

BUTLER COUNTY COMMUNITY COLLEGE

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2015 AND 2014
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, 2015 and 2014

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 - 38
Required Supplementary Information	39 - 41
Supplementary Information:	
Schedule of Revenues, Expenses, Encumbrances and Changes in Fund Balance - Budget and Actual (Legal Basis):	
General Fund.....	42
Postsecondary Technical Education Fund	43
Adult Basic Education Fund	44
Adult Supplementary Education Fund	45
Motorcycle Driver Safety Fund	46
Auxiliary Enterprises.....	47
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	48
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>	49 - 50
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance.....	51 - 52
Schedule of Findings and Questioned Costs.....	53 - 54
Schedule of Expenditures of Federal Awards.....	55 - 56
Note to Schedule of Expenditures of Federal Awards	57

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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, 2015 and 2014, 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, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, on July 1, 2014, the College adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Government Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

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 December 10, 2015 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

December 10, 2015
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 2015 and 2014 are presented; comparative data for fiscal years 2014 and 2013 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.

Butler County Community College
Management's Discussion and Analysis

Condensed Statements of Net Position (in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	2015 vs. 2014 Increase (Decrease)	2014 vs. 2013 Increase (Decrease)
Current assets	\$ 22,971	\$ 22,203	\$ 19,460	\$ 768	\$ 2,743
Noncurrent assets	<u>50,135</u>	<u>50,185</u>	<u>46,557</u>	<u>(50)</u>	<u>3,628</u>
Total assets	<u>73,106</u>	<u>72,388</u>	<u>66,017</u>	<u>718</u>	<u>6,371</u>
Current liabilities	6,357	6,299	5,772	58	527
Noncurrent liabilities	<u>16,861</u>	<u>19,160</u>	<u>15,177</u>	<u>(2,299)</u>	<u>3,983</u>
Total liabilities	<u>23,218</u>	<u>25,459</u>	<u>20,949</u>	<u>(2,241)</u>	<u>4,510</u>
Net investment in capital assets	31,547	29,441	30,250	2,106	(809)
Restricted - expendable	88	133	225	(45)	(92)
Unrestricted	<u>18,253</u>	<u>17,355</u>	<u>14,593</u>	<u>898</u>	<u>2,762</u>
Total net position	<u>\$ 49,888</u>	<u>\$ 46,929</u>	<u>\$ 45,068</u>	<u>\$ 2,959</u>	<u>\$ 1,861</u>

Changes to Total Assets

The total assets of the College increased by \$718,635 primarily related to an increase in cash and investments and bookstore inventory.

Changes to Total Liabilities

The total liabilities of the College for the year have decreased by \$(2,240,504). This change is attributed to principal payments being made on 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 2015, the net investment in capital assets increased by \$2,106,857. Along with the combination of a decrease in restricted-expendable net position of \$(45,133) and an increase in unrestricted net position of \$897,415, overall net position of the College increased \$2,959,139.

Butler County Community College
Management's Discussion and Analysis

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.

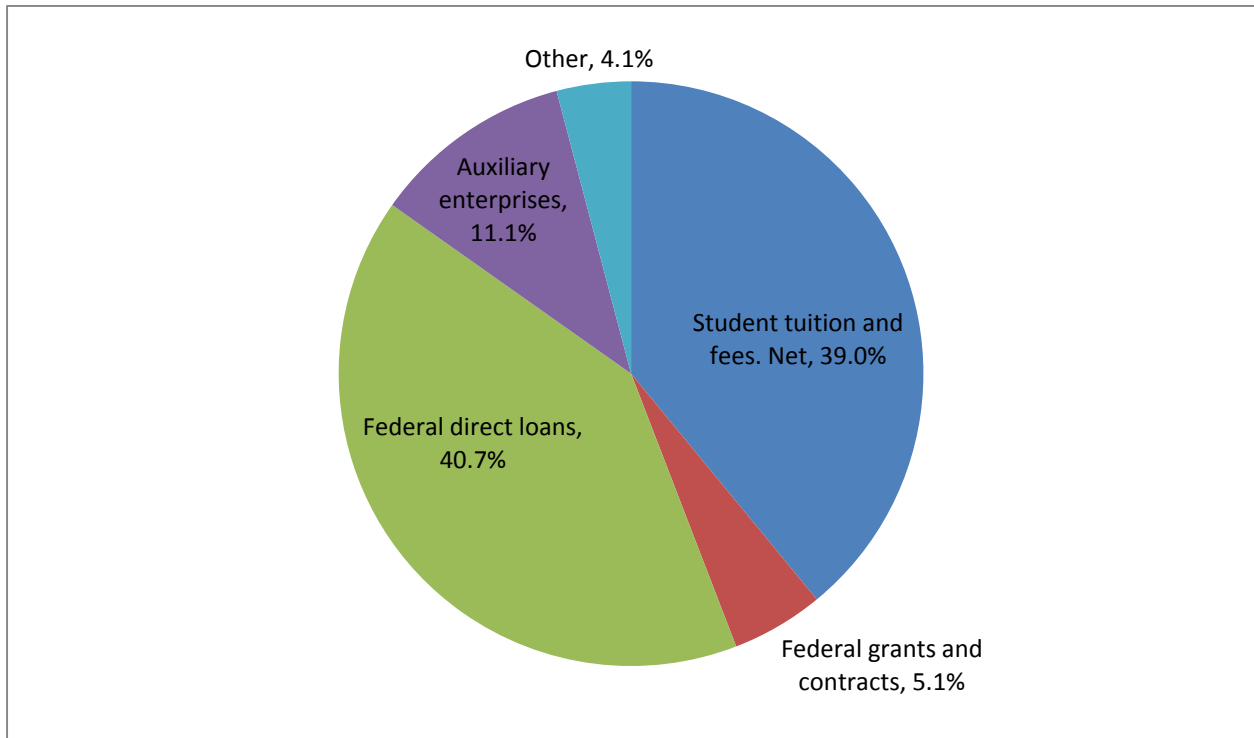
State appropriations and tax revenues are necessary to maintain a balanced operation at the College. Since these revenues are not classified as operating, the College (like most public colleges and universities) experienced an operating loss. The College's operating loss under this method of presentation was \$40,607,441 and \$41,300,116 in fiscal years 2015 and 2014, respectively.

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

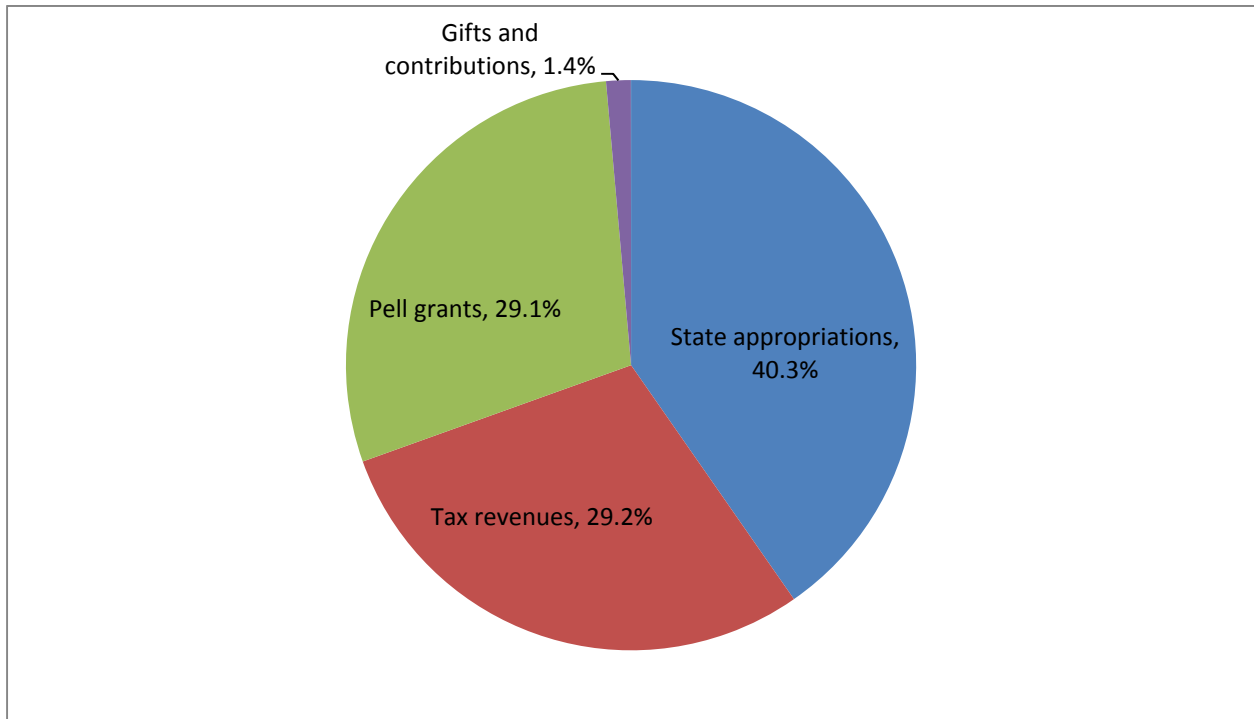
	2015	2014	2013	2015 vs. 2014 Increase (Decrease)	2014 vs. 2013 Increase (Decrease)
Operating revenue	\$ 47,169	\$ 44,035	\$ 46,246	\$ 3,314	\$ (2,211)
Operating expenses	<u>87,777</u>	<u>85,335</u>	<u>88,651</u>	<u>2,442</u>	<u>(3,316)</u>
Operating loss	(40,608)	(41,300)	(42,405)	692	1,105
Nonoperating revenues (expenses)	<u>43,567</u>	<u>43,161</u>	<u>43,649</u>	<u>406</u>	<u>(488)</u>
Increase (Decrease) in net position	2,959	1,861	1,244	1,098	617
Net position, beginning of the year	<u>46,929</u>	<u>45,068</u>	<u>43,824</u>	<u>1,861</u>	<u>1,244</u>
Net position, end of the year	<u>\$ 49,888</u>	<u>\$ 46,929</u>	<u>\$ 45,068</u>	<u>\$ 2,959</u>	<u>\$ 1,861</u>

**Butler County Community College
Management's Discussion and Analysis**

Operating Revenues by Source

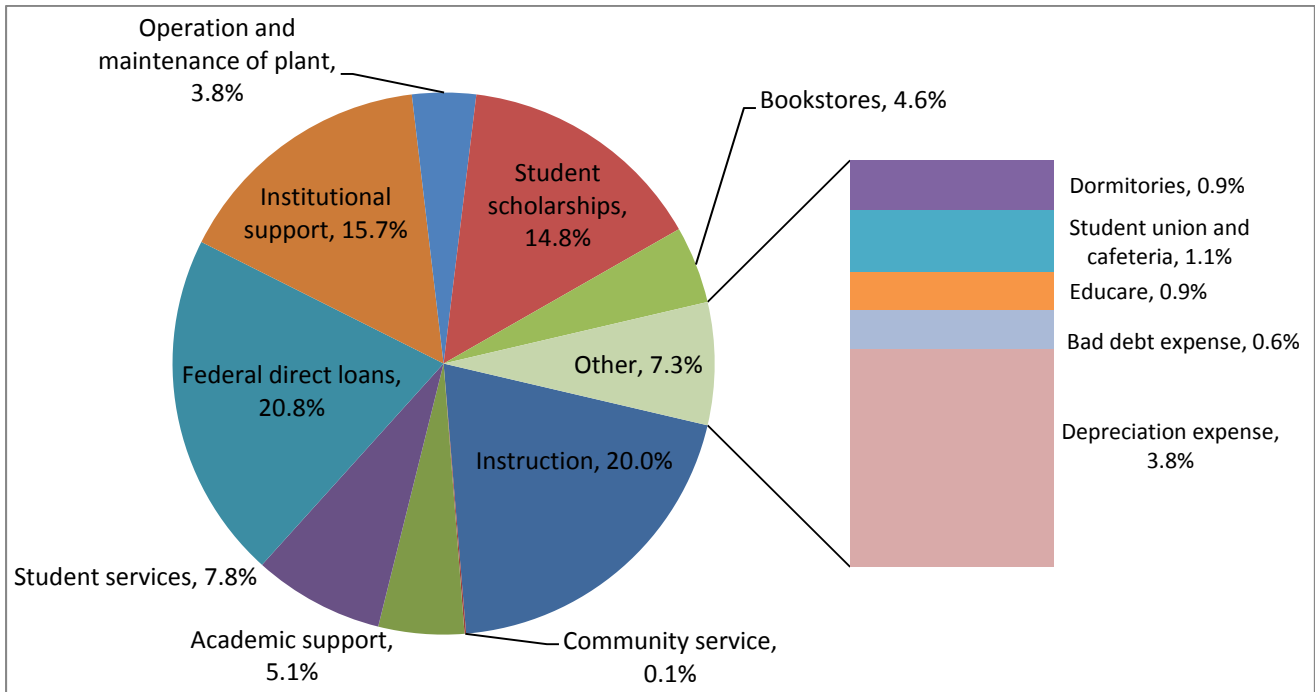


Nonoperating Revenues by Major Source



Butler County Community College
Management's Discussion and Analysis

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)

	2015	2014	2013
Cash flows from:			
Operating activities	\$ (34,578)	\$ (34,291)	\$ (37,881)
Noncapital financing activities	40,925	40,073	41,278
Capital financing activities	(8,530)	25	(6,617)
Investing activities	2,600	(2,461)	6,043
Net increase (decrease) in cash	417	3,346	2,823
Cash, beginning of year	20,075	16,729	13,906
Cash, end of year	<u>\$ 20,492</u>	<u>\$ 20,075</u>	<u>\$ 16,729</u>

Butler County Community College
Management's Discussion and Analysis

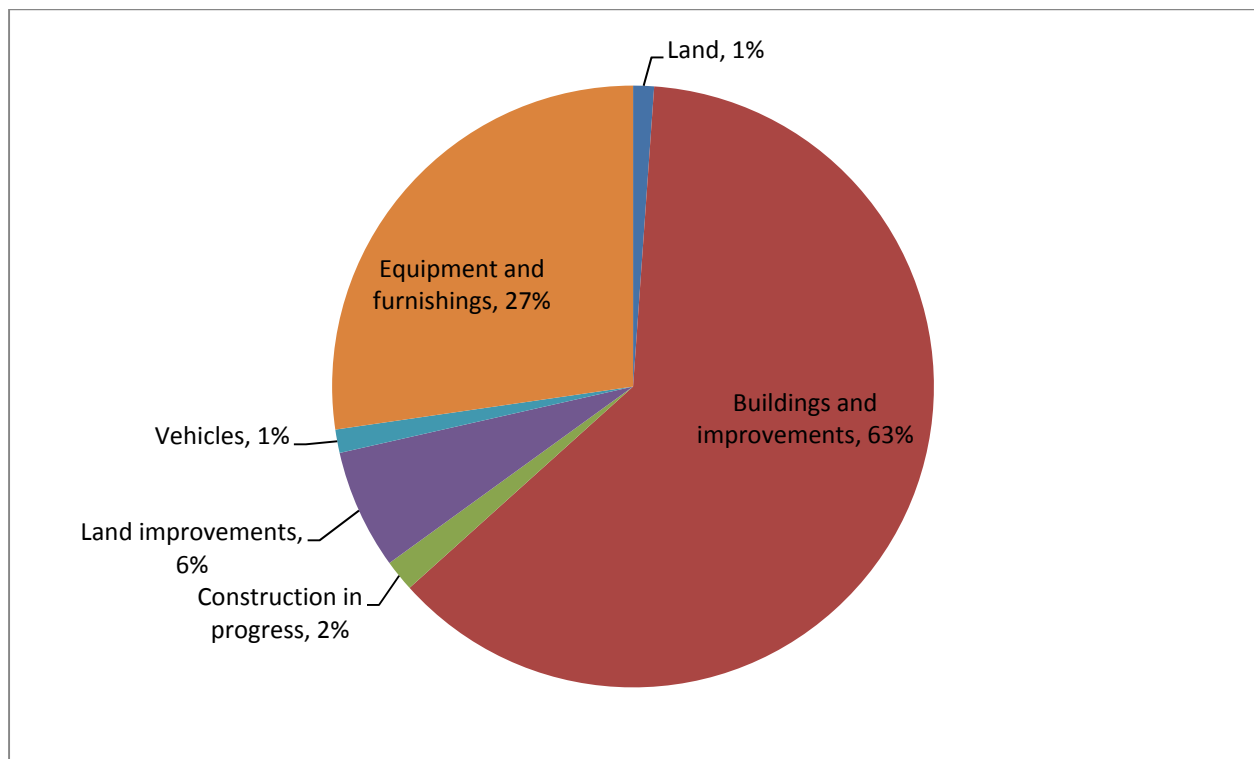
Significant sources of cash included local property taxes, the state operating grant, tuition and fees, and proceeds from maturities of investments. Significant uses of cash were payments to suppliers and vendors, payments to employees, employee benefits, payments for scholarships, capital assets and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

The cash position of the College increased by \$416,611 for the fiscal year ended June 30, 2015 compared to an increase of \$3,345,533 for the fiscal year ended June 30, 2014.

Capital Asset and Debt Administration

At fiscal year-end, the College had \$83,328,502 of capital assets, with accumulated depreciation of \$38,398,229. Related depreciation charges of \$3,454,310 were recognized in the fiscal year 2015. More detailed financial activity related to the changes in Capital Assets is presented in Note 3.

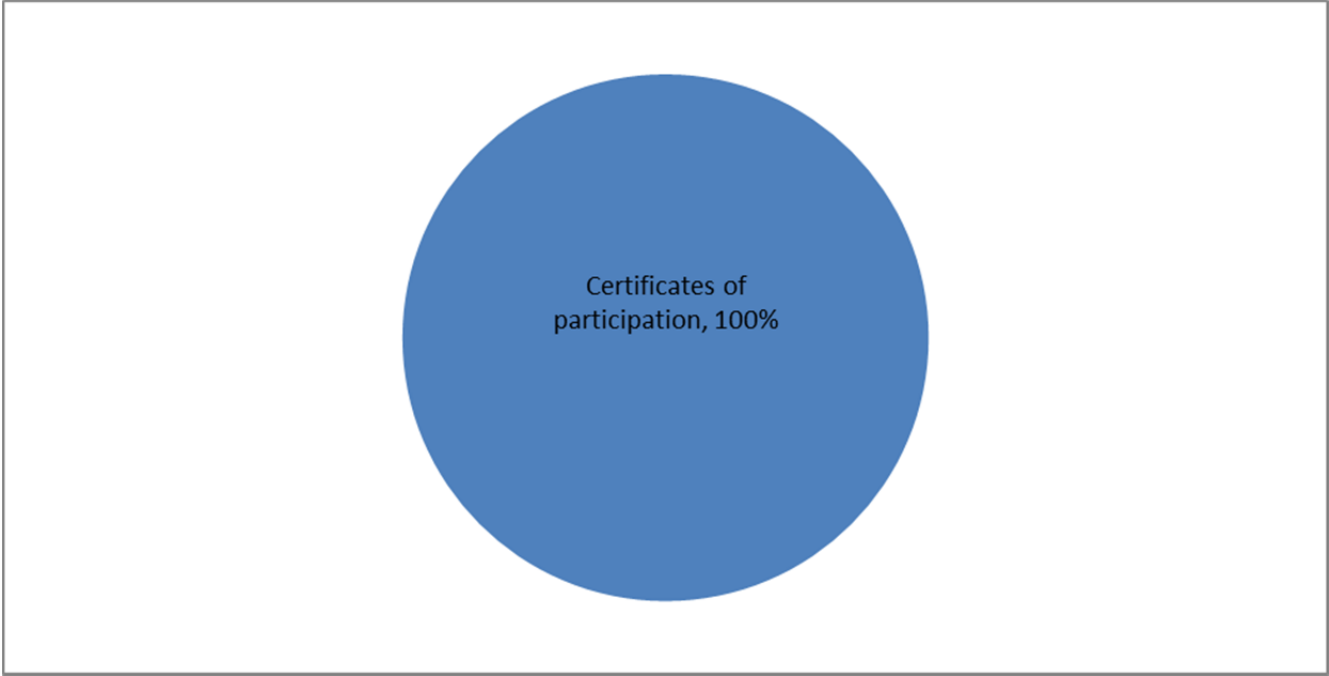
Capital Asset Categories



Butler County Community College
Management's Discussion and Analysis

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

Categories of Debt



Economic Outlook

Overall, the financial position of the College's remains strong and management will continue to monitor its resources and expenses as part of its financial planning. Stability of the College's funding from the State of Kansas continues to be a concern as actual state revenues collected continue to lag behind estimates. Being a labor-intensive organization the College will continue to face competitive pressures related to attracting and retaining leading faculty and staff. Moreover, the rising cost of providing the College's health care benefits will continue to be a key variable in future planning.

Faculty and staff are committed to creating unique and engaging learning environments with a focus on helping students develop the skills and abilities needed for the 21st century. This positions the College to maintain its strong financial condition and to continue providing excellent service and value to its students, the regional economy, and taxpayers.

The College is not aware of any additional currently known facts, decisions, or conditions that are expected to have significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having global effect on virtually all types of business operations.

BASIC FINANCIAL STATEMENTS

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	College		Foundation	
	2015	2014	2015	2014
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 20,491,827	\$ 20,075,216	\$ 1,851,858	\$ 1,589,627
Accounts receivable net of allowance for doubtful accounts of \$4,470,887 in 2015 and \$3,841,505 in 2014	1,161,852	960,376	-	-
Receivables from Federal and State governments	138,132	301,010	-	-
Current portion of pledges receivable	-	-	667,985	599,450
Prepaid expenses	42,767	-	-	-
Other receivable	-	-	-	9,640
Bookstore inventory	1,136,654	866,434	-	-
Total current assets	<u>22,971,232</u>	<u>22,203,036</u>	<u>2,519,843</u>	<u>2,198,717</u>
Noncurrent assets:				
Cash and investments	-	-	10,132,074	10,168,963
Restricted cash and investments	60,382	2,654,854	-	-
Pledges receivable	-	-	1,457,684	1,559,795
Cash surrender value of life insurance	-	-	17,366	20,349
Investment in joint venture	5,144,835	5,144,835	-	-
Capital assets, net of accumulated depreciation				
Land and construction in progress	2,339,486	4,338,962	-	-
Other capital assets, net of accumulated depreciation	42,590,787	38,046,400	11,011	3,764
Total noncurrent assets	<u>50,135,490</u>	<u>50,185,051</u>	<u>11,618,135</u>	<u>11,752,871</u>
Total assets	<u>73,106,722</u>	<u>72,388,087</u>	<u>14,137,978</u>	<u>13,951,588</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	742,683	838,333	61,021	23,182
Compensated absences payable	1,295,802	1,165,605	-	-
Accrued salaries	698,779	689,414	-	-
Deposits held in custody for others	54,863	176,471	-	-
Accrued interest payable	32,736	33,914	-	-
Unearned revenue	796,112	796,376	-	-
Current portion of annuity payable	-	-	5,800	7,900
Current portion of long-term debt	2,736,113	2,598,786	1,281	2,606
Total current liabilities	<u>6,357,088</u>	<u>6,298,899</u>	<u>68,102</u>	<u>33,688</u>
Noncurrent liabilities:				
Long-term debt	11,907,177	14,643,291	8,654	-
Long-term compensated absences payable	791,285	914,656	-	-
Net OPEB obligation	4,162,653	3,601,861	-	-
Long-term annuity payable	-	-	51,626	54,731
Total noncurrent liabilities	<u>16,861,115</u>	<u>19,159,808</u>	<u>60,280</u>	<u>54,731</u>
Total liabilities	<u>23,218,203</u>	<u>25,458,707</u>	<u>128,382</u>	<u>88,419</u>
<u>NET POSITION</u>				
Net investment in capital assets	31,547,365	29,440,508	11,011	3,764
Restricted - expendable:				
For capital projects	-	107,632	1,394,173	1,992,424
For scholarships, instruction and other	88,346	25,847	2,292,869	2,275,513
For college support	-	-	1,141,210	1,256,151
Restricted - non-expendable:				
For scholarships	-	-	7,483,538	6,739,155
For college support	-	-	1,233,932	1,065,921
Unrestricted	18,252,808	17,355,393	452,863	530,241
Total net position	<u>\$ 49,888,519</u>	<u>\$ 46,929,380</u>	<u>\$ 14,009,596</u>	<u>\$ 13,863,169</u>

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, 2015 and 2014

	<u>College</u>		<u>Foundation</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>REVENUES</u>				
Operating revenues:				
Student tuition and fees, net of scholarship allowances of \$1,880,101 in 2015 and \$1,941,883 in 2014	\$ 17,465,632	\$ 17,456,186	\$ -	\$ -
Federal grants and contracts	2,298,518	1,579,370	-	-
Federal direct loans	18,193,549	16,632,850	-	-
Gifts and contributions	-	-	2,152,687	1,857,039
Auxiliary enterprises:				
Bookstores, net of scholarship allowances of \$534,117 in 2015 and \$541,640 in 2014	4,961,807	4,868,973	-	-
Dormitories, net of scholarship allowances of \$129,880 in 2015 and \$131,030 in 2014	1,206,548	1,177,867	-	-
Student union and cafeteria, net of scholarship allowances of \$66,703 in 2015 and \$67,833 in 2014	619,655	609,768	-	-
Educare, net of discounts	572,507	524,014	-	-
Net investment return	-	-	440,549	1,564,816
Other	1,851,045	1,186,096	-	-
Total operating revenues	<u>47,169,261</u>	<u>44,035,124</u>	<u>2,593,236</u>	<u>3,421,855</u>
<u>EXPENSES</u>				
Operating expenses:				
Instruction	17,684,271	18,290,487	-	-
Community service	122,708	84,405	-	-
Academic support	4,476,027	4,470,408	1,407,300	1,495,048
Student services	6,854,907	6,844,598	-	-
Federal direct loans	18,190,142	16,632,850	-	-
Institutional support	13,759,297	13,263,402	370,346	344,355
Operation and maintenance of plant	3,306,876	3,280,775	-	-
Student scholarships	12,979,334	12,203,126	439,552	364,208
Fundraising	-	-	226,906	161,949
Auxiliary enterprises:				
Bookstores	3,998,933	3,958,694	-	-
Dormitories	752,455	781,564	-	-
Student union and cafeteria	985,963	1,079,559	-	-
Educare	582,097	753,933	-	-
Bad debt expense	629,382	481,099	-	-
Depreciation expense	3,454,310	3,210,340	2,705	3,113
Total operating expenses	<u>87,776,702</u>	<u>85,335,240</u>	<u>2,446,809</u>	<u>2,368,673</u>
Operating income (loss)	<u>(40,607,441)</u>	<u>(41,300,116)</u>	<u>146,427</u>	<u>1,053,182</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>				
State appropriations	17,779,919	18,057,871	-	-
Tax revenues	12,872,453	12,501,600	-	-
Pell grants	12,825,213	12,168,567	-	-
Gifts and contributions	614,766	850,000	-	-
Investment income	5,260	6,029	-	-
Interest on capital asset-related debt	(513,521)	(322,783)	-	-
Gain (loss) on disposal of assets	(17,510)	(99,999)	-	-
Total nonoperating revenues (expenses)	<u>43,566,580</u>	<u>43,161,285</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	2,959,139	1,861,169	146,427	1,053,182
Net position at beginning of year	<u>46,929,380</u>	<u>45,068,211</u>	<u>13,863,169</u>	<u>12,809,987</u>
Total net position	<u>\$ 49,888,519</u>	<u>\$ 46,929,380</u>	<u>\$ 14,009,596</u>	<u>\$ 13,863,169</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Tuition and fees	\$ 17,181,114	\$ 17,270,770
Grants and contracts	20,654,945	18,569,531
Payments to suppliers and employees	(68,609,950)	(66,279,499)
Payments for scholarships	(12,979,334)	(12,203,126)
Auxiliary enterprise charges:		
Bookstores	4,961,807	4,868,973
Dormitories	1,206,548	1,177,867
Student union and cafeteria	583,065	594,615
Educare	572,507	524,014
Other	<u>1,851,045</u>	<u>1,186,096</u>
Net cash flow from operating activities	<u>(34,578,253)</u>	<u>(34,290,759)</u>
Cash Flows From Noncapital Financing Activities:		
Tax receipts	12,872,453	12,501,600
State appropriations	15,212,917	15,402,748
Other	<u>12,839,979</u>	<u>12,168,567</u>
Net cash flow from noncapital financing activities	<u>40,925,349</u>	<u>40,072,915</u>
Cash Flows From Capital Financing Activities:		
Purchases of capital assets	(6,016,731)	(4,470,660)
Proceeds from long-term debt	-	5,875,000
Donations received from Foundation	600,000	850,000
Principal paid on long-term debt	(2,598,787)	(1,908,024)
Interest paid on long-term debt	<u>(514,699)</u>	<u>(321,309)</u>
Net cash flow from capital financing activities	<u>(8,530,217)</u>	<u>25,007</u>
Cash Flows From Investing Activities:		
Investment income	5,260	6,029
Proceeds from sales and maturities of investments	24,500,000	22,032,341
Purchases of investments	<u>(21,905,528)</u>	<u>(24,500,000)</u>
Net cash flow from investing activities	<u>2,599,732</u>	<u>(2,461,630)</u>
Net change in cash and cash equivalents	416,611	3,345,533
Cash and cash equivalents at beginning of year	<u>20,075,216</u>	<u>16,729,683</u>
Cash and cash equivalents at end of year	<u>\$ 20,491,827</u>	<u>\$ 20,075,216</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of Net Operating Loss to Net Cash Flow From Operating Activities:		
Operating loss	\$ (40,607,441)	\$ (41,300,116)
Adjustments to reconcile net operating loss to net cash flow from operating activities:		
Depreciation expense	3,454,310	3,210,340
State on-behalf payments for employee benefits	2,567,002	2,655,123
Changes in assets and liabilities:		
Accounts receivable	(201,476)	(165,169)
Receivable from Federal and State governments	162,878	357,311
Inventories	(270,220)	411,270
Prepaid expenses	(42,767)	-
Accounts payable and accrued expenses	359,725	575,109
Deferred revenue	<u>(264)</u>	<u>(34,627)</u>
Net cash flow from operating activities	<u>\$ (34,578,253)</u>	<u>\$ (34,290,759)</u>
 Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Current cash and investments	\$ 20,491,827	\$ 20,075,216
Noncurrent cash and investments	60,382	2,654,854
Less: investments	<u>(60,382)</u>	<u>(2,654,854)</u>
Net cash and cash equivalents	<u>\$ 20,491,827</u>	<u>\$ 20,075,216</u>

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

BUTLER COUNTY COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS - FOUNDATION
Years ended June 30, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities:		
Increase in net position	\$ 146,427	\$ 1,053,182
Adjustments to reconcile the change in net position to net cash flow from operating activities:		
Depreciation	2,705	3,113
Unrealized and realized loss (gain) on investments	(251,915)	(1,386,924)
Decrease (increase) in cash value of life insurance	2,983	(1,417)
Net change in operating assets and liabilities:		
Unconditional promises to give	33,576	521,841
Other receivables	9,640	-
Accounts payable	27,534	4,829
Accrued liabilities	10,306	(7,627)
	<u>(18,744)</u>	<u>186,997</u>
 Net cash flow from operating activities	<u>(18,744)</u>	<u>186,997</u>
 Cash Flows From Investing Activities:		
Net change in short term investments	(258,530)	278,485
Purchase of investments	(3,914,938)	(3,307,197)
Proceeds from sale of investments	4,203,741	2,844,500
Purchases of property and equipment	(10,032)	-
Loss from disposition of property and equipment	80	86
	<u>20,321</u>	<u>(184,126)</u>
 Net cash flow from investing activities	<u>20,321</u>	<u>(184,126)</u>
 Cash Flows From Financing Activities:		
Proceeds from capital lease	10,032	-
Payments on capital lease obligations	(2,703)	(2,397)
Payments on annuity obligations	(5,205)	(2,959)
	<u>2,124</u>	<u>(5,356)</u>
 Net cash flow from financing activities	<u>2,124</u>	<u>(5,356)</u>
 Net change in cash and cash equivalents	<u>3,701</u>	<u>(2,485)</u>
 Cash and cash equivalents at beginning of year	<u>11,422</u>	<u>13,907</u>
 Cash and cash equivalents at end of year	<u>\$ 15,123</u>	<u>\$ 11,422</u>
 Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and cash equivalents	\$ 15,123	\$ 11,422
Investments	1,836,735	1,578,205
	<u>\$ 1,851,858</u>	<u>\$ 1,589,627</u>
 Total cash and investments	<u>\$ 1,851,858</u>	<u>\$ 1,589,627</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, 2015 and 2014

	2015	2014
ASSETS		
Cash	\$ 228,614	\$ 217,137
Due from other governments	21,001	-
Total assets	\$ 249,615	\$ 217,137
LIABILITIES		
Accrued liabilities	239	13,721
Due to other governments	249,376	203,416
Total liabilities	\$ 249,615	\$ 217,137

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, 2015 and 2014 was \$5,144,835, 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, 2015 and 2014, the County Treasurer had distributed to the College approximately 95% 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 made by the State of Kansas to the Kansas Public Employees Retirement System (KPERs) on behalf of the College's employees. During 2015, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Report for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Since the State funds the employer contributions for community colleges, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68. The State is treated as a nonemployer contributing entity in KPERs. Since these employers do not contribute directly to KPERs, there is no net pension liability or deferred inflows or outflows to report in their financial statements. See Note 7 for disclosures regarding the State's portion of the College's total proportionate share of the collective net pension liability that is associated with the College.

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 includes 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 consists 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, in accordance with donor restrictions.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 organized as a Kansas nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). The Foundation is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS annually. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believe that is has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

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.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2015.

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015 and 2014 consisted of demand deposit accounts, money market savings accounts, and certificates of deposits. At year-end, the carrying amount of the College's deposits was \$20,720,441 with the bank balances of such accounts being \$21,127,984. Of the bank balances, \$2,250,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by the College's custodial bank in joint custody in the name of the College and its bank.

Investments - At June 30, 2015 and 2014 the College had the following investments:

Investment Type	2015		2014	
	Fair Value/ Carrying Amount	Weighted Average Months to Maturity	Fair Value/ Carrying Amount	Weighted Average Months to Maturity
Money Market - held in trust	\$ 60,382	N/A	\$ 2,654,854	N/A

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.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

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

	2015	2014
Money market funds	\$ 1,836,735	\$ 1,578,205
Equity investments	7,119,187	7,305,675
Federal government obligations	32,255	29,611
Corporate bonds	<u>2,980,632</u>	<u>2,833,677</u>
	<u>\$ 11,968,809</u>	<u>\$ 11,747,168</u>

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

	2015	2014
Investment income	\$ 188,634	\$ 177,892
Net realized and unrealized gains (losses)	<u>251,915</u>	<u>1,386,924</u>
	<u>\$ 440,549</u>	<u>\$ 1,564,816</u>

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<u>College</u>				
Capital assets not being depreciated:				
Land	\$ 935,237	\$ --	\$ --	\$ 935,237
Construction in progress	<u>3,403,725</u>	<u>1,272,824</u>	<u>3,272,300</u>	<u>1,404,249</u>
Total capital assets not being depreciated	<u>4,338,962</u>	<u>1,272,824</u>	<u>3,272,300</u>	<u>2,339,486</u>
Capital assets being depreciated:				
Land improvements	5,354,268	49,218	39,192	5,364,294
Buildings and improvements	45,550,284	6,288,265	--	51,838,549
Vehicles	1,228,639	102,533	283,666	1,047,506
Equipment and furnishings	<u>21,447,598</u>	<u>1,576,191</u>	<u>285,122</u>	<u>22,738,667</u>
Total capital assets being depreciated	<u>73,580,789</u>	<u>8,016,207</u>	<u>607,980</u>	<u>80,989,016</u>
Less: accumulated depreciation				
Land improvements	2,918,135	265,079	28,279	3,154,935
Building and improvements	15,325,984	1,508,393	--	16,834,377
Vehicles	980,880	130,544	279,291	832,133
Equipment and furnishings	<u>16,309,390</u>	<u>1,550,294</u>	<u>282,900</u>	<u>17,576,784</u>
Total accumulated depreciation	<u>35,534,389</u>	<u>3,454,310</u>	<u>590,470</u>	<u>38,398,229</u>
Total capital assets being depreciated, net	<u>38,046,400</u>	<u>4,561,897</u>	<u>17,510</u>	<u>42,590,787</u>
Net capital assets	<u>\$ 42,385,362</u>	<u>\$ 5,834,721</u>	<u>\$ 3,289,810</u>	<u>\$ 44,930,273</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<u>Foundation</u>				
Equipment, at cost	\$ 34,907	\$ 10,032	\$ 10,894	\$ 34,045
Accumulated depreciation	<u>31,143</u>	<u>2,705</u>	<u>10,814</u>	<u>23,034</u>
Net capital assets	<u>\$ 3,764</u>	<u>\$ 7,327</u>	<u>\$ 80</u>	<u>\$ 11,011</u>

In late fiscal 2015, a severe hail storm caused roof damage on a number of the College's buildings. As of June 30, 2015, the College was still in process of evaluating the extent of damage and the required restoration costs; therefore, any potential impairment to capital assets or insurance recoveries were not yet estimable. The College expects insurance to cover restoration costs above the College's \$25,000 deductible.

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<u>College</u>				
Capital assets not being depreciated:				
Land	\$ 935,237	\$ --	\$ --	\$ 935,237
Construction in progress	<u>145,855</u>	<u>3,271,600</u>	<u>13,730</u>	<u>3,403,725</u>
Total capital assets not being depreciated	<u>1,081,092</u>	<u>3,271,600</u>	<u>13,730</u>	<u>4,338,962</u>
Capital assets being depreciated:				
Land improvements	5,296,583	57,685	--	5,354,268
Buildings and improvements	45,356,885	193,399	--	45,550,284
Vehicles	1,177,777	87,489	36,627	1,228,639
Equipment and furnishings	20,659,806	874,217	86,425	21,447,598
Financing costs	<u>95,390</u>	<u>--</u>	<u>95,390</u>	<u>--</u>
Total capital assets being depreciated	<u>72,586,441</u>	<u>1,212,790</u>	<u>218,442</u>	<u>73,580,789</u>
Less: accumulated depreciation				
Land improvements	2,653,782	264,353	--	2,918,135
Building and improvements	14,007,493	1,318,491	--	15,325,984
Vehicles	900,898	116,611	36,629	980,880
Equipment and furnishings	14,874,336	1,510,885	75,831	16,309,390
Financing costs	<u>5,983</u>	<u>--</u>	<u>5,983</u>	<u>--</u>
Total accumulated depreciation	<u>32,442,492</u>	<u>3,210,340</u>	<u>118,443</u>	<u>35,534,389</u>
Total capital assets being depreciated, net	<u>40,143,949</u>	<u>(1,997,550)</u>	<u>99,999</u>	<u>38,046,400</u>
Net capital assets	<u>\$ 41,225,041</u>	<u>\$ 1,274,050</u>	<u>\$ 113,729</u>	<u>\$ 42,385,362</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Foundation				
Equipment, at cost	\$ 39,189	\$ --	\$ 4,282	\$ 34,907
Accumulated depreciation	32,226	3,113	4,196	31,143
Net capital assets	<u>\$ 6,963</u>	<u>\$ (3,113)</u>	<u>\$ 86</u>	<u>\$ 3,764</u>

4. UNEARNED REVENUE

At June 30 unearned revenue consists of the following:

	2015	2014
Prepaid tuition and fees	<u>\$ 796,112</u>	<u>\$ 796,376</u>

5. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Amounts due within one year
Capital lease obligations	\$ 17,242,077	\$ --	\$ 2,598,787	\$ 14,643,290	\$ 2,736,113
	<u>17,242,077</u>	<u>--</u>	<u>2,598,787</u>	<u>14,643,290</u>	<u>2,736,113</u>
Other liabilities:					
Net OPEB obligation	3,601,861	782,242	221,450	4,162,653	--
Compensated absences payable	2,080,261	1,302,628	1,295,802	2,087,087	1,295,802
	<u>5,682,122</u>	<u>2,084,870</u>	<u>1,517,252</u>	<u>6,249,740</u>	<u>1,295,802</u>
	<u>\$ 22,924,199</u>	<u>\$ 2,084,870</u>	<u>\$ 4,116,039</u>	<u>\$ 20,893,030</u>	<u>\$ 4,031,915</u>

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Amounts due within one year
Capital lease obligations	\$ 13,275,101	\$ 5,875,000	\$ 1,908,024	\$ 17,242,077	\$ 2,598,786
	<u>13,275,101</u>	<u>5,875,000</u>	<u>1,908,024</u>	<u>17,242,077</u>	<u>2,598,786</u>
Other liabilities:					
Net OPEB obligation	3,015,128	847,848	261,115	3,601,861	--
Compensated absences payable	1,998,784	1,247,082	1,165,605	2,080,261	1,165,605
	<u>5,013,912</u>	<u>2,094,930</u>	<u>1,426,720</u>	<u>5,682,122</u>	<u>1,165,605</u>
	<u>\$ 18,289,013</u>	<u>\$ 7,969,930</u>	<u>\$ 3,334,744</u>	<u>\$ 22,924,199</u>	<u>\$ 3,764,391</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>2015</u>	<u>2014</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.	\$ 1,234,183	\$ 1,598,732
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.	277,841	555,679
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.	360,300	540,450
<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.	301,564	595,369
<i>Series 2012 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.	1,200,000	1,750,000
<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.	1,200,000	1,800,000

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (CONTINUED)

	<u>2015</u>	<u>2014</u>
<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 will pass to the College.	\$ 1,664,402	\$ 1,736,847
<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.	2,790,000	2,790,000
<i>Series 2013B Certificates of Participation</i> lease purchase agreement issued November 1, 2013 in the original amount of \$5,875,000. The lease requires semiannual principal and interest payments at interest rates varying between 2% and 3.6% (2% at June 30, 2014) beginning November 1, 2014 through November 1, 2028.	<u>5,615,000</u>	<u>5,875,000</u>
Total	14,643,290	17,242,077
Less: current portion	<u>2,736,113</u>	<u>2,598,786</u>
Long-term portion	<u>\$ 11,907,177</u>	<u>\$ 14,643,291</u>

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

	<u>2015</u>	<u>2014</u>
Land	\$ 113,942	\$ 113,942
Land improvements	2,080,312	2,080,312
Buildings	12,898,723	7,085,335
Equipment	1,992,743	1,992,743
Construction in progress	--	3,266,166
	<u>17,085,720</u>	<u>14,538,498</u>
Less accumulated depreciation	<u>(3,574,200)</u>	<u>(2,865,326)</u>
	<u>\$ 13,511,520</u>	<u>\$ 11,673,172</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (CONTINUED)

Future minimum lease payments are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,736,113	\$ 339,022	\$ 3,075,135
2017	2,102,722	283,547	2,386,269
2018	1,310,117	252,757	1,562,874
2019	886,136	219,827	1,105,963
2020	853,467	199,846	1,053,313
2021 - 2025	3,814,715	725,200	4,539,915
2026 - 2030	2,648,898	215,082	2,863,980
2031 - 2035	291,122	10,762	301,884
	<u>\$ 14,643,290</u>	<u>\$ 2,246,043</u>	<u>\$ 16,889,333</u>

7. DEFINED BENEFIT PENSION PLAN AND EMPLOYEE BENEFITS

General Information about the Pension Plan

Plan description. The College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS' website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

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

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN AND EMPLOYEE BENEFITS (CONTINUED)

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. Effective January 1, 2015, KPERS has three benefit structures and contribution rates depend on whether the employee is a Tier 1, Tier 2 or Tier 3 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 and before January 1, 2015. Tier 3 members were first employed in a covered position on or after January 1, 2015. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 members and 6% of covered salary for Tier 2 members through December 31, 2014. On January 1, 2015, Kansas law increased the KPERS member-employee contribution rate to 6% of covered salary for Tier 1 members; however, the Tier 2 member-employee contribution rate remained at 6% of covered salary. Kansas law establishes the Tier 3 member-employee contribution rate at 6%. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

The employer contributions for the College are funded 100% by the State of Kansas on behalf of the employer. Therefore, the College is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. State law provides that the contribution rates paid by the State on behalf of the College be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. The actuarially determined contribution rate (not including the 0.85% contribution rate for the Death and Disability Program) and the statutory contribution rate were 15.12% and 10.27%, respectively, for the fiscal year ended June 30, 2014. The actuarially determined contribution rate was 15.41% for the fiscal year ended June 30, 2015. The statutory contribution rate paid by the State was 11.27% from July 1, 2014 to September 30, 2014, 8.65% from October 1, 2014 to March 31, 2015 and 11.06% from April 1, 2015 to June 30, 2015.

Pension Liabilities and Pension Expense

At June 30, 2015, the State support provided to the College reduced the College's net pension liability to zero. The State's proportionate share of the net pension liability associated with the College is \$36,994,461. The net pension liability was measured by KPERS as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014.

For the years ended June 30, 2015 and 2014, the College recognized pension expense and revenue of \$2,567,002 and \$2,655,123, respectively, for support provided by the State in the form of non-employer contributions to KPERS on the College's behalf.

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00 percent
Wage inflation	4.00 percent
Salary increases, including wage increases	4.00 to 12.50 percent, including inflation
Long-term rate of return net of investment expense, and including price inflation	8.00 percent

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN AND EMPLOYEE BENEFITS (CONTINUED)

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study conducted for the three year period beginning December 31, 2009.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.00%
Fixed income	14	0.85
Yield driven	8	5.50
Real return	11	3.75
Real estate	11	6.65
Alternatives	8	9.50
Short-term	1	-
Total	<u>100%</u>	

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

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN AND EMPLOYEE BENEFITS (CONTINUED)

Subsequent events. Under the budgetary allotment process for the State of Kansas, the Kansas governor has authority to reduce the approved budget for purposes of balancing the budget. For the State's fiscal year ending June 30, 2015, the KPERS employer contribution to the State/School group was reduced by \$58 million. It is unknown at the time whether this reduction will have a significant effect on the State's proportionate share of the KPERS collective net pension liability associated with the College, or an effect on any actuarial assumptions used by KPERS to calculate the net pension liability.

During the 2015 state legislative session, Senate Bill 228 was passed authoring the issuance of one or more series of revenue bonds to provide deposits to KPERS in a total amount not to exceed \$1 billion. The purpose of such bond issuance would be for financing a portion of the unfunded actuarial pension liability of KPERS, which would also have an effect on the collective net pension liability. Final issuance of such bonds must be approved by a resolution of the State Finance Council. On August 20, 2015, the State issued \$1,005,180,000 of bonds in accordance with this bill. The effect of this bond issuance on the State's proportionate share of the KPERS collective net pension liability associated with the College is unknown at this time.

8. PLEDGES RECEIVABLE - FOUNDATION

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

	2015	2014
Total pledges receivable	\$ 2,401,271	\$ 2,459,966
Less: unamortized discount	(150,602)	(175,721)
Less: allowance for unconditional pledges	<u>(125,000)</u>	<u>(125,000)</u>
Net pledges receivable	2,125,669	2,159,245
Less: pledges receivable, current portion	<u>(667,985)</u>	<u>(599,450)</u>
Pledges receivable, long-term	<u>\$ 1,457,684</u>	<u>\$ 1,559,795</u>
Amounts due in:		
Less than one year	\$ 792,985	\$ 724,450
One to five years	1,492,336	1,412,230
Five to ten years	<u>115,950</u>	<u>323,286</u>
	<u>\$ 2,401,271</u>	<u>\$ 2,459,966</u>

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

The allowance for uncollectible pledges is based on historical collection rates and an analysis of the collectability of individual promises.

The Foundation has been notified that it is designated as a beneficiary of other wills, trusts and insurance policies. These gifts are revocable and are not recognized within the accompanying financial statement due to their conditional nature.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

9. RELATED PARTIES

During the year ended June 30, 2015, 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, 2015 has been made on a conditional basis, it has not been recognized in the financial statements as of June 30, 2015.

The balances of the conditional pledges made to the College as June 30, 2015 and 2014 which are not recognized on the financial statements are as follows:

	<u>2015</u>	<u>2014</u>
Stadium Project	\$ 1,158,000	\$ 1,758,000
	<u>\$ 1,158,000</u>	<u>\$ 1,758,000</u>

Future payments of conditional pledges made to the College at June 30, 2015 are anticipated as follows for the years ending June 30:

2016	\$ 360,000
2017	230,000
2018	225,000
2019	225,000
2020	<u>118,000</u>
	<u>\$ 1,158,000</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.

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

10. ENDOWMENTS (CONTINUED)

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.

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, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ --	\$ --	\$ 8,717,470	\$ 8,717,470
Board designated endowment funds	<u>49,941</u>	<u>--</u>	<u>--</u>	<u>49,941</u>
Total funds	<u>\$ 49,941</u>	<u>\$ --</u>	<u>\$ 8,717,470</u>	<u>\$ 8,767,411</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

10. ENDOWMENTS (CONTINUED)

Endowment Net Asset Composition by Type of Fund as of June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ --	\$ --	\$ 7,805,076	\$ 7,805,076
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>\$ 7,805,076</u>	<u>\$ 7,840,076</u>

Changes in Endowment Net position for the Fiscal Year Ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net position, beginning of year	\$ 35,000	\$ --	\$ 7,805,076	\$ 7,840,076
Investment income (loss)	--	324,570	--	324,570
Changes in donor restrictions	--	--	(10,218)	(10,218)
Contributions	14,941	--	922,612	937,553
Appropriation of endowment assets for expenditure	<u>--</u>	<u>(324,570)</u>	<u>--</u>	<u>(324,570)</u>
Net position, end of year	<u>\$ 49,941</u>	<u>\$ --</u>	<u>\$ 8,717,470</u>	<u>\$ 8,767,411</u>

Changes in Endowment Net position for the Fiscal Year Ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net position, beginning of year	\$ 35,000	\$ --	\$ 7,166,697	\$ 7,201,697
Investment income (loss)	--	253,877	--	253,877
Changes in donor restrictions	--	--	(7,316)	(7,316)
Contributions	--	--	645,695	645,695
Appropriation of endowment assets for expenditure	<u>--</u>	<u>(253,877)</u>	<u>--</u>	<u>(253,877)</u>
Net position, end of year	<u>\$ 35,000</u>	<u>\$ --</u>	<u>\$ 7,805,076</u>	<u>\$ 7,840,076</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 effect on the financial statements of the College at June 30, 2015 and 2014.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

In fiscal 2012, the College entered into an agreement with a developer who constructed an apartment complex near campus for student housing. The College guarantees that a certain number of beds will be occupied annually over the four-year term of the agreement, beginning in August 2012. The maximum amount of the guarantee to be paid over the four-year period shall not exceed \$800,000. The College has not been required to pay on the guarantee as the required number of beds were filled for the years ended June 30, 2015 and 2014.

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.

Retirees and spouses have the same benefit as active employees. Retiree coverage terminates when the retiree becomes covered under another employer health plan or when the retiree reaches Medicare eligibility age which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age, or dies.

Funding Policy

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

Plan Report

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Annual OPEB Cost

The College's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, using the projected unit credit actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following tables show the components of the primary government OPEB cost for 2015:

Normal cost	\$ 511,447
Amortization of actuarial accrued liability	312,108
Annual required contribution	<u>823,555</u>
Interest on net OPEB obligation	126,065
Adjustment to the ARC	<u>(167,378)</u>
Annual OPEB cost	782,242
Less: Employer contributions	(166,450)
Less: Implicit subsidy	<u>(55,000)</u>
Increase in net OPEB obligation	560,792
Net OPEB obligation - beginning of year	<u>3,601,861</u>
Net OPEB obligation - end of year	<u><u>\$ 4,162,653</u></u>

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>End of Year Net OPEB Obligation</u>
2013	\$ 854,697	30%	\$ 3,015,128
2014	\$ 847,848	30%	\$ 3,601,861
2015	\$ 782,242	28%	\$ 4,162,653

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, 2014 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 7.5%, reduced by decrements to an ultimate rate of 5.0% over seven 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, 2014, 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 \$6,489,238. The covered payroll (annual payroll of active employees covered by the plan) was \$19,849,010, and the ratio of the UAAL to the covered payroll was 33%.

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. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2016.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

14. PENDING GOVERNMENTAL ACCOUNTING STANDARDS (CONTINUED)

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

GASB Statement No. 77, *Tax Abatement Disclosures*, increases the disclosure requirements for tax abatements affecting the government entity and its ability to raise resources in the future. This standard applies to a reporting government's own tax abatement agreements or agreements entered into by other governments and that reduce the reporting government's tax revenues. The government that enters into the agreement must begin disclosing (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provision for recapturing abated taxes, and the types of commitments made by tax abatement recipients, (2) the gross dollar amount of taxes abated during the period and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. For governments impacted by other governments' tax abatements, the following must be disclosed: (1) the names of the governments that entered into the agreements, (2) the specific taxes being abated, and (3) the gross dollar amount of taxes abated during the period. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2017.

BUTLER COUNTY COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

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)
07/01/2010	\$ --	\$ 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%
07/01/2014	\$ --	\$ 6,489,238	\$ 6,489,238	0%	\$ 19,849,010	33%

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

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

- Retirement and Turnover assumptions were updated when applicable to reflect the latest statistics from KPERS.
- The assumed mortality was updated to reflect the Society of Actuaries Adjusted RPH-2014 Total Dataset Mortality table with MP-2015 full generational improvement.
- Based on experience in the region the assumed proportion of future eligible retirees electing coverage when a direct payment of premium by the College does not apply was lowered from 75% to 50%.
- The value of employer plan benefits decreased from plan year 2014-15 to 2015-16.
- Per capita retiree costs increased less than expected.

BUTLER COUNTY COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

Schedule of Funding Progress for OPEB

	<u>2015</u>	<u>2014</u>
College's proportion of the collective net pension liability	0.000%	0.000%
College's proportionate share of the collective net pension liability	\$ --	\$ --
State's proportionate share of the collective net pension liability associated with the College	<u>36,994,461</u>	<u>39,917,397</u>
Total	<u>\$ 36,994,461</u>	<u>\$ 39,917,397</u>
College's covered-employee payroll	\$ 25,142,766	\$ 23,666,659
College's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	66.60%	59.94%

* GASB 68 requires presentation of ten years. As of June 30, 2015, only two years of information are available.

BUTLER COUNTY COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

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

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ --	\$ --
Contributions in relation to the contractually required contribution	<u>--</u>	<u>--</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
College's covered-employee payroll	\$ 25,142,766	\$ 23,666,659
Contributions as a percentage of covered-employee payroll	0.00%	0.00%

* GASB 68 requires presentation of ten years. As of June 30, 2015, only two years of information are available.

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

SUPPLEMENTARY INFORMATION

BUTLER COUNTY COMMUNITY COLLEGE

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

Year ended June 30, 2015

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2014	\$ 9,441,093	\$ 9,491,120	\$ (50,027)
Revenue and transfers:			
Local property taxes	12,872,453	13,029,746	(157,293)
State appropriations	10,332,579	10,016,276	316,303
Student tuition and fees	14,720,682	16,700,000	(1,979,318)
Investment income	5,260	10,000	(4,740)
Cancellation of prior year encumbrances	193,333	--	193,333
Gifts and grants	600,000	--	600,000
Other	1,565,195	4,685,421	(3,120,226)
Transfers among funds - additions	1,327,178	--	1,327,178
Total revenue and transfers	<u>41,616,680</u>	<u>44,441,443</u>	<u>(2,824,763)</u>
Expenditures, encumbrances and transfers:			
Education and general:			
Instruction	11,006,539	12,546,953	1,540,414
Academic support	2,792,291	2,984,291	192,000
Student services	4,835,449	5,322,538	487,089
Institutional support	9,360,921	10,794,002	1,433,081
Operation and maintenance of plant	3,237,214	3,200,679	(36,535)
Student scholarships	2,610,801	2,763,346	152,545
Transfers among funds - deductions	6,494,182	8,399,271	1,905,089
Total education and general	40,337,397	46,011,080	5,673,683
Total expenditures, encumbrances and transfers	<u>40,337,397</u>	<u>46,011,080</u>	<u>5,673,683</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>1,279,283</u>	<u>(1,569,637)</u>	<u>2,848,920</u>
Fund balance, legal, June 30, 2015	<u>\$ 10,720,376</u>	<u>\$ 7,921,483</u>	<u>\$ 2,798,893</u>

BUTLER COUNTY COMMUNITY COLLEGE

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

Year ended June 30, 2015

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2014	\$ 1,479,040	\$ 1,480,446	\$ (1,406)
Revenue and transfers:			
State appropriations	4,760,026	4,511,478	248,548
Student tuition and fees	4,466,743	5,520,000	(1,053,257)
Cancellation of prior year encumbrances	3,158	--	3,158
Gifts and grants	69,529	--	69,529
Other	196,761	50,000	146,761
Transfers among funds - additions	<u>3,000,000</u>	<u>5,713,000</u>	<u>(2,713,000)</u>
Total revenue	<u>12,496,217</u>	<u>15,794,478</u>	<u>(3,298,261)</u>
Expenditures, encumbrances and transfers:			
Instruction	4,890,774	5,625,269	734,495
Academic support	1,308,597	1,417,544	108,947
Student services	1,125,353	1,290,807	165,454
Institutional support	3,935,948	3,930,086	(5,862)
Operation and maintenance of plant	1,244,718	860,169	(384,549)
Student scholarships	185,969	171,939	(14,030)
Transfer among funds - reductions	<u>955,575</u>	<u>920,000</u>	<u>(35,575)</u>
Total expenditures, encumbrances and transfers	<u>13,646,934</u>	<u>14,215,814</u>	<u>568,880</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>(1,150,717)</u>	<u>1,578,664</u>	<u>(2,729,381)</u>
Fund balance, legal, June 30, 2015	<u>\$ 328,323</u>	<u>\$ 3,059,110</u>	<u>\$ (2,730,787)</u>

BUTLER COUNTY COMMUNITY COLLEGE

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

Year ended June 30, 2015

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2014	\$ 2,737	\$ 2,740	\$ (3)
Revenue and transfers:			
Federal grants	63,188	120,000	(56,812)
State appropriations	61,335	80,000	(18,665)
Student tuition and fees	--	6,000	(6,000)
Other	26	127,524	(127,498)
Transfers among funds - additions	<u>128,538</u>	<u>--</u>	<u>128,538</u>
Total revenue and transfers	<u>253,087</u>	<u>333,524</u>	<u>(80,437)</u>
Expenditures and encumbrances:			
Instruction	<u>236,498</u>	<u>323,659</u>	<u>87,161</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>16,589</u>	<u>9,865</u>	<u>6,724</u>
Fund balance, legal, June 30, 2015	<u>\$ 19,326</u>	<u>\$ 12,605</u>	<u>\$ 6,721</u>

BUTLER COUNTY COMMUNITY COLLEGE

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

Year ended June 30, 2015

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2014	\$ 22,626	\$ 22,626	\$ -
Revenue and transfers:			
Student tuition and fees	(70)	18,000	(18,070)
Other	--	107,000	(107,000)
Transfers among funds - additions	--	--	--
Total revenue and transfers	<u>(70)</u>	<u>125,000</u>	<u>(125,070)</u>
Expenditures and encumbrances:			
Instruction	10,586	123,917	113,331
Transfer among funds - reductions	11,970	--	(11,970)
Total expenditures, encumbrances and transfers	<u>22,556</u>	<u>123,917</u>	<u>101,361</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>(22,626)</u>	<u>1,083</u>	<u>(23,709)</u>
Fund balance, legal, June 30, 2015	<u>\$ -</u>	<u>\$ 23,709</u>	<u>\$ (23,709)</u>

BUTLER COUNTY COMMUNITY COLLEGE

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

Year ended June 30, 2015

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2014	\$ -	\$ -	\$ -
Revenue and transfers:			
State appropriations	<u>11,275</u>	<u>45,000</u>	<u>(33,725)</u>
Expenditures and encumbrances:			
Instruction	<u>11,275</u>	<u>45,000</u>	<u>33,725</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, legal, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Year ended June 30, 2015

	Student Union and Dormitory			Educare Center			Parking			Total		
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
			With Final			With Final			With Final			
			Positive			Positive			Positive			Positive
		(Negative)			(Negative)			(Negative)			(Negative)	
Fund balance, legal, July 1, 2014	\$ 5,786,904	\$ 5,792,118	\$ (5,214)	\$ (491)	\$ -	\$ (491)	\$ 146,784	\$ 146,784	\$ -	\$ 5,933,197	\$ 5,938,902	\$ (5,705)
Revenue and transfers:												
Student sources	165,445	190,000	(24,555)	-	-	-	51,199	61,216	(10,017)	216,644	251,216	(34,572)
Bookstore sales, dorm rental, meal tickets, gate receipts and concessions	6,795,484	6,605,170	190,314	-	-	-	-	-	-	6,795,484	6,605,170	190,314
Child care services	-	-	-	572,507	591,050	(18,543)	-	-	-	572,507	591,050	(18,543)
Cancellation of prior year encumbrances	26,228	-	26,228	-	-	-	-	-	-	26,228	-	26,228
Other	75,270	140,500	(65,230)	-	180,000	(180,000)	2,520	2,000	520	77,790	322,500	(244,710)
Transfers among funds - additions	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue and transfers	<u>7,062,427</u>	<u>6,935,670</u>	<u>126,757</u>	<u>572,507</u>	<u>771,050</u>	<u>(198,543)</u>	<u>53,719</u>	<u>63,216</u>	<u>(9,497)</u>	<u>7,688,653</u>	<u>7,769,936</u>	<u>(81,283)</u>
Expenditures, encumbrances and transfers:												
Education and general:												
Cost of books, supplies, and meals	4,454,078	4,306,020	(148,058)	65,488	68,700	3,212	-	-	-	4,519,566	4,374,720	(144,846)
Salaries	832,343	984,428	152,085	464,553	678,375	213,822	-	-	-	1,296,896	1,662,803	365,907
Operating expense	602,950	715,455	112,505	13,636	23,975	10,339	-	8,000	8,000	616,586	747,430	130,844
Expended for plant facilities	4,123,655	3,778,775	(344,880)	28,339	-	(28,339)	68,256	202,000	133,744	4,220,250	3,980,775	(239,475)
Transfers among funds - deductions	60,200	288,700	228,500	-	-	-	-	-	-	60,200	288,700	228,500
Total expenditures, encumbrances and transfers	<u>10,073,226</u>	<u>10,073,378</u>	<u>152</u>	<u>572,016</u>	<u>771,050</u>	<u>199,034</u>	<u>68,256</u>	<u>210,000</u>	<u>141,744</u>	<u>10,713,498</u>	<u>11,054,428</u>	<u>340,930</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>(3,010,799)</u>	<u>(3,137,708)</u>	<u>126,909</u>	<u>491</u>	<u>-</u>	<u>491</u>	<u>(14,537)</u>	<u>(146,784)</u>	<u>132,247</u>	<u>(3,024,845)</u>	<u>(3,284,492)</u>	<u>259,647</u>
Fund balance, legal, June 30, 2015	<u>\$ 2,776,105</u>	<u>\$ 2,654,410</u>	<u>\$ 121,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,247</u>	<u>\$ -</u>	<u>\$ 132,247</u>	<u>\$ 2,908,352</u>	<u>\$ 2,654,410</u>	<u>\$ 253,942</u>

BUTLER COUNTY COMMUNITY COLLEGE

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

Year ended June 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
Assets				
Cash	\$ 217,137	\$ 602,117	\$ 590,640	\$ 228,614
Due from other governments	-	21,001	-	21,001
Total assets	<u>\$ 217,137</u>	<u>\$ 623,118</u>	<u>\$ 590,640</u>	<u>\$ 249,615</u>
Liabilities				
Accrued liabilities	\$ 13,721	\$ 239	\$ 13,721	\$ 239
Due to other governments	203,416	263,372	217,412	249,376
Total liabilities	<u>\$ 217,137</u>	<u>\$ 263,611</u>	<u>\$ 231,133</u>	<u>\$ 249,615</u>

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

Independent Auditor's Report

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 aggregate remaining fund information of Butler County Community College (College) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 10, 2015. Our report includes a reference to other auditors who 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 Auditing 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

December 10, 2015
Wichita, Kansas

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

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 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, 2015. 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, 2015.

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

December 10, 2015
Wichita, Kansas

BUTLER COUNTY COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

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 that are not considered to be material weaknesses? yes X none reported
- Noncompliance material to financial statements noted? yes X no

FEDERAL AWARDS

Internal control over major programs:

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

Type of auditor's report issued on compliance for major federal 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 federal 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	
84.048	Career and Technical Education - Basic Grants to States	Unmodified

BUTLER COUNTY COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

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? X yes 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

Finding Number	Finding	CFDA Number	Questioned Costs	Comments
2014-001	Regarding the return of Title IV funds, dates and deadlines were not determined correctly.	84.007, 84.033, 84.063 and 84.268 (Student Financial Aid Cluster)	None noted.	Controls were implemented to ensure funds were returned according to U.S. Department of Education guidelines. Status: completed.

BUTLER COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through Kansas State Department of Education: Child and Adult Care Food Program	10.558	3531-3510	\$ <u>35,171</u>
U.S. Department of Commerce:			
Passed through Mid-America Manufacturing Technology Center Manufacturing Extension Partnership	11.611	70NANB15H052	<u>79,542</u>
U.S. Department of Labor:			
Direct Program Trade Adjustment Assistance Community College and Career Training	17.282		<u>1,260,035</u>
U.S. Department of Transportation:			
Passed through Kansas Department of Transportation Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Not Available	<u>4,800</u>
National Endowment for the Humanities:			
Passed through Kansas Humanities Council Promotion of the Humanities Federal/State Partnership	45.129	6680	<u>3,400</u>
Institute of Museum & Library Services:			
Passed through Kansas Notable Books Grants to States	45.310	Not Available	<u>226</u>
US Department of Education:			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		159,212 ²
Federal Workstudy Program	84.033		156,478 ¹
Federal Pell Grant Program	84.063		12,825,213
Federal Direct Student Loans	84.268		18,190,142 ³
TRIO-Student Support Services	84.042A		226,389
Child Care Access Means Parents in School (CCAMPIS)	84.335		118,230

The following note is an integral part of this schedule.

BUTLER COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Indirect Programs:			
Passed through Kansas Board of Regents:			
Career and Technical Education - Basic Grants to States	84.048	3051-3004	\$ 235,219
Adult Education - Basic Grants to States (Adult Basic Education Program)	84.002	3042-3000/3020	<u>65,563</u>
Total Department of Education			<u>31,976,446</u>
Total Federal Awards Expended			<u>\$ 33,359,620</u>

1Combined Federal and institutional dollars for wages paid to students eligible for Federal Work Study Program total \$208,028

2Administrative allowance on Title IV programs claimed of \$18,111.

3Direct Subsidized Loans, Direct Unsubsidized Loans, Direct Plus Loans

The following note is an integral part of this schedule.

BUTLER COUNTY COMMUNITY COLLEGE

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

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.