable, long-term	<u>\$ 750,337</u>	<u>\$ 139,900</u>
Amounts due in:		
Less than one year	\$ 522,802	\$ 549,744
One to five years	772,199	148,547
Five to ten years	<u>53,734</u>	<u>--</u>
	<u>\$ 1,348,735</u>	<u>\$ 698,291</u>

An imputed interest rate of 4% was used in discounting long-term pledges to give.

10. RELATED PARTIES

In 2006, the College signed an agreement with the Foundation committing the College to provide advances to fund the preliminary phases of a fundraising campaign. The total advances commitment was initially \$179,200 and increased to \$342,878 during subsequent years. At June 30, 2011 and 2010, balances of \$115,437 and \$162,878 were due from the Foundation, respectively. There is no interest charged on these advances.

Future payments required at June 30, 2011 are:

Year ending June 30:	
2012	\$ 45,000
2013	45,000
2014	<u>27,878</u>
Total payments due College	117,878
Less imputed interest	<u>(2,441)</u>
Total Foundation receivable	115,437
Less current portion	<u>(45,000)</u>
Long-term Foundation receivable	<u>\$ 70,437</u>

The Foundation has also conducted campaigns to raise money to support the building of the College's Champion Training Center, an agricultural facility, a welcome center, and the remodeling of the men's basketball locker rooms for the College. The pledges payable have been discounted using a 2.5% discount rate.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

10. RELATED PARTIES (CONTINUED)

The balance of the pledge payable to the College related to these campaigns at June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Champions Training Center		
Original building	\$ 15,000	\$ 25,000
Phase 3	62,774	114,774
Agricultural project		
Building	--	170,067
Parking lot	--	15,275
Welcome center		
Building	--	255,653
Landscaping	--	15,000
Men's basketball locker room remodel	--	150,000
	<u>\$ 77,774</u>	<u>\$ 745,769</u>

Future payments required at June 30, 2011 are:

Year ending June 30:	
2012	\$ 72,774
2013	<u>5,000</u>
Total payments due College	77,774
Less imputed Interest	<u>(122)</u>
Total Foundation receivable	77,652
Less current portion	<u>(72,774)</u>
Long-term Foundation receivable	<u>\$ 4,878</u>

11. ENDOWMENTS

The Foundation's endowments consist of over two hundred funds established to support a variety of scholarships, programs, and departments at Butler County Community College. Its endowments consist of both donor-restricted endowment funds and funds designated by the Board of Trustees (Board) to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Foundation has interpreted the State of Kansas Prudent Management of Institutional Funds Act (SPMIFA), subject to expressed intent of the donor, as allowing appropriation for expenditure or accumulation so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. As a result of this interpretation, the Foundation classifies as

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

11. ENDOWMENTS (CONTINUED)

permanently restricted net assets (a) the original expressed value of gifts donated to the permanent endowment, (b) the expressed original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted or temporarily restricted net assets in accordance with the direction of the donor. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund;
2. The purpose of the institution and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the institution; and
7. The investment policy of the institution

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce results similar to the S&P 500 index while assuming a moderate level of investment risk.

Spending Policy

The Foundation has a policy of appropriating for distribution each year approximately 5 percent of its endowment funds' average appreciation over the prior five years preceding the fiscal year in which the distribution is planned. Because this amount is calculated for the next fiscal year, the amount appropriated for the following year is included in temporarily restricted net assets in the current year and released to unrestricted fund in the next fiscal year.

In establishing this policy, the Foundation considered the long-term expected returns on its endowment investments. Accordingly, over the long term, the Foundation expects the current spending policy will allow its endowment to retain the original fair value of the gift.

Strategies Employed for Achieving Objectives

The Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Foundation targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints.

Endowment Net Asset Composition by Type of Fund as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ --	\$ --	\$ 6,472,435	\$ 6,472,435
Board designated endowment funds	35,000	--	--	35,000
Total funds	\$ 35,000	\$ --	\$ 6,472,435	\$ 6,507,435

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

11. ENDOWMENTS (CONTINUED)

Endowment Net Asset Composition by Type of Fund as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (61,638)	\$ --	\$ 6,362,976	\$ 6,301,338
Board designated endowment funds	<u>35,000</u>	<u>--</u>	<u>--</u>	<u>35,000</u>
Total funds	<u>\$ (26,638)</u>	<u>\$ --</u>	<u>\$ 6,362,976</u>	<u>\$ 6,336,338</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ (26,638)	\$ --	\$ 6,362,976	\$ 6,336,338
Investment income (loss)	--	695,296	--	695,296
Changes in donor restrictions	--	--	6,266	6,266
Contributions	--	--	103,193	103,193
Transfer of temporary restricted investments	61,638	(61,638)	--	--
Appropriation of endowment assets for expenditure	<u>--</u>	<u>(633,658)</u>	<u>--</u>	<u>(633,658)</u>
Net assets, end of year	<u>\$ 35,000</u>	<u>\$ --</u>	<u>\$ 6,472,435</u>	<u>\$ 6,507,435</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ (522,109)	\$ --	\$ 6,038,037	\$ 5,515,928
Investment income (loss)	--	651,277	--	651,277
Changes in donor restrictions	--	--	(45,981)	(45,981)
Contributions	--	--	362,370	362,370
Promises to give received	--	--	8,550	8,550
Transfer of temporary restricted investments	495,471	(495,471)	--	--
Appropriation of endowment assets for expenditure	<u>--</u>	<u>(155,806)</u>	<u>--</u>	<u>(155,806)</u>
Net assets, end of year	<u>\$ (26,638)</u>	<u>\$ --</u>	<u>\$ 6,362,976</u>	<u>\$ 6,336,338</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

12. COMMITMENTS AND CONTINGENCIES

The College participates in a number of federal and state assisted grant programs that are subject to financial and compliance audits by the grantor agencies or their designees. Accordingly, the College's compliance with applicable grant requirements and any disallowed costs resulting from such audits, if any, could become a liability of the College. It is Management's opinion that any such disallowed costs will not have a material affect on the financial statements of the College at June 30, 2011 and 2010.

13. 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.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The College sponsors a single-employer defined benefit healthcare plan that provides healthcare benefits, including medical, prescription drug, dental and vision benefits to eligible retirees and their dependents. Retiree health coverage is provided for under K.S.A. 12-5040. Retirees who retire under the Kansas Public Employee Retirement System (KPERS) are eligible for benefits.

Retirees and spouses have the same benefit as active employees. Retiree coverage terminates when the retiree becomes covered under another employer health plan or when the retiree reaches 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.

Funding Policy

The College pays retiree premiums as they come due through general operating funds. Professional employee retirees must contribute a stipulated percentage of the carrier-charged insurance premium that applies during retirement. The applicable percentage does not change during retirement and is determined based on the age at retirement. Other than professional employee retirees contribute zero percent if a retiree retires after age 59 and before age 65, otherwise, the retiree must pay the carrier-charged premium.

Plan Report

The plan does not issue a stand-alone audited GAAP basis report.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Annual OPEB Cost

The College's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, using the projected unit credit actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following tables show the components of the primary government OPEB cost for 2011:

Normal cost	\$ 466,556
Amortization of actuarial accrued liability	297,824
Annual required contribution	<u>764,380</u>
Interest on net OPEB obligation	50,452
Adjustment to the ARC	<u>(60,342)</u>
Annual OPEB cost	754,490
Less: Employer contributions	(90,951)
Less: Implicit subsidy	<u>(43,000)</u>
Increase in net OPEB obligation	620,539
Net OPEB obligation – beginning of year	<u>1,187,115</u>
Net OPEB obligation – end of year	<u>\$ 1,807,654</u>

Schedule of Employer Contributions (for fiscal year ended June 30)

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>End of Year Net OPEB Obligation</u>
2009	\$ 684,029	15%	\$ 582,364
2010	\$ 708,780	15%	\$ 1,187,115
2011	\$ 754,490	15%	\$ 1,807,654

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.25% investment rate of return, which is based on long term return experience of investments and on recent return experience of the College. Assumptions also included an annual healthcare cost trend rate of 8.5%, reduced by decrements to an ultimate rate of 5.0% after five years. The unfunded actuarial accrued liability is being amortized as a level percent of pay on an open period, over a 30 - year period of time.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was not funded. The College's policy is to fund the benefits on a pay as you go basis. The unfunded actuarial accrued liability (UAAL) for benefits was \$5,620,289. The covered payroll (annual payroll of active employees covered by the plan) was \$18,178,313, and the ratio of the UAAL to the covered payroll was 31%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

15. PENDING GOVERNMENTAL ACCOUNTING STANDARDS

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, was issued in November 2010. This statement is intended to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private partnership. GASB 60 applies to those arrangements in which specific criteria determining whether a transferor (a government) has control over the facility are met. The provisions of this statement are effective for the College's fiscal year ending June 30, 2013.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, was issued in November 2010. This statement modifies certain requirements for inclusion of component units in the College's financial statements when the component unit was included based on the fiscal dependency requirement. The new statement clarifies the manner in which a government's management determines a component unit should be included, even if the financial accountability criterion is not met. This statement also amends the criteria for reporting component units as if they were a part of the primary government (that is, blending) when the component unit is blended based on the "substantively in the same governing body" criterion. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2013.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. This statement incorporates the applicable guidance previously presented in various FASB and AICPA pronouncements issued prior to November 30, 1989. The goal is to reduce complexity in locating and using authoritative literature needed to prepare financial

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

15. PENDING GOVERNMENTAL ACCOUNTING STANDARDS (CONTINUED)

reports. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued in June 2011. This statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. It requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This statement also amends certain provisions of GASB Statement No. 34, *Basic Financial Statements – an Management's Discussion and Analysis – for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. The provisions of this statement are effective for financial statements of the College's fiscal year ending June 30, 2013.

Management has not completed its evaluation of the impact the new Statements will have though implementation of the above Statements is not expected to have a material effect on the financial statements.

BUTLER COUNTY COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

Schedule of Funding Progress for OPEB

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/2008	\$ --	\$ 5,477,820	\$ 5,477,820	0%	\$ 17,939,638	30%
07/01/2010	\$ --	\$ 5,620,289	\$ 5,620,289	0%	\$ 18,178,313	31%

SUPPLEMENTARY FINANCIAL INFORMATION

BUTLER COUNTY COMMUNITY COLLEGE

**SCHEDULE OF REVENUES, EXPENSES, ENCUMBRANCES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
(LEGAL BASIS)**

Year ended June 30, 2011

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2010	\$ 6,847,208	\$ 6,867,274	\$ (20,066)
Revenue and transfers:			
Local property taxes	12,124,952	12,607,310	(482,358)
State appropriations	12,411,705	9,722,150	2,689,555
Federal grants	--	1,200,000	(1,200,000)
Student tuition and fees	13,960,138	17,218,395	(3,258,257)
Investment income	21,495	39,394	(17,899)
Cancellation of prior year encumbrances	187,870	--	187,870
Other	1,131,781	1,739,835	(608,054)
Transfers among funds - additions	1,993,171	--	1,993,171
Total revenue and transfers	<u>41,831,112</u>	<u>42,527,084</u>	<u>(695,972)</u>
Expenditures, encumbrances and transfers:			
Education and general:			
Instruction	11,112,574	13,550,388	2,437,814
Academic support	2,968,865	3,480,667	511,802
Student services	5,196,828	6,104,573	907,745
Institutional support	12,346,686	13,509,099	1,162,413
Operation and maintenance of plant	3,526,534	5,115,181	1,588,647
Student scholarships	2,831,225	3,464,912	633,687
Transfers among funds - deductions	2,090,778	2,100,374	9,596
Total education and general	40,073,490	47,325,194	7,251,704
Total expenditures, encumbrances and transfers	<u>40,073,490</u>	<u>47,325,194</u>	<u>7,251,704</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>1,757,622</u>	<u>(4,798,110)</u>	<u>6,555,732</u>
Fund balance, legal, June 30, 2011	<u>\$ 8,604,830</u>	<u>\$ 2,069,164</u>	<u>\$ 6,535,666</u>

BUTLER COUNTY COMMUNITY COLLEGE

**SCHEDULE OF REVENUES, EXPENSES, ENCUMBRANCES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
VOCATIONAL EDUCATION FUND
(LEGAL BASIS)**

Year ended June 30, 2011

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2010	\$ 1,352,845	\$ 1,367,852	\$ (15,007)
Revenue and transfers:			
State appropriations	1,693,188	3,240,717	(1,547,529)
Student tuition and fees	5,247,668	4,463,390	784,278
Cancellation of prior year encumbrances	6,801	--	6,801
Other	67,603	--	67,603
Total revenue	<u>7,015,260</u>	<u>7,704,107</u>	<u>(688,847)</u>
Expenditures, encumbrances and transfers:			
Instruction	5,713,778	6,330,565	616,787
Academic support	866,563	895,087	28,524
Student services	56,782	54,850	(1,932)
Total expenditures, encumbrances and transfers	<u>6,637,123</u>	<u>7,280,502</u>	<u>643,379</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>378,137</u>	<u>423,605</u>	<u>(45,468)</u>
Fund balance, legal, June 30, 2011	<u>\$ 1,730,982</u>	<u>\$ 1,791,457</u>	<u>\$ (60,475)</u>

BUTLER COUNTY COMMUNITY COLLEGE

**SCHEDULE OF REVENUES, EXPENSES, ENCUMBRANCES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ADULT BASIC EDUCATION FUND
(LEGAL BASIS)**

Year ended June 30, 2011

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2010	\$ 9,471	\$ 10,148	\$ (677)
Revenue and transfers:			
Federal grants	83,352	94,052	(10,700)
State appropriations	44,461	54,258	(9,797)
Student tuition and fees	2,587	3,000	(413)
Other	222	169,200	(168,978)
Transfers among funds - additions	<u>97,524</u>	<u>--</u>	<u>97,524</u>
Total revenue and transfers	<u>228,146</u>	<u>320,510</u>	<u>(92,364)</u>
Expenditures and encumbrances:			
Instruction	<u>223,773</u>	<u>327,276</u>	<u>103,503</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>4,373</u>	<u>(6,766)</u>	<u>11,139</u>
Fund balance, legal, June 30, 2011	<u>\$ 13,844</u>	<u>\$ 3,382</u>	<u>\$ 10,462</u>

BUTLER COUNTY COMMUNITY COLLEGE

**SCHEDULE OF REVENUES, EXPENSES, ENCUMBRANCES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ADULT SUPPLEMENTARY EDUCATION FUND
(LEGAL BASIS)**

Year ended June 30, 2011

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2010	\$ 10,000	\$ 10,000	\$ --
Revenue and transfers:			
Student tuition and fees	12,418	3,000	9,418
Other	--	104,687	(104,687)
Transfers among funds - additions	<u>69,240</u>	<u>--</u>	<u>69,240</u>
Total revenue and transfers	81,658	107,687	(26,029)
Expenditures and encumbrances:			
Instruction	<u>73,107</u>	<u>117,687</u>	<u>44,580</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>8,551</u>	<u>(10,000)</u>	<u>18,551</u>
Fund balance, legal, June 30, 2011	<u>\$ 18,551</u>	<u>\$ --</u>	<u>\$ 18,551</u>

BUTLER COUNTY COMMUNITY COLLEGE

**SCHEDULE OF REVENUES, EXPENSES, ENCUMBRANCES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MOTORCYCLE DRIVER SAFETY FUND
(LEGAL BASIS)**

Year ended June 30, 2011

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2010	\$ --	\$ --	\$ --
Revenue and transfers:			
State appropriations	<u>20,496</u>	<u>60,000</u>	<u>(39,504)</u>
Expenditures and encumbrances:			
Instruction	<u>20,496</u>	<u>60,000</u>	<u>39,504</u>
Revenue and transfers over (under) expenditures and encumbrances	<u> --</u>	<u> --</u>	<u> --</u>
Fund balance, legal, June 30, 2011	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>

BUTLER COUNTY COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENSES, ENCUMBRANCES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
AUXILIARY ENTERPRISES
(LEGAL BASIS)

Year ended June 30, 2011

	Student Union and Dormitory			Educare Center			Parking			Total		
	Actual	Original and Final Budget	Variance With Final Budget	Actual	Original and Final Budget	Variance With Final Budget	Actual	Original and Final Budget	Variance With Final Budget	Actual	Original and Final Budget	Variance With Final Budget
			(Negative)			(Negative)			(Negative)			(Negative)
Fund balance, legal, July 1, 2010	\$ 2,313,527	\$ 2,315,906	\$ (2,379)	\$ -	\$ -	\$ -	\$ 81,241	\$ 81,240	\$ 1	\$ 2,394,768	\$ 2,397,146	\$ (2,378)
Revenue and transfers:												
Federal grants	-	-	-	-	24,085	(24,085)	-	-	-	-	24,085	(24,085)
Student sources	317,507	268,000	49,507	-	-	-	94,944	72,000	22,944	412,451	340,000	72,451
Bookstore sales, dorm rental, meal tickets, gate receipts and concessions	7,061,298	6,520,070	541,228	-	687,703	(687,703)	-	-	-	7,061,298	7,207,773	(146,475)
Child care services	-	-	-	540,845	-	540,845	-	-	-	540,845	-	540,845
Cancellation of prior year encumbrances	46,828	-	46,828	-	-	-	401	-	401	47,229	-	47,229
Other	-	43,800	(43,800)	-	-	-	4,090	48,311	(44,221)	4,090	92,111	(88,021)
Transfers among fund - additions	232,038	-	232,038	-	-	-	-	-	-	232,038	-	232,038
Total revenue and transfers	<u>7,657,671</u>	<u>6,831,870</u>	<u>825,801</u>	<u>540,845</u>	<u>711,788</u>	<u>(170,943)</u>	<u>99,435</u>	<u>120,311</u>	<u>(20,876)</u>	<u>8,297,951</u>	<u>7,663,969</u>	<u>633,982</u>
Expenditures, encumbrances and transfers:												
Education and general:												
Cost of books, supplies, and meals	4,237,558	4,057,300	(180,258)	70,693	-	(70,693)	-	10,000	10,000	4,308,251	4,067,300	(240,951)
Salaries	840,280	931,003	90,723	454,955	621,027	166,072	-	-	-	1,295,235	1,552,030	256,795
Operating expense	606,545	651,345	44,800	13,612	90,761	77,149	-	-	-	620,157	742,106	121,949
Equipment	46,226	90,200	43,974	1,585	-	(1,585)	-	-	-	47,811	90,200	42,389
Expended for plant facilities	437,791	1,411,290	973,499	-	-	-	79,562	191,551	111,989	517,353	1,602,841	1,085,488
Transfers among funds - deductions	795,924	395,886	(400,038)	-	-	-	-	-	-	795,924	395,886	(400,038)
Total expenditures, encumbrances and transfers	<u>6,964,324</u>	<u>7,537,024</u>	<u>572,700</u>	<u>540,845</u>	<u>711,788</u>	<u>170,943</u>	<u>79,562</u>	<u>201,551</u>	<u>121,989</u>	<u>7,584,731</u>	<u>8,450,363</u>	<u>865,632</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>693,347</u>	<u>(705,154)</u>	<u>1,398,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,873</u>	<u>(81,240)</u>	<u>101,113</u>	<u>713,220</u>	<u>(786,394)</u>	<u>1,499,614</u>
Fund balance, legal, June 30, 2011	<u>\$ 3,006,874</u>	<u>\$ 1,610,752</u>	<u>\$ 1,396,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,114</u>	<u>\$ -</u>	<u>\$ 101,114</u>	<u>\$ 3,107,988</u>	<u>\$ 1,610,752</u>	<u>\$ 1,497,236</u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Butler County Community College
El Dorado, Kansas

We have audited the financial statements of Butler County Community College (College) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 14, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Butler Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

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

December 14, 2011
Wichita, Kansas

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Board of Trustees
Butler County Community College
El Dorado, Kansas

Compliance

We have audited Butler County Community College's (College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2011. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

As described in item 2011-1 in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding suspension and debarment that are applicable to its Congressionally Directed Grants (CFDA #84.116Z) and State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (CFDA #84.394A). Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-1 (CFDA #84.031A).

Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 for CFDA #84.394A and #84.116Z to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 for CFDA #84.031A to be a significant deficiency.

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the College's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Trustees, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

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

December 14, 2011
Wichita, Kansas

BUTLER COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified? X yes _____ no
- Significant deficiencies identified? X yes _____ none reported

Type of auditors’ report issued on compliance for major programs: See below

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB *Circular A-133*? X yes _____ no

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>	<u>OPINION</u>
	Student Financial Aid Cluster:	Unqualified
84.007	Federal Supplemental Educational Opportunity Grant	
84.033	Federal Work-Study Program	
84.063	Federal Pell Grant Program	
84.268	Federal Direct Student Loans	
84.375	Academic Competitiveness Grants	
84.394A	State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	Qualified
84.116Z	Congressionally Directed Grants	Qualified
84.031A	Title III Part A Programs – Strengthening Institutions	Unqualified

BUTLER COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

SECTION I – SUMMARY OF AUDITORS' RESULTS (Continued)

Dollar threshold used to distinguish
between type A and type B programs:

 \$ 300,000

Auditee qualified as low-risk auditee?

 X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

BUTLER COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2011-1: Title III Part A Programs – Strengthening Institutions (Significant Deficiency), CFDA 84.031A, U.S. Department of Education, Federal Awards: P031A080158-09

Congressionally Directed Grants (Material Weakness), CFDA 84.116Z, U.S. Department of Education, Federal Awards: P116Z100122

State Fiscal Stabilization (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund) (Material Weakness), CFDA 84.394, U.S. Department of Education, passed through the Kansas Board of Regents, Federal Awards: 3441-3441

Criteria: Under regulations contained in the Code of Federal Regulations (CFR) section 2 CFR part 180, the College is prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. The College must verify that the entity is not suspended or debarred or otherwise excluded by checking the Excluded Parties Listing System (EPLS), collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity that is expected to or exceed \$25,000.

Condition: The supporting documentation did not contain evidence that the College performed verification procedures to ensure that contractors were not suspended or debarred from receiving Federal funds.

Questioned Costs: None noted.

Context: For one out of one contract file tested for CFDA #s 84.031A and 84.116Z and one out of two contracts files tested for CFDA #84.394, the College could not provide support that a verification procedure had been performed to ensure the contractor / vendor was not suspended or debarred from receiving federal funds. A subsequently performed verification check on the EPLS website indicated that none of the contractors / vendors were suspended or debarred.

Cause: Contractor / vendor suspension and debarment was not verified prior to receiving federal funds.

Effect: It is possible that a failure to verify suspension and debarment could result in expenditures to potentially ineligible vendors.

Recommendation: We recommend that the College develop procedures to ensure that each contractor/vendor is not suspended or debarred from receiving Federal funding. This can be accomplished by verifying the EPLS listing prior to awarding the contract and maintaining the printout of the results in each contract file, obtaining a certification from each contractor / vendor prior to awarding the contract, or adding a clause to the contract.

Management Response (Unaudited): The College will immediately enact procedures to ensure that each contractor/vendor is not suspended or debarred from receiving Federal funding. This will be accomplished by verifying the EPLS listing prior to awarding the contract and maintaining the printout of results in the contract file or by requiring a copy of the contractor / vendor certification be submitted along with a requisition before a purchase order will be generated.

BUTLER COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(Continued)

Summary Schedule of Prior Audit Findings:

No matters were reported.

BUTLER COUNTY COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA #</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Award Funds Expended</u>
<u>U.S. Department of Agriculture:</u>			
Indirect Programs:			
Passed through Kansas Department of Education:			
Child and Adult Care Food Program	10.558	3531-3510	\$ <u>27,078</u>
Total U.S. Department of Agriculture			<u>27,078</u>
<u>U. S. Department of Education:</u>			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		93,258 ²
Federal Work-Study Program	84.033		159,192 ¹
Federal Pell Grant Program	84.063		12,889,150 ⁴
Federal Direct Student Loans	84.268		19,009,259 ⁶
Academic Competitiveness Grants	84.375		415,045 ³
Title III Part A Programs-Strengthening Institutions	84.031A		368,919
TRIO-Student Support Services	84.042A		78,200
Congressionally Directed Grants	84.116Z		445,227
Child Care Access Means Parents in School	84.335		42,419
Indirect Programs:			
Passed through Kansas Board of Regents:			
Adult Education – Basic Grants to States	84.002	3042-300	83,351
Career and Technical Education – Basic Grants to States	84.048	3051-3004	225,371 ⁵
Adult Education-National Leadership Activities	84.191	3042-3000	6,136
State Fiscal Stabilization Fund (SFSF) - Education State Grants, ARRA	84.394A	3441-3441	<u>1,356,802</u>
Total U.S. Department of Education			<u>35,172,329</u>

BUTLER COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA #</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Award Funds Expended</u>
<u>U.S. Department of Labor:</u>			
Passed through Mid-CAP Youthbuild - ARRA	17.274	Not available	754
Passed through Workforce Alliance H-1B Job Training Grants	17.268	Not available	<u>7,874</u>
Total U.S. Department of Labor			<u>8,628</u>
<u>National Science Foundation:</u>			
Passed through El Comino Community College Education and Human Resources	47.076	6418	<u>18,255</u>
Total National Science Foundation			<u>18,255</u>
Total Federal Expenditures			<u>\$ 35,226,290</u>

¹ Combined Federal and institutional dollars for wages paid to student eligible for Federal Work Study Program total \$211,350.

² Grants to students total \$76,960. Administrative allowance on Title IV programs claimed of \$16,298. Match of other institutional resources designated-non federal share \$25,653 (institutional scholarships).

³ Includes ACG awards for 2009-10 terms of \$2,102.

⁴ Includes Pell awards for 2009-10 terms of \$64,420.

⁵ Includes refund expenditures of \$411.76 from FY2010 award.

⁶ Includes loans totaling \$1,932,140 for 2009-10 terms.

BUTLER COUNTY COMMUNITY COLLEGE

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Butler County Community College and is presented on the budgetary basis of accounting. The College prepares its financial statements on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Under this budgetary basis of accounting, expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior years accounts payable and encumbrances. The information in this schedule is presented in accordance with the requirements of OMB *Circular A-133*, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.