

BUTLER COUNTY COMMUNITY COLLEGE

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2013 AND 2012

AND

INDEPENDENT AUDITOR'S REPORT

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BUTLER COUNTY COMMUNITY COLLEGE

El Dorado, Kansas

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BUTLER COUNTY COMMUNITY COLLEGE

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2013 and 2012

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 9
Basic Financial Statements:	
Statements of Net position	10
Statements of Revenues, Expenses, and Changes in Net position	11
Statements of Cash Flows - College	12 - 13
Statements of Cash Flows - Foundation	14
Statements of Fiduciary Net position	15
Notes to the Financial Statements	16 - 36
Required Supplementary Information	37
Supplementary Information:	
Schedule of Revenues, Expenses, Encumbrances and Changes in Fund Balance – Budget and Actual (Legal Basis):	
General Fund	38
Vocational Education Fund	39
Adult Basic Education Fund	40
Adult Supplementary Education Fund	41
Motorcycle Driver Safety Fund	42
Auxiliary Enterprises	43
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	44
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45 - 46
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance	47 - 48
Schedule of Findings and Questioned Costs	49 - 50
Schedule of Expenditures of Federal Awards	51 - 52
Note to Schedule of Expenditures of Federal Awards	53

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INDEPENDENT AUDITOR'S REPORT



Board of Trustees
Butler County Community College
El Dorado, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, discretely presented component unit, and the aggregate remaining fund information of Butler County Community College (College) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Butler Community College Foundation, Inc. (Foundation), which is the discretely presented 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 other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, discretely presented component unit, and the aggregate remaining fund information of the College, as of

June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. Other schedules listed in the table of contents as supplementary information, and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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

November 22, 2013
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 2013 and 2012 are presented; comparative data for fiscal years 2012 and 2011 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 Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Each one of these statements will be discussed.

Statement of Net Position

The Statement of Net Position presents the Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Position (Assets minus Liabilities) at the end of the fiscal year. The purpose of the Statement of Net Position 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 Position 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 Position provides a picture of the net position (assets minus liabilities) and their availability for use by the College.

Net position is divided into three major categories. The first category, Net Investment in Capital Assets, provides the College's equity in or ownership of capital assets. The next asset category is Restricted Net Position, which is divided into two categories, Nonexpendable and Expendable. Nonexpendable restricted net position includes endowments. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is 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 Position. Unrestricted assets are available to the College for any lawful purpose.

Condensed Statements of Net Position (in thousands)

	2013	2012	2011	2013 vs. 2012 Increase (Decrease)	2012 vs. 2011 Increase (Decrease)
Current assets	\$ 19,460	\$ 9,324	\$ 20,048	\$ 136	\$ (724)
Noncurrent assets	46,557	46,585	41,794	(28)	4,791
Total assets	66,017	65,909	61,842	108	4,067
Current liabilities	5,772	7,468	6,053	(1,696)	1,415
Noncurrent liabilities	15,177	14,617	12,729	560	1,888
Total liabilities	20,949	22,085	18,782	(1,136)	3,303
Net investment in capital assets	30,250	29,624	29,403	626	221
Restricted - expendable	225	595	609	(370)	(14)
Unrestricted	14,593	13,605	13,048	988	557
Total net position	\$ 45,068	\$ 43,824	\$ 43,060	\$ 1,244	\$ 764

Changes to Total Assets

The total assets of the College increased by \$109,134 primarily related to an increase in the investment in joint venture.

Changes to Total Liabilities

The total liabilities of the College for the year have decreased by \$1,134,794. This change is attributed to refunding of long-term debt.

Changes to Net Position

The final section of the Statement of Net Position 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 "Net investment in capital assets" 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 2013, the net investment in capital assets increased by \$625,328. Along with the combination of a decrease in restricted-expendable net position of \$369,936 and an increase in unrestricted net position of \$988,536, overall net position of the College increased \$1,243,928.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. 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.

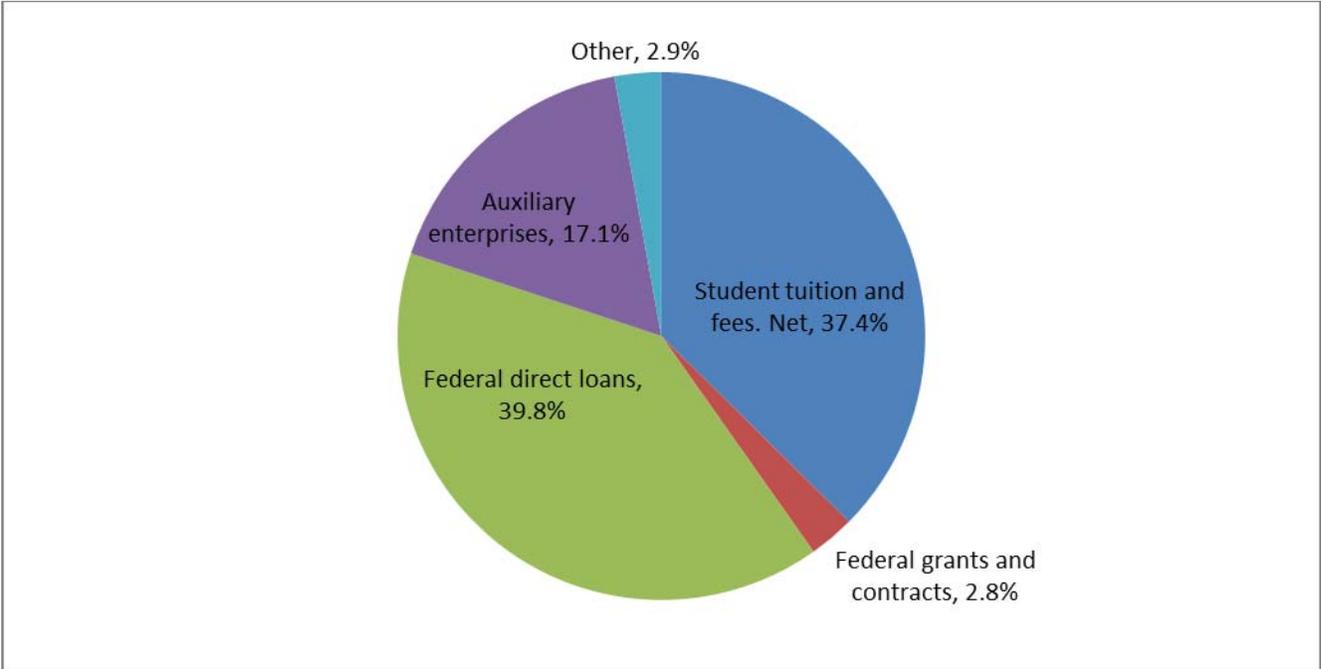
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the 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 \$42,404,771 and \$43,249,385 in fiscal years 2013 and 2012, respectively.

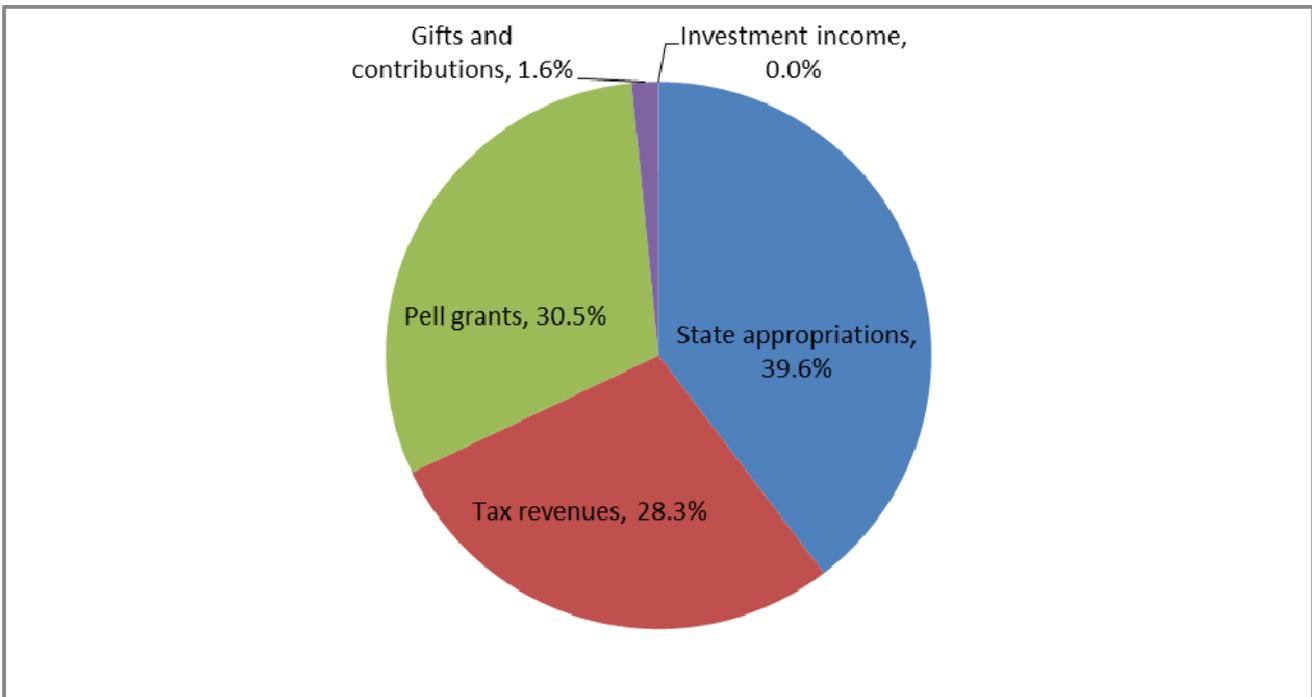
Condensed Statements of Revenues, Expenses and Changes in Net Position (in thousands)

	2013	2012	2011	2013 vs. 2012 Increase (Decrease)	2012 vs. 2011 Increase (Decrease)
Operating revenue	\$ 46,246	\$ 49,378	\$ 47,942	\$ (3,132)	\$ 1,436
Operating expenses	88,651	92,628	86,494	(3,977)	6,134
Operating loss	(42,405)	(43,250)	(38,552)	845	(4,698)
Nonoperating revenues (expenses)	43,649	44,014	40,860	(365)	3,154
Increase (Decrease) in net position	1,244	764	2,308	480	(1,544)
Net position, beginning of the year	43,824	43,060	40,752	764	2,308
Net position, end of the year	<u>\$ 45,068</u>	<u>\$ 43,824</u>	<u>\$ 43,060</u>	<u>\$ 1,244</u>	<u>\$ 764</u>

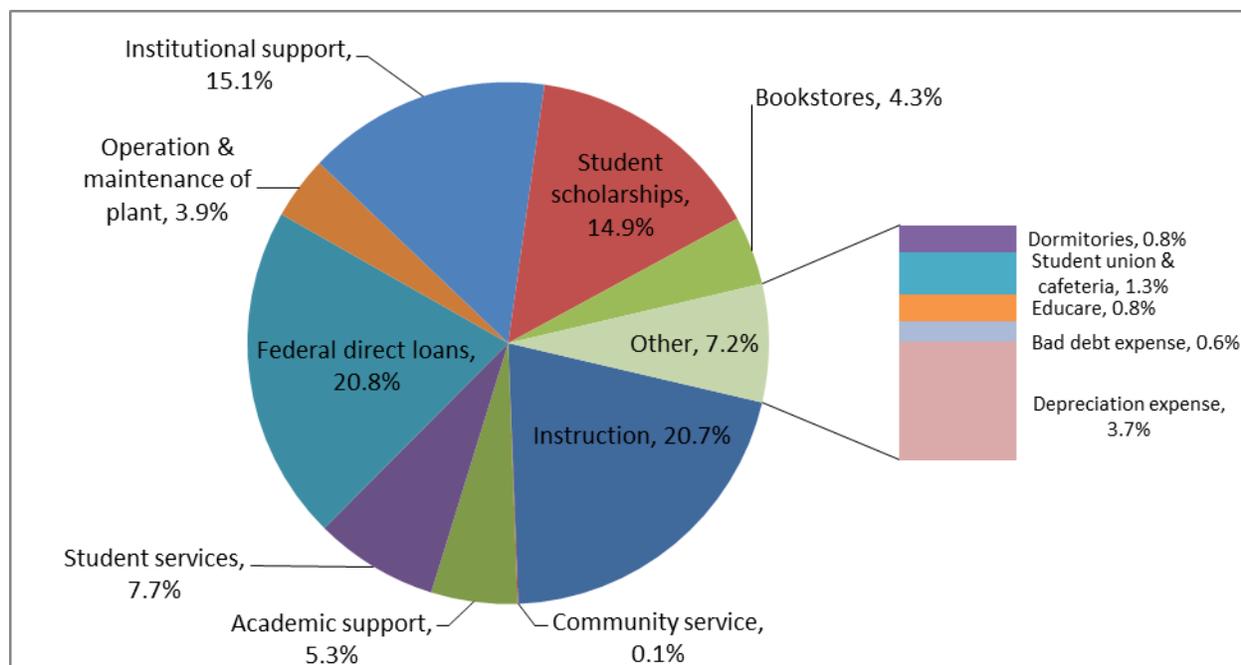
Operating Revenues by Source



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 Position.

Condensed Statements of Cash Flows (in thousands)

	2013	2012	2011
Cash flows from:			
Operating activities	\$ (37,881)	\$ (35,172)	\$ (32,202)
Noncapital financing activities	41,278	40,233	39,351
Capital financing activities	(6,617)	(1,760)	(4,597)
Investing activities	6,043	(1,037)	2,462
Net increase (decrease) in cash	2,823	2,264	5,014
Cash, beginning of year	13,906	11,642	6,628
Cash, end of year	<u>\$ 16,729</u>	<u>\$ 13,906</u>	<u>\$ 11,642</u>

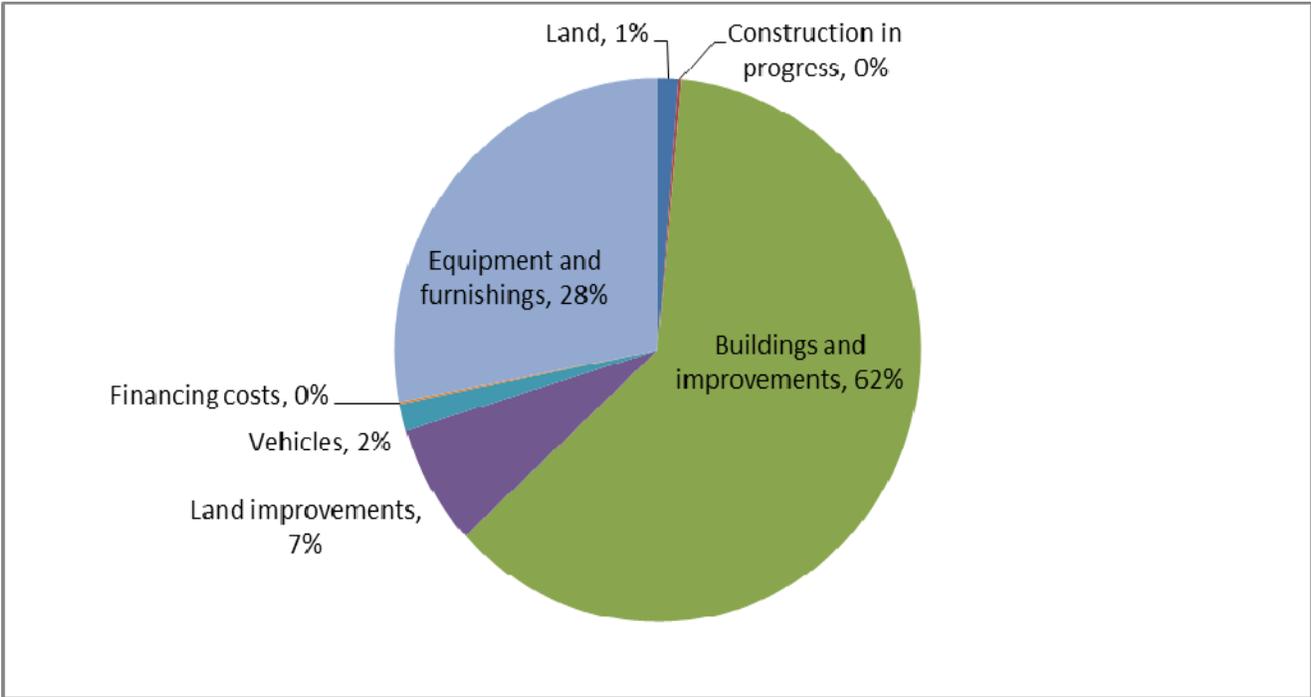
Significant sources of cash included local property taxes, the state operating grant, tuition and fees, and proceeds from maturities of investments. Significant uses of cash were payments to suppliers and vendors, payments to employees, employee benefits, payments for scholarships, capital assets and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

The cash position of the College increased by \$2,823,597 for the fiscal year ended June 30, 2013 compared to an increase of \$2,263,962 for the fiscal year ended June 30, 2012.

Capital Asset and Debt Administration

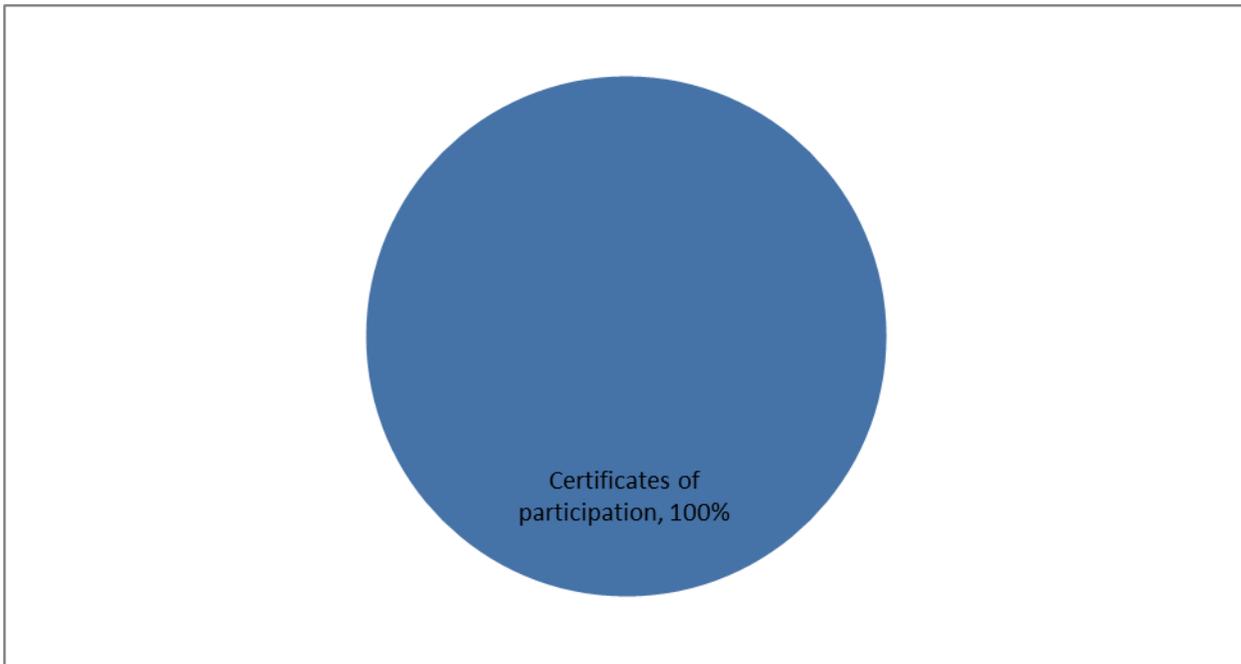
At fiscal year-end, the College had \$73,667,533 of capital assets, with accumulated depreciation of \$32,442,492. Related depreciation charges of \$3,293,632 were recognized in the fiscal year 2013. More detailed financial activity related to the changes in Capital Assets is presented in Note 3.

Capital Asset Categories



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

Categories of Debt



Economic Outlook

Management believes that the College is well positioned to maintain its strong financial condition and to continue providing excellent service to its students, the 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. The College's financial position, as evidenced by its A+ rating from Standard & Poor's Ratings Service, provides a high degree of flexibility in obtaining funds on competitive terms. This flexibility, along with ongoing efforts toward revenue diversification and cost containment, will enable the College to obtain the necessary resources to sustain excellence. The College will continue to be a good value for students and parents in the higher education marketplace, as it fosters students 21st century workplace skills in the areas of Personal Development, Analytical Thinking, Communication, and Technology.

As with any labor-intensive organization, the College will continue to face competitive pressures related to attracting and retaining leading faculty and staff. Moreover, the cost of the College's health benefits has increased significantly and will probably continue to increase in the coming years with the rising cost of medical care and prescription drugs.

As management wrestles with today's uncertain economic factors, the College will 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 POSITION
June 30, 2013 and 2012**

	<u>College</u>		<u>Foundation</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 16,729,683	\$ 17,556,287	\$ 1,870,597	\$ 1,361,245
Accounts receivable net of allowance for doubtful accounts of \$3,360,406 in 2013 and \$2,811,586 in 2012	795,207	691,782	-	-
Receivables from Federal and State governments	658,321	197,400	-	-
Current portion of pledges receivable	-	-	598,689	688,176
Prepaid expenses	-	-	-	10,554
Other receivable	-	-	9,640	-
Bookstore inventory	1,277,704	877,967	-	-
Total current assets	19,460,915	19,323,436	2,478,926	2,059,975
Noncurrent assets:				
Cash and investments	187,195	2,573,074	8,319,342	7,226,380
Pledges receivable	-	-	2,082,397	2,531,975
Cash surrender value of life insurance	-	-	18,932	14,608
Investment in joint venture	5,144,835	3,151,641	-	-
Capital assets, net of accumulated depreciation				
Land and construction in progress	1,081,092	1,104,978	-	-
Other capital assets, net of accumulated depreciation	40,143,949	39,755,723	6,963	10,284
Total noncurrent assets	46,557,071	46,585,416	10,427,634	9,783,247
Total assets	66,017,986	65,908,852	12,906,560	11,843,222
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	883,155	1,285,820	25,980	12,743
Compensated absences payable	1,203,527	1,202,923	-	-
Accrued salaries	743,350	710,410	-	-
Deposits held in custody for others	170,814	220,979	-	-
Accrued interest payable	32,440	118,987	-	-
Unearned revenue	831,003	1,095,855	-	-
Current portion of annuity payable	-	-	7,900	7,900
Current portion of long-term debt	1,908,025	2,832,504	2,396	2,004
Total current liabilities	5,772,314	7,467,478	36,276	22,647
Noncurrent liabilities:				
Long-term debt	11,367,076	11,326,239	2,607	5,003
Long-term compensated absences payable	795,257	872,748	-	-
Net OPEB Obligation	3,015,128	2,418,104	-	-
Long-term annuity payable	-	-	57,690	59,100
Total noncurrent liabilities	15,177,461	14,617,091	60,297	64,103
Total liabilities	20,949,775	22,084,569	96,573	86,750
<u>NET POSITION</u>				
Net investment in capital assets	30,249,664	29,624,336	6,963	10,284
Restricted - expendable:				
For debt service	-	229,622	-	-
For capital projects	187,195	231,271	2,691,774	3,000,242
For scholarships, instruction and other	37,624	133,862	1,287,012	600,783
For college support	-	-	1,338,547	999,512
Restricted - non-expendable:				
For scholarships	-	-	6,152,315	5,883,459
For college support	-	-	1,014,382	1,011,603
Unrestricted	14,593,728	13,605,192	318,994	250,589
Total net position	\$ 45,068,211	\$ 43,824,283	\$ 12,809,987	\$ 11,756,472

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

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2013 and 2012

	<u>College</u>		<u>Foundation</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>REVENUES</u>			
Operating revenues:				
Student tuition and fees, net of scholarship allowances of \$2,235,249 in 2013 and \$2,071,330 in 2012	\$ 17,300,213	\$ 16,966,573	\$ -	\$ -
Federal grants and contracts	1,299,138	1,576,246	-	-
Federal direct loans	18,428,806	21,635,272	-	-
Gifts and contributions	-	-	2,381,278	5,377,224
Nongovernmental grants	-	-	-	-
Auxiliary enterprises:				
Bookstores, net of scholarship allowances of \$659,339 in 2013 and \$620,712 in 2012	5,375,487	5,135,126	-	-
Dormitories, net of scholarship allowances of \$158,174 in 2013 and \$163,192 in 2012	1,289,565	1,350,080	-	-
Student union and cafeteria, net of scholarship allowances of \$83,922 in 2013 and \$83,085 in 2012	684,200	687,359	-	-
Educare, net of discounts	544,976	517,221	-	-
Net investment return	-	-	1,128,234	59,648
Other	1,323,876	1,510,360	-	-
Total operating revenues	46,246,261	49,378,237	3,509,512	5,436,872
	<u>EXPENSES</u>			
Operating expenses:				
Instruction	18,379,431	18,420,793	-	-
Community service	65,202	58,166	-	-
Academic support	4,733,976	4,760,453	1,401,451	2,461,764
Student services	6,814,886	6,246,179	-	-
Federal direct loans	18,428,806	21,640,907	-	-
Institutional support	13,413,002	13,020,612	403,897	435,234
Operation and maintenance of plant	3,455,709	3,505,298	-	-
Student scholarships	13,189,445	13,609,430	385,804	321,554
Fundraising	-	-	260,548	280,692
Auxiliary enterprises:				
Bookstores	3,779,123	4,695,480	-	-
Dormitories	747,032	913,593	-	-
Student union and cafeteria	1,054,410	1,041,709	-	-
Educare	747,558	777,240	-	-
Bad debt expense	548,820	792,417	-	-
Depreciation expense	3,293,632	3,145,345	4,297	5,466
Total operating expenses	88,651,032	92,627,622	2,455,997	3,504,710
Operating income (loss)	(42,404,771)	(43,249,385)	1,053,515	1,932,162
	<u>NONOPERATING REVENUES (EXPENSES)</u>			
State appropriations	17,558,478	16,278,020	-	-
Tax revenues	12,545,173	12,058,649	-	-
Pell grants	13,491,745	13,974,506	-	-
Gifts and contributions	692,113	2,259,003	-	-
Investment income	6,832	9,621	-	-
Interest on capital asset-related debt	(342,959)	(450,036)	-	-
Gain (loss) on disposal of assets	(302,683)	(115,951)	-	-
Total nonoperating revenues (expenses)	43,648,699	44,013,812	-	-
Increase (decrease) in net position	1,243,928	764,427	1,053,515	1,932,162
Net position at beginning of year	43,824,283	43,059,856	11,756,472	9,824,310
Total net position	\$ 45,068,211	\$ 43,824,283	\$ 12,809,987	\$ 11,756,472

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

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS - COLLEGE
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities:		
Tuition and fees	\$ 16,875,627	\$ 17,341,299
Grants and contracts	19,267,023	24,475,843
Payments to suppliers and employees	(70,072,968)	(72,552,331)
Payments for scholarships	(13,189,445)	(13,609,430)
Auxiliary enterprise charges:		
Bookstores	5,375,487	5,135,126
Dormitories	1,289,565	1,350,080
Student union and cafeteria	705,384	659,207
Educare	544,976	517,221
Other	1,323,876	1,510,360
	<u>(37,880,475)</u>	<u>(35,172,625)</u>
Net cash flow from operating activities		
Cash Flows From Noncapital Financing Activities:		
Tax receipts	12,545,173	12,058,649
State appropriations	15,199,126	14,106,025
Other	13,533,858	14,068,674
	<u>41,278,157</u>	<u>40,233,348</u>
Net cash flow from noncapital financing activities		
Cash Flows From Capital Financing Activities:		
Purchases of capital assets	(2,118,916)	(1,835,934)
Payments for joint venture stadium construction	(1,993,194)	(986,806)
Proceeds from long-term debt	4,790,000	3,336,510
Proceeds from sale of capital assets	-	116,934
Donations received from Foundation	650,000	193,089
Principal paid on long-term debt	(2,358,419)	(2,178,185)
Interest paid on long-term debt	(429,506)	(405,572)
Payments to refund long-term debt	(5,156,962)	-
	<u>(6,616,997)</u>	<u>(1,759,964)</u>
Net cash flow from capital financing activities		
Cash Flows From Investing Activities:		
Investment income	6,832	9,621
Proceeds from sales and maturities of investments	27,536,080	36,999,642
Purchase of investments	(21,500,000)	(38,046,060)
	<u>6,042,912</u>	<u>(1,036,797)</u>
Net cash flow from investing activities		
Net change in cash and cash equivalents	2,823,597	2,263,962
Cash and cash equivalents at beginning of year	<u>13,906,086</u>	<u>11,642,124</u>
Cash and cash equivalents at end of year	<u>\$ 16,729,683</u>	<u>\$ 13,906,086</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, 2013 and 2012

	2013	2012
Reconciliation of Net Operating Loss to Net Cash Flow From Operating Activities:		
Operating loss	\$ (42,404,771)	\$ (43,249,385)
Adjustments to reconcile net operating loss to net cash flow from operating activities:		
Depreciation expense	3,293,632	3,145,345
State on-behalf payments for employee benefits	2,359,352	2,171,995
Changes in assets and liabilities:		
Accounts receivable	(103,425)	255,047
Receivable from Federal and State governments	(460,921)	1,264,325
Inventories	(399,737)	351,158
Accounts payable and accrued expenses	100,247	821,929
Deferred revenue	(264,852)	66,961
	<u>\$ (37,880,475)</u>	<u>\$ (35,172,625)</u>
Net cash flow from operating activities	<u>\$ (37,880,475)</u>	<u>\$ (35,172,625)</u>
 Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Current cash and investments	\$ 16,729,683	\$ 17,556,287
Noncurrent cash and investments	187,195	2,573,074
Less: investments	(187,195)	(6,223,275)
	<u>\$ 16,729,683</u>	<u>\$ 13,906,086</u>
Net cash and cash equivalents	<u>\$ 16,729,683</u>	<u>\$ 13,906,086</u>
 Noncash investing capital and financing activities:		
Acquisition of capital assets with a capital lease	\$ 1,841,739	\$ 1,211,132
Investment in joint venture funded by Foundation contributions	-	2,164,835

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

BUTLER COUNTY COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS - FOUNDATION
Years ended June 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities:		
Increase in net position	\$ 1,053,515	\$ 1,932,162
Adjustments to reconcile the change in net position to net cash flow from operating activities:		
Depreciation	4,297	5,466
Unrealized and realized (gain) loss on investments	(970,814)	90,509
(Increase) decrease in cash value of life insurance	(4,324)	1,925
Net change in operating assets and liabilities:		
Unconditional promises to give	539,065	(2,002,012)
Prepaid expenses	10,554	(10,554)
Other receivables	(9,640)	-
Accounts payable	2,069	(1,513)
Accrued liabilities	11,168	(10,860)
Annuity payable	-	4,559
Agency funds payable	-	(57,343)
Pledges payable - college	-	(148,089)
	<u>635,890</u>	<u>(195,750)</u>
Net cash flow from operating activities	<u>635,890</u>	<u>(195,750)</u>
Cash Flows From Investing Activities:		
Net change in short term investments	(506,105)	401,151
Purchase of investments	(2,525,120)	(2,626,618)
Proceeds from sale of investments	2,402,972	2,407,013
Purchases of property and equipment	(1,192)	(1,484)
Loss from disposition of property and equipment	216	1,042
	<u>(629,229)</u>	<u>181,104</u>
Net cash flow from investing activities	<u>(629,229)</u>	<u>181,104</u>
Cash Flows From Financing Activities:		
Payments on capital lease obligations	(2,004)	(1,676)
Proceeds of charitable gift annuity	-	65,599
Payments on annuity obligations	(1,410)	(5,258)
Payments on advances payable - college	-	(45,000)
	<u>(3,414)</u>	<u>13,665</u>
Net cash flow from financing activities	<u>(3,414)</u>	<u>13,665</u>
Net change in cash and cash equivalents	3,247	(981)
Cash and cash equivalents at beginning of year	<u>10,660</u>	<u>11,641</u>
Cash and cash equivalents at end of year	<u>\$ 13,907</u>	<u>\$ 10,660</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and cash equivalents	\$ 13,907	\$ 10,660
Investments	10,176,032	8,576,965
Investments classified as noncurrent assets	<u>(8,319,342)</u>	<u>(7,226,380)</u>
Total cash and investments	<u>\$ 1,870,597</u>	<u>\$ 1,361,245</u>

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

BUTLER COUNTY COMMUNITY COLLEGE
STATEMENTS OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash	\$ 77,568	\$ 226,883
Account receivable	12,715	11,114
Due from other governments	131,252	12,211
 Total assets	 \$ 221,535	 \$ 250,208
 LIABILITIES		
Accrued liabilities	25,816	8,853
Due to other governments	195,719	241,355
 Total liabilities	 \$ 221,535	 \$ 250,208

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 2013, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *Financial Reporting Entity: Omnibus* which amends Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement 14. 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. Under this amendment there were no changes to the Foundation's presentation as a discretely presented component unit.

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.

Joint Venture – During fiscal year 2011, the College announced a collaborative project with the City of El Dorado and the El Dorado school district USD 490 to create the Educational Facilities Authority of Butler County. The Authority's board is comprised of seven members, with two appointed from each participant, and the seventh appointed by the other six members. Upon dissolution of the Authority, property owned by the Authority will be transferred to the College, City of El Dorado and USD 490, or sold with the proceeds thereof paid to the College, City and USD 490.

The Educational Facilities Authority of Butler County is the official governing body of the BG Products Veterans Sports Complex, which was constructed and located directly northeast of the College's campus. The bowl-design stadium accommodates 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 \$5 million in private donations. Those fundraising efforts will be led by the Foundation. In addition to the commitment to help fund construction of the Sports Complex, the College has an ongoing financial obligation for certain operating costs of the stadium, described below.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

During fiscal 2012, the College issued \$3 million of Certificates of Participation to fund its portion of construction (see Note 6). Concurrently, the College entered into a lease agreement with the Educational Facilities Authority for use of the stadium for a period of 10 years, through June 30, 2021. In addition to funds paid for construction, the lease requires the College to pay its portion of utilities, insurance and maintenance costs associated with the stadium, along with the City of El Dorado and USD 490, the other parties that will be jointly using the Sports Complex. The College's equity interest in the Educational Facilities Authority as of June 30, 2013 and 2012 was \$5,144,835 and \$3,151,641, respectively, and consisted of payments made for construction costs.

Separate audited financial statements are not prepared by the Educational Facilities Authority.

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.

Use of Estimates – 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 of 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.

Fiduciary Funds – Fiduciary funds are used to report activities whereby the College acts as a trustee or fiduciary to hold resources for the benefit of parties outside the College. The accrual basis of accounting is used for fiduciary funds and is similar to the accounting for business-type activities. The basic financial statements exclude fiduciary fund activities and balances, because these assets are restricted in purpose and cannot be used by the College to finance its operations. The College must ensure that assets reported in fiduciary funds are used for their intended purpose. The College's fiduciary funds are classified as agency funds.

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).

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments held by the Foundation include marketable equity securities, mutual funds, debt securities, and government and municipal obligations. Investments are carried at fair value, with both unrealized and realized gains and losses reported as an increase or decrease in unrestricted or temporarily restricted net position based upon donor imposed restrictions. Interest income is recognized as earned.

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 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, 2013 and 2012, the County Treasurer had distributed to the College approximately 93% and 93%, respectively, of taxes levied in the prior year.

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

Accounts Receivable 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.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable – Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value.

The allowance for uncollectible pledges is based on management's assessment of the collectability of specific donors' pledges and the aging of pledges receivable. All pledges or portions thereof deemed to be uncollectible are written off to the allowance for uncollectible pledges. Changes to the allowance account are reflected as an adjustment to current year contributions.

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 position, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position. 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 Position – *Net investment in capital assets*: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this component.

Restricted net position – expendable: Restricted expendable net position 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 position – nonexpendable: Nonexpendable restricted net position 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.

Unrestricted net position: Unrestricted net position 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. The Foundation is not considered to be a private foundation under IRS regulations.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Foundation files a Federal information return (Form 990) which includes information about its operations and exempt activities. It is the opinion of management that the Foundation has not engaged in activities that would generate unrelated business taxable income, and accordingly it has not filed Federal or Kansas income tax returns for the years ended June 30, 2013 and 2012. The Federal and Kansas information returns of the Company for 2012, 2011 and 2010 are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed. It is the Foundation's policy that penalties and interest assessed by income taxing authorities, if any, are included in operating expenses.

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 position 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 position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2013.

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.

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, 2013 and 2012 consisted of demand deposit accounts, money market savings accounts, certificates of deposits, and investments in US Treasury Bills. At year-end, the carrying amount of the College's deposits was \$16,807,251 with the bank balances of such accounts being \$16,947,636. Of the bank balances,

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

\$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, 2013 and 2012 the College had the following investments:

Investment Type	2013		2012	
	Fair Value/ Carrying Amount	Weighted Average Months to Maturity	Fair Value/ Carrying Amount	Weighted Average Months to Maturity
US Treasury Bills	\$ --	--	\$ 1,998,910	2.48
Money Market	--	--	2,000,000	1.34
Money Market – held in trust	187,195	N/A	2,224,465	N/A
Total	\$ 187,195		\$ 6,223,375	

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.

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

	2013	2012
Money market funds	\$ 1,856,690	\$ 1,350,585
Equity investments	5,917,356	4,894,473
Federal government obligations	27,041	30,173
Corporate bonds	2,374,945	2,301,734
	\$ 10,176,032	\$ 8,576,965

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

	2013	2012
Investment income	\$ 157,420	\$ 150,157
Net realized and unrealized gains (losses)	970,814	(90,509)
	\$ 1,128,234	\$ 59,648

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>College</u>				
Capital assets not being depreciated:				
Land	\$ 935,237	\$ --	\$ --	\$ 935,237
Construction in progress	169,741	13,730	37,616	145,855
Total capital assets not being depreciated	<u>1,104,978</u>	<u>13,730</u>	<u>37,616</u>	<u>1,081,092</u>
Capital assets being depreciated:				
Land improvements	5,120,567	176,016	--	5,296,583
Buildings and improvements	42,942,985	2,413,900	--	45,356,885
Vehicles	1,107,345	98,602	28,170	1,177,777
Equipment and furnishings	20,268,085	1,206,885	815,164	20,659,806
Financing costs	411,781	95,390	411,781	95,390
Total capital assets being depreciated	<u>69,850,763</u>	<u>3,990,793</u>	<u>1,255,115</u>	<u>72,586,441</u>
Less: accumulated depreciation				
Land improvements	2,395,139	258,643	--	2,653,782
Building and improvements	12,780,792	1,226,701	--	14,007,493
Vehicles	809,873	119,198	28,173	900,898
Equipment and furnishings	13,936,864	1,671,716	734,244	14,874,336
Financing costs	172,372	17,374	183,763	5,983
Total accumulated depreciation	<u>30,095,040</u>	<u>3,293,632</u>	<u>946,180</u>	<u>32,442,492</u>
Total capital assets being depreciated, net	<u>39,755,723</u>	<u>697,161</u>	<u>308,935</u>	<u>40,143,949</u>
Net capital assets	<u>\$ 40,860,701</u>	<u>\$ 710,891</u>	<u>\$ 346,551</u>	<u>\$ 41,225,041</u>
	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>Foundation</u>				
Equipment, at cost	\$ 39,281	\$ 1,192	\$ 1,284	\$ 39,189
Accumulated depreciation	28,997	4,297	1,068	32,226
Net capital assets	<u>\$ 10,284</u>	<u>\$ (3,105)</u>	<u>\$ 216</u>	<u>\$ 6,963</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<u>College</u>				
Capital assets not being depreciated:				
Land	\$ 935,237	\$ --	\$ --	\$ 935,237
Construction in progress	132,125	37,616	--	169,741
Total capital assets not being depreciated	<u>1,067,362</u>	<u>37,616</u>	<u>--</u>	<u>1,104,978</u>
Capital assets being depreciated:				
Land improvements	5,058,721	61,846	--	5,120,567
Buildings and improvements	42,858,532	377,036	292,583	42,942,985
Vehicles	987,270	225,310	105,235	1,107,345
Equipment and furnishings	18,424,801	2,345,260	501,976	20,268,085
Financing costs	411,781	--	--	411,781
Total capital assets being depreciated	<u>67,741,105</u>	<u>3,009,452</u>	<u>899,794</u>	<u>69,850,763</u>
Less: accumulated depreciation				
Land improvements	2,138,313	256,826	--	2,395,139
Building and improvements	11,727,176	1,198,718	145,102	12,780,792
Vehicles	808,004	107,107	105,238	809,873
Equipment and furnishings	12,793,518	1,559,913	416,567	13,936,864
Financing costs	149,591	22,781	--	172,372
Total accumulated depreciation	<u>27,616,602</u>	<u>3,145,345</u>	<u>666,907</u>	<u>30,095,040</u>
Total capital assets being depreciated, net	<u>40,124,503</u>	<u>(135,893)</u>	<u>232,887</u>	<u>39,755,723</u>
Net capital assets	<u>\$ 41,191,865</u>	<u>\$ (98,277)</u>	<u>\$ 232,887</u>	<u>\$ 40,860,701</u>
	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<u>Foundation</u>				
Equipment, at cost	\$ 45,070	\$ 1,484	\$ 7,273	\$ 39,281
Accumulated depreciation	29,762	5,466	6,231	28,997
Net capital assets	<u>\$ 15,308</u>	<u>\$ (3,982)</u>	<u>\$ 1,042</u>	<u>\$ 10,284</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

4. UNEARNED REVENUE

At June 30 unearned revenue consists of the following:

	<u>2013</u>	<u>2012</u>
Prepaid tuition and fees	\$ 831,003	\$ 1,095,855

5. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013 was as follows:

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Refunded</u>	<u>Balance at June 30, 2013</u>	<u>Amounts due within one year</u>
Bonds payable and capital lease obligations:						
Revenue bonds payable	\$ 3,200,000	\$ --	\$ 155,000	\$ 3,045,000	\$ --	\$ --
Capital lease obligations	<u>10,958,743</u>	<u>6,631,739</u>	<u>2,203,419</u>	<u>2,111,962</u>	<u>13,275,101</u>	<u>1,908,025</u>
	<u>14,158,743</u>	<u>6,631,739</u>	<u>2,358,419</u>	<u>5,156,962</u>	<u>13,275,101</u>	<u>1,908,025</u>
Other liabilities:						
Net OPEB obligation	2,418,104	854,697	257,673	--	3,015,128	--
Compensated absences payable	<u>2,075,671</u>	<u>1,126,640</u>	<u>1,203,527</u>	<u>--</u>	<u>1,998,784</u>	<u>1,203,527</u>
	<u>4,493,775</u>	<u>1,981,337</u>	<u>1,461,200</u>	<u>--</u>	<u>5,013,912</u>	<u>1,203,527</u>
	<u>\$ 18,652,518</u>	<u>\$ 8,613,076</u>	<u>\$ 3,819,619</u>	<u>\$ 5,156,962</u>	<u>\$ 18,289,013</u>	<u>\$ 3,111,552</u>

Long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Refunded</u>	<u>Balance at June 30, 2012</u>	<u>Amounts due within one year</u>
Bonds payable and capital lease obligations:						
Revenue bonds payable	\$ 3,345,000	\$ --	\$ 145,000	\$ --	\$ 3,200,000	\$ 155,000
Capital lease obligations	8,444,286	4,547,642	2,033,185	--	10,958,743	2,677,504
Deferred refunding	<u>(6,250)</u>	<u>--</u>	<u>(6,250)</u>	<u>--</u>	<u>--</u>	<u>--</u>
	<u>11,783,036</u>	<u>4,547,642</u>	<u>2,171,935</u>	<u>--</u>	<u>14,158,743</u>	<u>2,832,504</u>
Other liabilities:						
Net OPEB obligation	1,807,654	702,334	91,884	--	2,418,104	--
Compensated absences payable	<u>2,094,811</u>	<u>1,183,783</u>	<u>1,202,923</u>	<u>--</u>	<u>2,075,671</u>	<u>1,202,923</u>
	<u>3,902,465</u>	<u>1,886,117</u>	<u>1,294,807</u>	<u>--</u>	<u>4,493,775</u>	<u>1,202,923</u>
	<u>\$ 15,685,501</u>	<u>\$ 6,433,759</u>	<u>\$ 3,466,742</u>	<u>\$ --</u>	<u>\$ 18,652,518</u>	<u>\$ 4,035,427</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>2013</u>	<u>2012</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.	\$ 1,942,100	\$ 2,265,521
<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.	--	410,000
<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. The lease was refunded by Series 2012B in fiscal 2013.	--	1,205,000
<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. The lease was refunded by Series 2012B in fiscal 2013.	--	906,962
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.	833,517	1,111,355
<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. The bonds were refunded by Series 2013 in fiscal 2013.	--	3,200,000

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (CONTINUED)

	<u>2013</u>	<u>2012</u>
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.	\$ 720,601	\$ 899,411
<i>November 7, 2011 equipment capital lease agreement</i> in the original amount of \$1,547,642. The lease requires annual principal and interest payments at 2.61% of \$309,528 beginning January 2012 through January 2016 at which time the title to the property will pass to the College.	881,614	1,160,494
<i>Stadium Certificates of Participation lease purchase agreement</i> issued April 3, 2012 in the original amount of \$3,000,000. The lease is to fulfill an obligation of the Foundation to pay for the College's share of construction of the BG Veterans Stadium. The lease requires semiannual principal and interest payments at 2.70% at varied amounts, with the final payment due April 3, 2020. These amounts will be reimbursed to the College by the Foundation. Ownership of the Stadium will be held by the Educational Facilities Authority. See also Note 1.	2,300,000	3,000,000
<i>Series 2012B Refunding Certificates of Participation</i> lease purchase agreement issued July 27, 2012 in the original amount of \$2,000,000 for the purpose of refunding Series 2008B and 2009 certificates maturing in years 2012 to 2016 inclusive. The lease required semiannual payments with an interest rate of 1.75% and annual principal payments with the final payment due July 27, 2016.	2,000,000	--
<i>Building lease agreement with City of El Dorado</i> in the original amount of \$1,841,739. The lease requires monthly principal and interest payments at 3.45% of \$10,634 beginning July 2012 through June 2032, at which time the title to the property	1,807,269	--
<i>Series 2013 Refunding Certificates of Participation</i> lease purchase agreement issued June 1, 2013 in the original amount of \$2,790,000 for the purpose of refunding Series 2005 revenue bonds maturing in years 2012 to 2026 inclusive. The lease required semiannual payments with an interest rate of 2.00% and annual principal payments with the final payment due September 1, 2025.	<u>2,790,000</u>	<u>--</u>
Total	13,275,101	14,158,743
Less: current portion	<u>1,908,025</u>	<u>2,832,504</u>
Long-term portion	<u>\$ 11,367,076</u>	<u>\$ 11,326,239</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (CONTINUED)

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

	2013	2012
Land	\$ 113,942	\$ 113,942
Land improvements	2,148,090	2,148,090
Buildings	12,190,722	10,348,983
Equipment	3,134,453	3,134,453
Financing costs	--	37,266
	<u>17,587,207</u>	<u>15,782,734</u>
Less accumulated depreciation	<u>(5,739,661)</u>	<u>(5,180,241)</u>
	<u>\$ 11,847,546</u>	<u>\$ 10,602,493</u>

Future minimum lease payments are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,908,025	\$ 321,310	\$ 2,229,335
2015	2,338,786	283,748	2,622,534
2016	2,391,114	224,373	2,615,487
2017	1,752,722	165,047	1,917,769
2018	955,117	120,751	1,075,868
2019 – 2023	2,064,671	361,393	2,426,064
2024 – 2028	1,355,044	144,521	1,499,565
2029 – 2033	<u>509,622</u>	<u>33,787</u>	<u>543,409</u>
	<u>\$ 13,275,101</u>	<u>\$ 1,654,930</u>	<u>\$ 14,930,031</u>

Refunded Certificates of Participation and Revenue Bonds – In July 2012, the College issued \$2,000,000 of Series 2012B Refunding Certificates of Participation with an interest rate of 1.75% to refund \$1,205,000 of Series 2008B Certificates of Participation and \$906,962 of Series 2009 Certificates of Participation. As a result, the \$2,111,962 Certificates of Participation are considered defeased, and the related liability has been removed from the long-term debt of the College. The refunding was done to take advantage of lower interest rates. As a result, the total debt service payments over the next 4 years will decrease by \$216,196.

In June 2013, the College issued \$2,790,000 of Series 2013 Refunding Certificates of Participation with an interest rate of 2.00% to refund \$3,045,000 of the Series 2005 Revenue Bonds with interest ranging from 4.00% to 4.65%. As a result, the \$3,045,000 Revenue Bonds are considered defeased, and the liability for the bonds has been removed from the long-term debt of the College. The refunding was done to take advantage of lower interest rates. As a result, the total debt service payments over the next 5 years will decrease by \$516,884. The economic gain (difference between the present value of the old and new debt service payments) is \$508,055.

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. 74-49,210 establish 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 statutory required employer's share. State law sets a limitation on annual increases in the contribution rates. The State of Kansas contributions rates for the period April 1, 2013 to June 30, 2013, July 1, 2012 to March 31, 2013, and July 1, 2011 to June 30, 2012, were 10.37%, 8.77%, and 9.77%, respectively, of covered payroll. Kansas' contributions to KPERs on-behalf of the College's employees for the years ending June 30, 2013, 2012, and 2011 were \$2,359,352, \$2,171,995, and \$1,973,785, 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 position.

8. PLEDGES RECEIVABLE – FOUNDATION

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

	2013	2012
Total pledges receivable	\$ 3,065,353	\$ 3,726,808
Less: unamortized discount	(256,767)	(348,157)
Less: allowance for unconditional pledges	(127,500)	(158,500)
Net pledges receivable	2,681,086	3,220,151
Less: pledges receivable, current portion	(598,689)	(688,176)
Pledges receivable, long-term	<u>\$ 2,082,397</u>	<u>\$ 2,531,975</u>
Amounts due in:		
Less than one year	\$ 726,189	\$ 846,676
One to five years	1,754,555	2,060,748
Five to ten years	584,609	819,384
	<u>\$ 3,065,353</u>	<u>\$ 3,726,808</u>

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

9. RELATED PARTIES

During the year ended June 30, 2013, the Foundation's pledge commitments to the College were conditional upon the Foundation successfully raising and collecting funds to support the commitment that has been made to the College. Because the pledge commitment at June 30, 2013 has been made on a conditional basis, it has not been recognized in the financial statements as of June 30, 2013.

The balance of the conditional pledges made to the College as June 30, 2013 and 2012 which are not recognized on the financial statements are as follows:

	<u>2013</u>	<u>2012</u>
Champions Training Center	\$ --	\$ 5,000
Stadium Project	<u>2,608,000</u>	<u>3,258,000</u>
	<u>\$ 2,608,000</u>	<u>\$ 3,263,000</u>

Future payments of conditional pledges made to the College at June 30, 2013 are anticipated as follows for the years ending June 30:

2014	\$ 600,000
2015	560,000
2016	460,000
2017	280,000
2018	225,000
Thereafter	<u>483,000</u>
	<u>\$ 2,608,000</u>

10. 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 position 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.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

10. ENDOWMENTS (CONTINUED)

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 permanently restricted net position (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 position is classified as unrestricted or temporarily restricted net position 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 position 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.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

10. ENDOWMENTS (CONTINUED)

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, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ --	\$ --	\$ 7,166,697	\$ 7,166,697
Board designated endowment funds	<u>35,000</u>	<u>--</u>	<u>--</u>	<u>35,000</u>
Total funds	<u>\$ 35,000</u>	<u>\$ --</u>	<u>\$ 7,166,697</u>	<u>\$ 7,201,697</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ --	\$ --	\$ 6,895,062	\$ 6,895,062
Board designated endowment funds	<u>35,000</u>	<u>--</u>	<u>--</u>	<u>35,000</u>
Total funds	<u>\$ 35,000</u>	<u>\$ --</u>	<u>\$ 6,895,062</u>	<u>\$ 6,930,062</u>

Changes in Endowment Net position for the Fiscal Year Ended June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net position, beginning of year	\$ 35,000	\$ --	\$ 6,895,062	\$ 6,930,062
Investment income (loss)	--	244,502	--	244,502
Changes in donor restrictions	--	--	(3,413)	(3,413)
Contributions	--	--	275,048	275,048
Appropriation of endowment assets for expenditure	<u>--</u>	<u>(244,502)</u>	<u>--</u>	<u>(244,502)</u>
Net position, end of year	<u>\$ 35,000</u>	<u>\$ --</u>	<u>\$ 7,166,697</u>	<u>\$ 7,201,697</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

10. ENDOWMENTS (CONTINUED)

Changes in Endowment Net position for the Fiscal Year Ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net position, beginning of year	\$ 35,000	\$ --	\$ 6,472,435	\$ 6,507,435
Investment income (loss)	--	204,022	--	204,022
Changes in donor restrictions	--	--	2,479	2,479
Contributions	--	--	420,148	420,148
Appropriation of endowment assets for expenditure	--	(204,022)	--	(204,022)
Net position, end of year	<u>\$ 35,000</u>	<u>\$ --</u>	<u>\$ 6,895,062</u>	<u>\$ 6,930,062</u>

11. 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, 2013 and 2012.

In fiscal 2013, the College entered into an agreement with a developer constructing an apartment complex near campus that will be used for student housing. The College shall guarantee that a certain number of beds will be occupied annually over the four-year term of the agreement, which was scheduled to begin in August 2012. The maximum amount of the guarantee to be paid over the four-year period shall not exceed \$800,000. The College was not required to pay on the guarantee, as the required number of beds were filled for the year end June 30, 2013.

12. 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.

13. 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.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

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.

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 2013:

Normal cost	\$ 552,679
Amortization of actuarial accrued liability	<u>329,753</u>
Annual required contribution	882,432
Interest on net OPEB obligation	84,634
Adjustment to the ARC	<u>(112,369)</u>
Annual OPEB cost	854,697
Less: Employer contributions	(138,673)
Less: Implicit subsidy	<u>(119,000)</u>
Increase in net OPEB obligation	597,024
Net OPEB obligation – beginning of year	<u>2,418,104</u>
Net OPEB obligation – end of year	<u>\$ 3,015,128</u>

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

Fiscal Year	Annual OPEB Cost	Percentage Contributed	End of Year Net OPEB Obligation
2011	\$ 754,490	18%	\$ 1 807 654
2012	\$ 744,802	18%	\$ 2,418,104
2013	\$ 854,697	30%	\$ 3,015,128

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

13. **POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)**

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, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5% 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 7%, 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.

Funded Status and Funding Progress

As of July 1, 2012, 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 \$6,856,107. The covered payroll (annual payroll of active employees covered by the plan) was \$19,590,447, and the ratio of the UAAL to the covered payroll was 35%.

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.

14. **PENDING GOVERNMENTAL ACCOUNTING STANDARDS**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Also, this statement provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows and inflows of resources, such as changes in determination of the major fund calculations and limiting the use of the term deferred in the financial statement presentations. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2014.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

14. PENDING GOVERNMENTAL ACCOUNTING STANDARDS (CONTINUED)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued in June 2012. This statement establishes accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equipment arrangements that meet certain criteria. Also, this statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, was issued in January 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2015 with earlier application encouraged.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, was issued in April 2013. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2014 with earlier application encouraged.

15. SUBSEQUENT EVENTS

Subsequent to year end, the College issued Certificates of Participation Series 2013B in the amount of \$5,990,000. Subsequent to year end, the College received a grant to establish an Information Technology Institute for \$2,748,686 over four years.

BUTLER COUNTY COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

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%
07/01/2012	\$ --	\$ 6,856,107	\$ 6,856,107	0%	\$ 19,590,447	35%

SUPPLEMENTARY INFORMATION

BUTLER COMMUNITY COLLEGE

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

Year ended June 30, 2013

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2012	\$ 8,478,885	\$ 8,528,724	\$ (49,839)
Revenue and transfers:			
Local property taxes	12,545,173	12,681,940	(136,767)
State appropriations	10,543,448	10,543,448	--
Student tuition and fees	14,352,687	18,872,739	(4,520,052)
Investment income	6,829	16,000	(9,171)
Cancellation of prior year encumbrances	163,473	--	163,473
Gifts and grants	660	--	660
Other	1,515,461	3,000,000	(1,484,539)
Transfers among funds - additions	1,302,009	--	1,302,009
Total revenue and transfers	<u>40,429,740</u>	<u>45,114,127</u>	<u>(4,684,387)</u>
Expenditures, encumbrances and transfers:			
Education and general:			
Instruction	11,268,742	14,297,049	3,028,307
Public service	--	1,670	1,670
Academic support	2,666,515	2,949,717	283,202
Student services	5,015,101	6,057,331	1,042,230
Institutional support	11,374,003	12,022,354	648,351
Operation and maintenance of plant	2,693,893	3,807,370	1,113,477
Student scholarships	2,573,138	3,463,796	890,658
Transfers among funds - deductions	5,572,385	7,845,207	2,272,822
Total education and general	41,163,777	50,444,494	9,280,717
Total expenditures, encumbrances and transfers	<u>41,163,777</u>	<u>50,444,494</u>	<u>9,280,717</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>(734,037)</u>	<u>(5,330,367)</u>	<u>4,596,330</u>
Fund balance, legal, June 30, 2013	<u>\$ 7,744,848</u>	<u>\$ 3,198,357</u>	<u>\$ 4,546,491</u>

BUTLER COMMUNITY COLLEGE

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

Year ended June 30, 2013

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2012	\$ 1,304,804	\$ 1,305,854	\$ (1,050)
Revenue and transfers:			
State appropriations	4,487,956	4,210,703	277,253
Student tuition and fees	5,306,312	5,390,000	(83,688)
Cancellation of prior year encumbrances	4,301	--	4,301
Other	163,482	--	163,482
Transfers among funds - additions	<u>3,000,000</u>	<u>5,700,000</u>	<u>(2,700,000)</u>
Total revenue	<u>12,962,051</u>	<u>15,300,703</u>	<u>(2,338,652)</u>
Expenditures, encumbrances and transfers:			
Instruction	5,571,393	6,066,346	494,953
Public service	--	551	551
Academic support	1,566,687	1,598,825	32,138
Student services	1,097,570	1,174,906	77,336
Institutional support	1,831,470	4,429,930	2,598,460
Operation and maintenance of plant	1,160,333	1,342,618	182,285
Student scholarships	563,545	--	(563,545)
Transfer among funds - reductions	<u>752,012</u>	<u>645,929</u>	<u>(106,083)</u>
Total expenditures, encumbrances and transfers	<u>12,543,010</u>	<u>15,259,105</u>	<u>2,716,095</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>419,041</u>	<u>41,598</u>	<u>377,443</u>
Fund balance, legal, June 30, 2013	<u>\$ 1,723,845</u>	<u>\$ 1,347,452</u>	<u>\$ 376,393</u>

BUTLER 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, 2013

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2012	\$ 402	\$ 856	\$ (454)
Revenue and transfers:			
Federal grants	82,787	115,000	(32,213)
State appropriations	62,745	80,000	(17,255)
Student tuition and fees	2,395	3,500	(1,105)
Other	3,851	155,140	(151,289)
Transfers among funds - additions	<u>101,524</u>	<u>--</u>	<u>101,524</u>
Total revenue and transfers	<u>253,302</u>	<u>353,640</u>	<u>(100,338)</u>
Expenditures and encumbrances:			
Instruction	<u>252,449</u>	<u>354,211</u>	<u>101,762</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>853</u>	<u>(571)</u>	<u>1,424</u>
Fund balance, legal, June 30, 2013	<u>\$ 1,255</u>	<u>\$ 285</u>	<u>\$ 970</u>

BUTLER 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, 2013

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2012	\$ 20,585	\$ 20,605	\$ (20)
Revenue and transfers:			
Student tuition and fees	13,989	20,000	(6,011)
Other	--	113,000	(113,000)
Transfers among funds - additions	<u>69,240</u>	<u>--</u>	<u>69,240</u>
Total revenue and transfers	83,229	133,000	(49,771)
Expenditures and encumbrances:			
Instruction	<u>85,745</u>	<u>132,914</u>	<u>47,169</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>(2,516)</u>	<u>86</u>	<u>(2,602)</u>
Fund balance, legal, June 30, 2013	<u>\$ 18,069</u>	<u>\$ 20,691</u>	<u>\$ (2,622)</u>

BUTLER 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, 2013

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2012	\$ -	\$ -	\$ -
Revenue and transfers:			
State appropriations	<u>25,493</u>	<u>45,000</u>	<u>(19,507)</u>
Expenditures and encumbrances:			
Instruction	<u>25,493</u>	<u>45,000</u>	<u>19,507</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, legal, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

BUTLER COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENSES, ENCUMBRANCES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

AUXILIARY ENTERPRISES
(LEGAL BASIS)

Year ended June 30, 2013

	Student Union and Dormitory			Educare Center			Parking			Total		
	Actual	Original	Variance	Actual	Original	Variance	Actual	Original	Variance	Actual	Original	Variance
		and Final	With Final		and Final	With Final		and Final	With Final		and Final	With Final
	Budget	Budget	Positive	Budget	Budget	Positive	Budget	Budget	Positive	Budget	Budget	Positive
		(Negative)	(Negative)		(Negative)	(Negative)		(Negative)	(Negative)		(Negative)	(Negative)
Fund balance, legal, July 1, 2012	\$ 3,466,875	\$ 3,505,627	\$ (38,752)	\$ -	\$ -	\$ -	\$ 95,641	\$ 95,641	\$ -	\$ 3,562,516	\$ 3,601,268	\$ (38,752)
Revenue and transfers:												
Student sources	223,656	260,000	(36,344)	-	-	-	68,491	188,801	(120,310)	292,147	448,801	(156,654)
Bookstore sales, dorm rental, meal tickets, gate receipts and concessions	7,372,029	7,089,680	282,349	-	611,534	(611,534)	-	-	-	7,372,029	7,701,214	(329,185)
Child care services	-	-	-	544,976	-	544,976	-	-	-	544,976	-	544,976
Cancellation of prior year encumbrances	25,679	-	25,679	-	-	-	189	-	189	25,868	-	25,868
Other	-	310,679	(310,679)	-	150,000	(150,000)	730	2,000	(1,270)	730	462,679	(461,949)
Transfers among funds - additions	178,379	-	178,379	-	-	-	-	-	-	178,379	-	178,379
Total revenue and transfers	<u>7,799,743</u>	<u>7,660,359</u>	<u>139,384</u>	<u>544,976</u>	<u>761,534</u>	<u>(216,558)</u>	<u>69,410</u>	<u>190,801</u>	<u>(121,391)</u>	<u>8,414,129</u>	<u>8,612,694</u>	<u>(198,565)</u>
Expenditures, encumbrances and transfers:												
Education and general:												
Cost of books, supplies, and meals	4,254,709	4,273,240	18,531	60,512	67,980	7,468	-	-	-	4,315,221	4,341,220	25,999
Salaries	875,055	947,740	72,685	470,810	665,074	194,264	-	-	-	1,345,865	1,612,814	266,949
Operating expense	602,758	730,540	127,782	13,142	28,480	15,338	-	8,000	8,000	615,900	767,020	151,120
Equipment	-	-	-	512	-	(512)	-	-	-	512	-	(512)
Expended for plant facilities	176,089	2,530,021	2,353,932	-	-	-	39,346	182,801	143,455	215,435	2,712,822	2,497,387
Transfers among funds - deductions	804,814	804,814	-	-	-	-	-	-	-	804,814	804,814	-
Total expenditures, encumbrances and transfers	<u>6,713,425</u>	<u>9,286,355</u>	<u>2,572,930</u>	<u>544,976</u>	<u>761,534</u>	<u>216,558</u>	<u>39,346</u>	<u>190,801</u>	<u>151,455</u>	<u>7,297,747</u>	<u>10,238,690</u>	<u>2,940,943</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>1,086,318</u>	<u>(1,625,996)</u>	<u>2,712,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,064</u>	<u>-</u>	<u>30,064</u>	<u>1,116,382</u>	<u>(1,625,996)</u>	<u>2,742,378</u>
Fund balance, legal, June 30, 2013	<u>\$ 4,553,193</u>	<u>\$ 1,879,631</u>	<u>\$ 2,673,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,705</u>	<u>\$ 95,641</u>	<u>\$ 30,064</u>	<u>\$ 4,678,898</u>	<u>\$ 1,975,272</u>	<u>\$ 2,703,626</u>

BUTLER COUNTY COMMUNITY COLLEGE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS**

Year ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash	\$ 226,883	\$ 638,526	\$ 787,841	\$ 77,568
Accounts receivable	11,114	12,715	11,114	12,715
Due from other governments	12,211	131,252	12,211	131,252
Total assets	\$ 250,208	\$ 782,493	\$ 811,166	\$ 221,535
Liabilities				
Accrued liabilities	\$ 8,853	\$ 25,816	\$ 8,853	\$ 25,816
Due to other governments	241,355	1,375	47,011	195,719
Total liabilities	\$ 250,208	\$ 27,191	\$ 55,864	\$ 221,535

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the business-type activities, discretely presented component unit, and the aggregate remaining fund information of Butler County Community College (College) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 22, 2013. Our report includes a reference to other auditors. 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

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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 Audit Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

November 22, 2013
Wichita, Kansas

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
Butler County Community College
El Dorado, Kansas

Report on Compliance for Each Major Federal Program

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, 2013. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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 a 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. *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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

November 22, 2013
Wichita, Kansas

BUTLER COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? yes X no
- Significant deficiencies identified? yes X none reported
- Noncompliance material to financial statements noted? yes X no

FEDERAL AWARDS

Internal control over major programs:

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

Type of auditor's 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*? yes X no

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>	<u>OPINION</u>
	Student Financial Aid Cluster:	Unmodified
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	
84.031A	Title III Part A Programs – Strengthening Institutions	Unmodified

BUTLER COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITOR’S RESULTS (Continued)

Dollar threshold used to distinguish
between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reported.

BUTLER COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<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>\$ 26,338</u>
<u>U. S. Department of Education:</u>			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		146,210 ¹
Federal Work-Study Program	84.033		176,926 ²
Federal Pell Grant Program	84.063		13,491,745 ³
Federal Direct Student Loans	84.268		18,428,806 ⁴
Title III Part A Programs-Strengthening Institutions	84.031A		336,946
TRIO-Student Support Services	84.042A		240,391
Child Care Access Means Parents in School	84.335		53,883
Indirect Programs:			
Passed through Kansas Board of Regents:			
Adult Education – Basic Grants to States	84.002	3042-3000	82,787
Career and Technical Education – Basic Grants to States	84.048	3051-3004	223,295
Rigorous Program of Study Grant	84.051	3397-3397	<u>9,852</u>
Total U.S. Department of Education			<u>33,190,841</u>
<u>U.S. Department of Labor:</u>			
Indirect Programs:			
Passed through Workforce Alliance			
H-1B Job Training Grants	17.268	Not available	2,238
Passed through Kansas Board of Regents:			
Accelerating Opportunity Grant	17.unknown	2525-2524	<u>2,500</u>
Total U.S. Department of Labor			<u>4,738</u>

BUTLER COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA #</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Award Funds Expended</u>
<u>National Science Foundation:</u>			
Indirect Programs:			
Passed through El Comino Community College Education and Human Resources	47.076	6418	\$ 19,997
Total Federal Expenditures			<u>\$ 33,241,914</u>

¹ 2012/2013 Grants to students total \$136,070. Administrative allowance on Title IV programs claimed of \$10,084. 2011/2012 grants to students total \$56. Match of other institutional resources designated-non federal share \$45,623 (institutional scholarships).

² Combined Federal and institutional dollars for wages paid to student eligible for Federal Work Study Program total \$220,857. Administrative allowance on Title IV programs claims of \$10,084.

³ Includes Pell awards for 2011-2012 term of \$46,980.

⁴ Includes loans totaling \$61,230 for 2011-2012 terms.

BUTLER COUNTY COMMUNITY COLLEGE

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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. 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.