Butler County Community College

Independent Auditor's Reports and Financial Statements

June 30, 2018 and 2017

BKD
CPAs & Advisors

Butler County Community College

El Dorado, Kansas

Butler County Community College
June 30, 2018 and 2017

Contents

BKD
CPAs & Advisors

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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 year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The 2017 College financial statements, before they were restated for the matter discussed in Note 15, were audited by other auditors, and their report thereon, dated December 5, 2017, expressed an unmodified opinion. 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, pension and other postemployment information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedules listed in the table of contents as supplementary information, and the schedule of expenditures of federal awards, as required by Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Wichita, Kansas
January 21, 2019

Butler County Community College
Management's Discussion and Analysis
Years Ended June 30, 2018 and 2017

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 years 2018 and 2017 are presented; comparative data for fiscal years 2017 and 2016 are discussed. The emphasis of discussions concerning these statements will be for the current year data. There are three financial statements presented: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. Each one of these statements will be discussed.

Statements of Net Position

The Statements of Net Position present the Assets (current and noncurrent) and Deferred Outflows, Liabilities (current and noncurrent) and Deferred Inflows, and Net Position at the end of the fiscal year. The purpose of the Statements 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 Statements 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 Statements of Net Position provide a picture of the net position and the availability for use by the College.

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

Condensed Statements of Net Position (in thousands)

	2018	2017	2016	2018 vs. 2017 Increase (Decrease)	2017 vs. 2016 Increase (Decrease)
Current assets	$ 24,910	$ 23,916	$ 21,832	$ 994	$ 2,084
Noncurrent assets	58,699	60,891	52,363	(2,192)	8,528
Deferred outflows	549	212	52	337	160
Total assets and deferred outflows of resources	84,158	85,019	74,247	(861)	10,772
Current liabilities	6,349	7,611	6,150	(1,262)	1,461
Noncurrent liabilities	20,541	22,606	15,963	(2,065)	6,643
Deferred inflows	1,175	861	77	314	784
Total liabilities and deferred inflows of resources	28,065	31,078	22,190	(3,013)	8,888
Net investment in capital assets	37,854	35,973	36,110	1,881	(137)
Restricted - expendable	16	130	107	(114)	23
Unrestricted	18,224	17,838	15,840	386	1,998
Total net position	$ 56,094	$ 53,941	$ 52,057	$ 2,153	$ 1,884

Changes to Total Assets and Deferred Outflows of Resources

The total assets of the College decreased by approximately $861,000 primarily related to a decrease in investments.

Changes to Total Liabilities and Deferred Inflows of Resources

The total liabilities of the College for the year have decreased by approximately $3,013,000. This change is attributed to payments on long-term debt.

Changes to Net Position

The final section of the Statements 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 2018, the net investment in capital assets increased by approximately $1,881,000. Along with the combination of a decrease in restricted-expendable net position of approximately $114,000 and an increase in unrestricted net position of approximately $386,000, overall net position of the College increased approximately $2,153,000.

Statements of Revenues, Expenses and Changes in Net Position

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

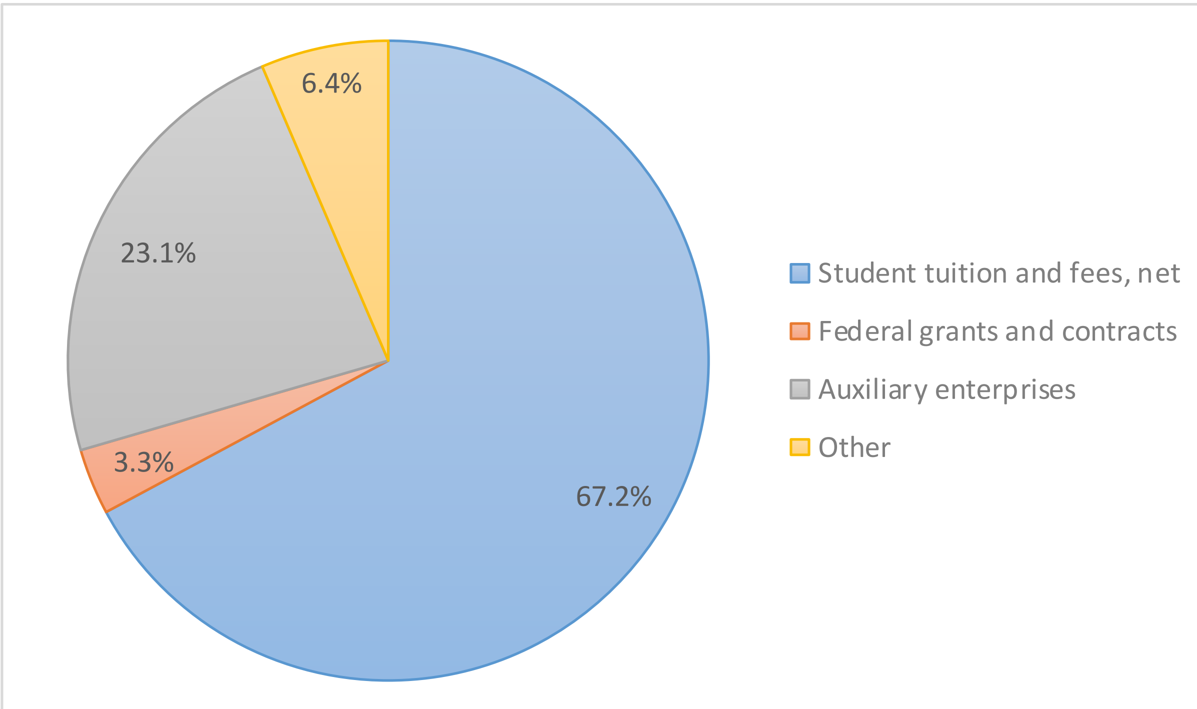
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the 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 approximately $42,300,000 and $41,818,000 in fiscal years 2018 and 2017, respectively.

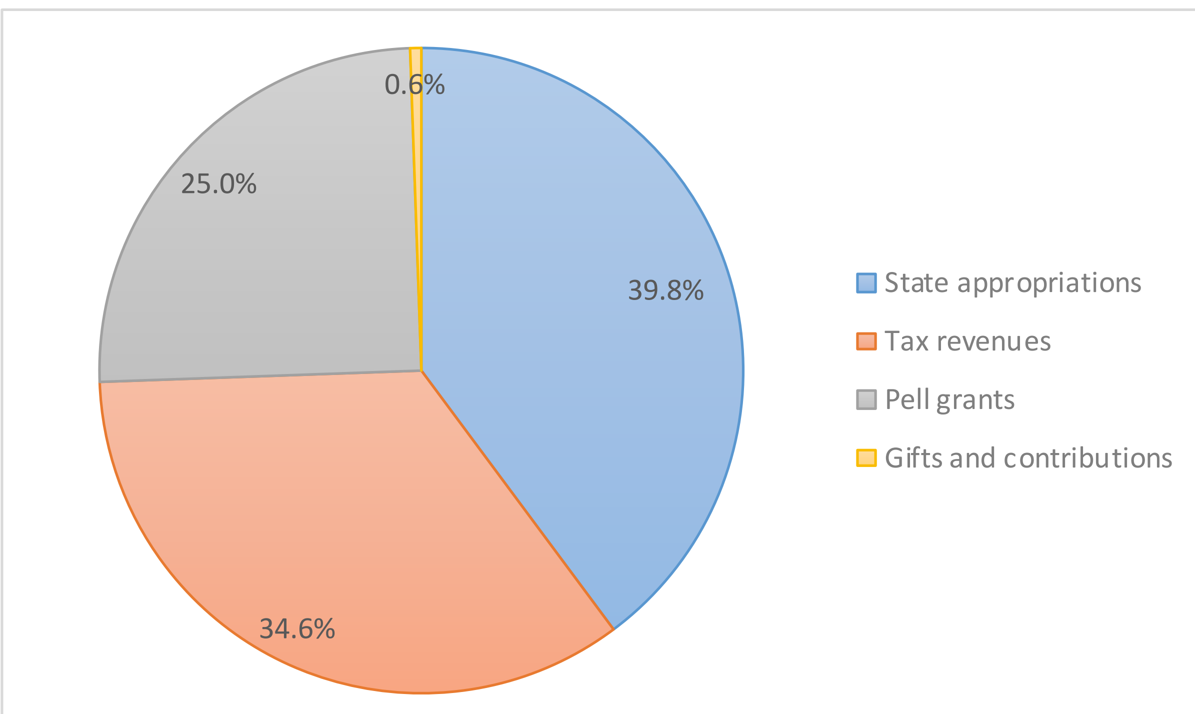
Condensed Statements of Revenues, Expenses and Changes in Net Position
(in thousands)

	2018	2017	2016	2018 vs. 2017 Increase (Decrease)	2017 vs. 2016 Increase (Decrease)
Operating revenue	$ 27,302	$ 28,288	$ 27,391	$ (986)	$ 897
Operating expenses	69,602	70,106	70,462	(504)	(356)
Operating loss	(42,300)	(41,818)	(43,071)	(482)	1,253
Nonoperating revenues (expenses)	44,452	47,588	45,240	(3,136)	2,348
Increase (decrease) in net position	2,152	5,770	2,169	(3,618)	3,601
Net position, beginning of year	53,941	52,057	49,888	1,884	2,169
Prior period adjustment	-	(3,886)	-	3,886	(3,886)
Net position, end of year	$ 56,093	$ 53,941	$ 52,057	$ 2,152	$ 1,884

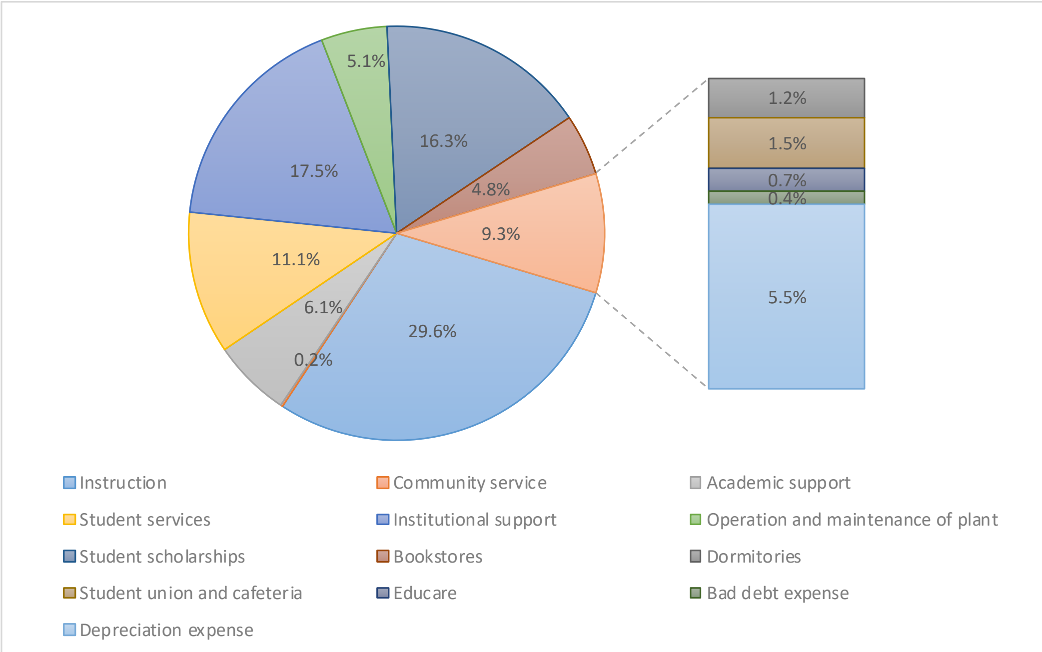
Operating Revenues by Source



Nonoperating Revenues by Major Source



Operating Expenses by Program



Statements of Cash Flows

The final statements presented are the Statements of Cash Flows. These statements present detailed information about the cash activity of the College during the year. These statements are 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 Statements of Revenues, Expenses, and Changes in Net Position.

Condensed Statements of Cash Flows (in thousands)

	2018	2017	2016
Cash flows from:			
Operating activities	$ (36,555)	$ (34,461)	$ (35,096)
Noncapital financing activities	41,691	41,039	40,595
Capital financing activities	(6,384)	84	(6,688)
Investing activities	2,323	(4,788)	44
Net increase (decrease) in cash	1,075	1,874	(1,145)
Cash, beginning of year	21,221	19,347	20,492
Cash, end of year	$ 22,296	$ 21,221	$ 19,347

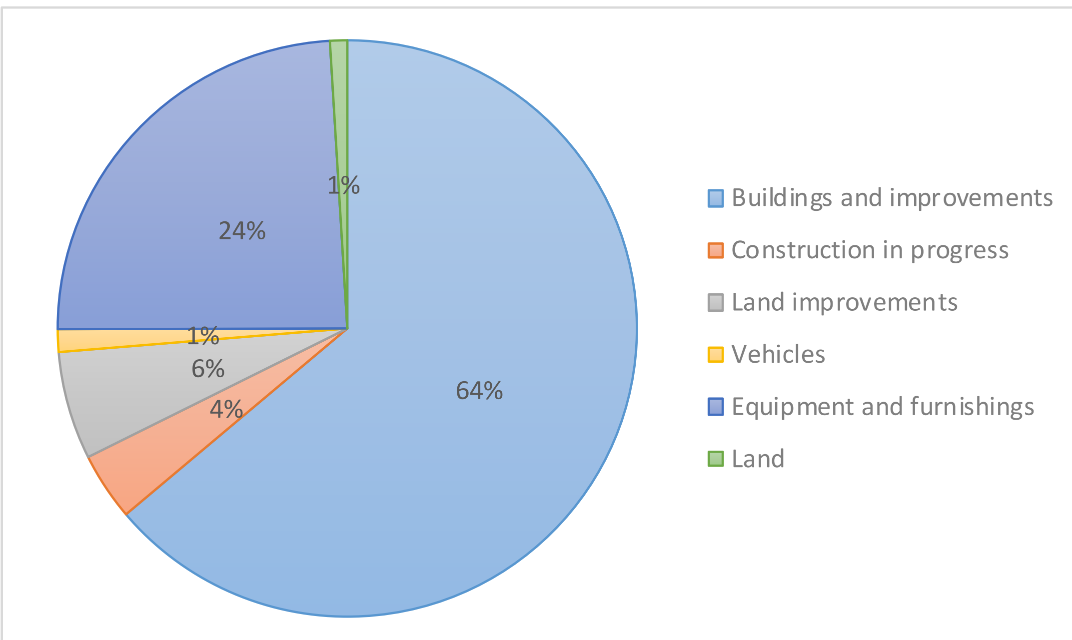
Significant sources of cash included local property taxes, the state operating grant, tuition and fees, and proceeds from maturities of investments. Significant uses of cash were payments to suppliers and vendors, payments to employees, employee benefits, payments for scholarships, capital assets and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

The cash position of the College increased by approximately $1,075,000 for the fiscal year ended June 30, 2018, compared to an increase of $1,874,000 for the fiscal year ended June 30, 2017.

Capital Asset and Debt Administration

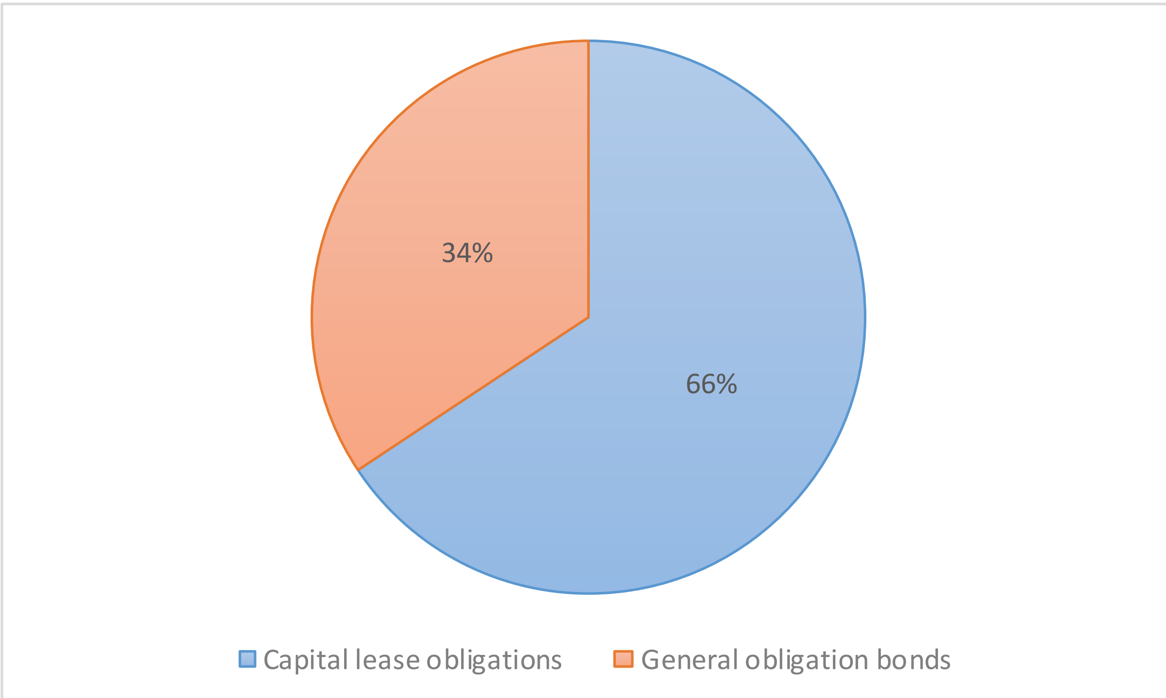
At fiscal year-end, the College had approximately $97,395,000 of capital assets, with accumulated depreciation of approximately $46,548,000. Related depreciation charges of approximately $3,828,000 were recognized in the fiscal year 2018. More detailed financial activity related to the changes in Capital Assets is presented in *Note 4*.

Capital Asset Categories



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

Categories of Debt



Economic Outlook

The College's financial condition continues to be strong. The economic outlook for institutions of higher education remains challenging nationally due to the costs associated with providing accredited higher education to students.

The Board of Trustees has approved a Capital Outlay levy of 2 mills which will sunset in 4 years. The funds from this levy will be used to improve the information technology infrastructure of the College. The Capital Outlay levy will now sunset in 3 years.

Butler County Community College

Statements of Net Position

June 30, 2018 and 2017

Assets and Deferred Outflows

	College 2018	College 2017	Foundation 2018	Foundation 2017
Current Assets				
Cash and investments	$ 22,296,266	$ 21,220,934	$ 1,792,997	$ 1,743,728
Accounts receivable, net of allowance for doubtful accounts of $5,898,594 in 2018 and $5,636,705 in 2017	1,474,649	1,446,877	-	-
Receivables from federal and state governments	16,015	166,572	-	-
Current portion of pledges receivable	-	-	373,688	442,199
Prepaid expenses	269,743	191,551	-	-
Bookstore inventory	852,885	890,079	-	-
Total current assets	24,909,558	23,916,013	2,166,685	2,185,927
Noncurrent Assets				
Cash and investments	-	-	11,801,395	11,097,272
Restricted cash and investments	2,706,929	4,890,500	-	-
Pledges receivable	-	-	491,948	820,052
Cash surrender value of life insurance	-	-	25,224	18,621
Investment in joint venture	5,144,835	5,144,835	-	-
Capital assets, net of accumulated depreciation				
Land and construction in progress	4,634,957	2,693,640	-	-
Other capital assets, net of accumulated depreciation	46,212,559	48,162,295	3,680	6,099
Total noncurrent assets	58,699,280	60,891,270	12,322,247	11,942,044
Deferred Outflows of Resources				
Deferred outflows - pensions	549,507	211,273	-	-
Total deferred outflows of resources	549,507	211,273	-	-
Total assets and deferred outflows of resources	$ 84,158,345	$ 85,018,556	$ 14,488,932	$ 14,127,971

See Notes to Financial Statements

Liabilities and Deferred Inflows

	College		Foundation	
	2018	2017	2018	2017
Current Liabilities				
Accounts payable	$ 1,633,215	$ 2,111,937	$ 41,985	$ 117,310
Compensated absences payable	1,397,973	1,291,539	-	-
Accrued salaries	160,858	642,949	-	-
Deposits held in custody for others	45,074	48,830	-	-
Accrued interest payable	59,212	57,937	-	-
Unearned revenue	926,624	952,487	-	-
Current portion of annuity payable	-	-	7,250	5,800
Current portion of long-term debt	2,126,136	2,505,117	2,190	1,831
Total current liabilities	6,349,092	7,610,796	51,425	124,941
Noncurrent Liabilities				
Long-term debt	10,808,202	12,934,338	3,102	5,291
Long-term compensated absences payable	1,012,326	922,731	-	-
Net pension liability	865,336	402,608	-	-
Net OPEB obligation	7,854,847	8,346,417	-	-
Long-term annuity payable	-	-	39,914	44,951
Total noncurrent liabilities	20,540,711	22,606,094	43,016	50,242
Deferred Inflows of Resources				
Deferred inflows - pensions	204,481	225,190	-	-
Deferred inflows - OPEB	970,414	635,774	-	-
Total deferred inflows of resources	1,174,895	860,964	-	-
Total liabilities and deferred inflows of resources	28,064,698	31,077,854	94,441	175,183
Net Position				
Net investment in capital assets	37,853,966	35,972,878	3,680	6,099
Restricted - expendable				
For capital projects	-	-	444,221	694,261
For scholarships, instruction and other	16,015	130,229	2,688,919	2,369,801
For college support	-	-	887,654	839,838
Restricted - non-expendable				
For scholarships, instruction and other	-	-	8,456,582	8,125,023
For college support	-	-	1,369,790	1,353,385
Unrestricted	18,223,666	17,837,595	543,645	564,381
Total net position	$ 56,093,647	$ 53,940,702	$ 14,394,491	$ 13,952,788

Butler County Community College

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2018 and 2017

	College		Foundation	
	2018	2017 (Restated - Note 15)	2018	2017
Operating Revenues				
Student tuition and fees, net of scholarship allowances of $2,354,755 in 2018 and $2,108,926 in 2017	$ 18,315,785	$ 18,140,257	$ -	$ -
Federal grants and contracts	912,459	1,347,797	-	-
Gifts and contributions	-	-	1,401,456	1,496,650
Auxiliary enterprises				
Bookstores, net of scholarship allowances of $512,693 in 2018 and $527,598 in 2017	3,947,864	4,538,217	-	-
Dormitories, net of scholarship allowances of $159,230 in 2018 and $137,007 in 2017	1,226,114	1,178,490	-	-
Student union and cafeteria, net of scholarship allowances of $84,316 in 2018 and $63,488 in 2017	649,253	546,104	-	-
Educare	490,435	517,151	-	-
Net investment return	-	-	899,641	1,301,114
Other	1,760,479	2,020,310	-	-
Total operating revenues	27,302,389	28,288,326	2,301,097	2,797,764
Operating Expenses				
Instruction	20,745,731	21,257,661	-	-
Community service	114,438	159,752	-	-
Academic support	4,230,061	5,396,561	769,596	1,019,385
Student services	7,722,494	7,566,312	-	-
Institutional support	12,146,758	9,592,601	357,880	399,779
Operation and maintenance of plant	3,554,187	4,842,976	-	-
Student scholarships	11,318,652	11,491,423	504,272	484,786
Fund raising	-	-	225,227	248,936
Auxiliary enterprises				
Bookstores	3,319,784	3,847,824	-	-
Dormitories	825,527	246,354	-	-
Student union and cafeteria	1,049,983	1,009,646	-	-
Educare	484,325	539,769	-	-
Bad debt expense	262,463	500,804	-	-
Depreciation expense	3,827,583	3,654,934	2,419	2,185
Total operating expenses	69,601,986	70,106,617	1,859,394	2,155,071
Operating Income (Loss)	(42,299,597)	(41,818,291)	441,703	642,693

Butler County Community College

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

Years Ended June 30, 2018 and 2017

	College		Foundation	
	2018	2017 (Restated - Note 15)	2018	2017
Nonoperating Revenues (Expenses)				
State appropriations	$ 17,782,464	$ 17,447,737	$ -	$ -
Tax revenues	15,463,841	14,833,769	-	-
Pell grants	11,165,284	11,350,282	-	-
Gifts and contributions	250,000	335,796	-	-
Investment income	139,542	74,796	-	-
Insurance recoveries from hail damage, net	-	4,163,957	-	-
Interest on capital asset-related debt	(309,468)	(328,126)	-	-
Gain (loss) on disposal of assets	(39,121)	(290,618)	-	-
Total nonoperating revenues (expenses)	44,452,542	47,587,593	-	-
Increase in Net Position	2,152,945	5,769,302	441,703	642,693
Net Position, Beginning of Year	53,940,702	48,171,400	13,952,788	13,310,095
Total Net Position	$ 56,093,647	$ 53,940,702	$ 14,394,491	$ 13,952,788

Butler County Community College
Statements of Cash Flows – College
Years Ended June 30, 2018 and 2017

	2018	2017 (Restated - Note 15)
Operating Activities		
Tuition and fees	$ 18,313,876	$ 17,981,075
Grants and contracts	761,902	1,321,343
Payments to suppliers and employees	(52,386,395)	(51,140,048)
Payments for scholarships	(11,318,652)	(11,491,423)
Auxiliary enterprise charges		
Bookstores	3,947,864	4,538,217
Dormitories	1,226,114	1,178,490
Student union and cafeteria	649,253	614,214
Educare	490,435	517,151
Other	1,760,479	2,020,310
Net cash used in operating activities	(36,555,124)	(34,460,671)
Noncapital Financing Activities		
Tax receipts	15,463,841	14,833,769
State appropriations	15,101,088	14,844,161
Other	11,126,163	11,361,078
Net cash provided by noncapital financing activities	41,691,092	41,039,008
Capital and Related Financing Activities		
Donations received from Foundation	250,000	325,000
Proceeds from long-term debt	-	6,230,000
Principal paid on long-term debt	(2,505,117)	(2,697,721)
Interest paid on long-term debt	(309,468)	(325,708)
Purchase of capital assets	(3,819,164)	(7,611,728)
Proceeds from hail damage insurance recovery and asset disposal	-	4,163,957
Net cash provided by (used in) capital and related financing activities	(6,383,749)	83,800
Investing Activities		
Investment income	139,542	74,796
Proceeds from sales and maturities of investments	2,224,721	9,500,000
Purchases of investments	(41,150)	(14,362,518)
Net cash provided by (used in) investing activities	2,323,113	(4,787,722)
Increase in Cash and Cash Equivalents	1,075,332	1,874,415
Cash and Cash Equivalents, Beginning of Year	21,220,934	19,346,519
Cash and Cash Equivalents, End of Year	$ 22,296,266	$ 21,220,934

Butler County Community College

Statements of Cash Flows – College (Continued)

Years Ended June 30, 2018 and 2017

	2018	2017 (Restated - Note 15
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (42,299,597)	$ (41,818,291)
Adjustments to reconcile net operating loss to net cash flow from operating activities:		
Depreciation expense	3,827,583	3,654,934
State on-behalf payments for employee benefits	2,681,376	2,603,576
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable	(27,772)	(89,577)
Receivable from federal and state governments	150,557	(26,454)
Inventories	37,194	75,522
Prepaid expenses	(78,192)	(169,257)
Deferred outflows - pensions	(338,234)	(158,821)
Accounts payable and accrued expenses	(767,265)	929,943
Post retirement benefits	(28,842)	(248,953)
Deferred revenue	(25,863)	2,701
Deferred inflows - pensions	(20,709)	148,232
Deferred inflows - OPEB	334,640	635,774
Net cash used in operating activities	$ (36,555,124)	$ (34,460,671)

	2018	2017 (Restated - Note 15
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	$ 22,296,266	$ 21,220,934
Noncurrent cash and investments	2,706,929	4,890,500
Less: investments	(2,706,929)	(4,890,500)
Total cash and cash equivalents	$ 22,296,266	$ 21,220,934

Butler County Community College

Statements of Cash Flows – Foundation

Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Increase in net position	$ 441,703	$ 642,693
Adjustments to reconcile the change in net position to net cash flow from operating activities		
Depreciation	2,419	2,185
Unrealized and realized gain on investments	(645,225)	(1,127,360)
Increase in cash value of life insurance	(6,603)	(634)
Loss from disposition of property and equipment	-	109
Change to discount on annuity obligations	763	2,382
Net change in operating assets and liabilities		
Unconditional promises to give	396,615	397,570
Accounts payable	(91,221)	101,853
Accrued liabilities	15,895	(3,964)
Net cash provided by operating activities	114,346	14,834
Investing Activities		
Net change in short-term investments	(48,984)	(84,618)
Purchase of investments	(3,848,946)	(12,226,490)
Proceeds from sale of investments	3,790,049	12,305,648
Net cash used in investing activities	(107,881)	(5,460)
Financing Activities		
Payments on capital lease obligations	(1,830)	(1,533)
Payments on annuity obligations	(4,350)	(7,250)
Net cash used in financing activities	(6,180)	(8,783)
Increase in Cash and Cash Equivalents	285	591
Cash and Cash Equivalents, Beginning of Year	11,529	10,938
Cash and Cash Equivalents, End of Year	$ 11,814	$ 11,529
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	$ 11,814	$ 11,529
Investments	1,781,183	1,732,199
Total cash and cash equivalents	$ 1,792,997	$ 1,743,728

Butler County Community College

Statements of Fiduciary Net Position

Agency Funds

Years Ended June 30, 2018 and 2017

	2018	2017
Assets		
Cash	$ 467,683	$ 408,651
Due from other governments	2,250	3,000
Total assets	$ 469,933	$ 411,651
Liabilities		
Accrued liabilities	$ 16,777	$ 18,240
Due to other governments	453,156	393,411
Total liabilities	$ 469,933	$ 411,651

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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 of El Dorado 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 an ongoing financial obligation for certain operating costs of the stadium.

During fiscal 2012, the College issued $3 million of Certificates of Participation to fund its portion of construction (see *Note 7*). 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, 2018 and 2017, was $5,144,835, and consists of payments made for construction costs.

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

Basis of Accounting and Presentation

The financial statements of the College have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The College first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position 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 Equivalents 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. Money market investments are measured at amortized cost (see *Note 2*).

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.

GASB 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value that requires or permits fair value measurement and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance requires three levels of fair value measurement based on the respective inputs.

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 is recorded net of estimated uncollectible amounts. Receivables from federal and state governments are related to reimbursements pursuant to the College's grants and contracts with these governments. Unearned revenues include amounts received from tuition and fees and certain auxiliary enterprise activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Pledges Receivable

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.

Inventories

The bookstore inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or at acquisition 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. Construction in progress includes assets that are capitalized but have not yet been placed in service and depreciation has not yet begun.

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.

Capital Asset Impairment

The College evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the assets, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived assets exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2018 and 2017.

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, 2018 and 2017, the County Treasurer had distributed to the College approximately 89% and 91%, respectively, of taxes levied in the prior year.

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

Compensated Absences

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.

Cost-Sharing Defined Benefit Pension Plan

The employer contributions for community colleges are funded by the State of Kansas (state) on behalf of these employers for active employees. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68. The State is treated as a nonemployer contributing entity in the Kansas Public Employees Retirement System (KPERS). Since these employers do not contribute directly to KPERS for active employees, there is no net pension liability or deferred inflows or outflows to report in their financial statements for active employees. See *Note 8* for disclosures regarding the State's portion of the College's total proportionate share of the collective net pension liability that is associated with the College. The College recognizes pension expense associated with the College as well as revenue in an amount equal to the State's total proportionate share of the collective pension expense associated with the College.

The College does make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937, known as "working after retirement" employees. The resulting proportional share of the "working after retirement" contributions and resulting net pension liability, deferred inflows of resources and deferred outflows of resources are attributable to the College. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Defined Benefit Other Postemployment Benefit Plan

As discussed in *Note 9* to the financial statements, in 2017, the College adopted Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Butler County Community College Postretirement Health Insurance Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Outflows of Resources/Deferred Inflows of Resources

In addition to assets and liabilities, the statement of financial position will sometimes report a separate section for deferred outflows and deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized until that time. Deferred outflows of resources represents the consumption of net position that is applicable to a future period. The College has deferred outflows and deferred inflows for pensions and OPEB that qualify for reporting in this category. See *Notes 8* and *9* for more information on these deferred outflows and deferred inflows.

Net Position

Net position of the College is classified in four components.

Net investment in capital assets 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 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 nonexpendable 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 represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Classification of Revenues

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

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

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government 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.

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 believes that it 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.

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, 2018.

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

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

Note 2: Deposits, Investments and Investment Return

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, 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, 2018 and 2017, consists of demand deposit accounts, money market savings accounts, certificates of deposit and U.S. Treasury Bonds. At June 30, 2018, the carrying amount of the College's deposits was $25,470,878 with the bank balances of such accounts being $25,449,976. Of the bank balances, $594,278 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 – College

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

	2018	2017
Money market accounts - held in trust	$ 234	$ 6,397
U.S. Treasury Bonds	2,706,695	4,884,103
	$ 2,706,929	$ 4,890,500

Investment Policies – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investing is performed in accordance with investment policies adopted by the College Board of Trustees and complying with state statutes.

Interest Rate Risk – 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.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The College invests in U.S. Treasury Bonds to help mitigate the credit risk to its investments.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The College uses Commerce Bank, a large well-funded banking institution, as its custodial agent.

Concentration of Credit Risk – The College places no limit on the amount that may be invested in any one issuer.

Investments – Foundation

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

	2018	2017
Money market accounts	$ 1,781,183	$ 1,732,199
Equities	7,844,120	7,518,964
Fixed income	3,313,998	3,079,374
Hedge funds	415,111	303,070
Commodities	228,166	195,864
	$ 13,582,578	$ 12,829,471

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

	2018	2017
Investment income	$ 254,416	$ 173,755
Net realized and unrealized gains	645,225	1,127,359
	$ 899,641	$ 1,301,114

Note 3: Disclosures About Fair Value of Assets and Liabilities

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 participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
College				
Short-term investments				
Money market accounts	$ 234	$ 234	$ -	$ -
U.S. Treasury Bonds	2,706,695	2,706,695	-	-
Total investments	$ 2,706,929	$ 2,706,929	$ -	$ -
Foundation				
Short-term investments				
Money market accounts	$ 1,781,183	$ 1,781,183	$ -	$ -
Total short-term investments	1,781,183	1,781,183	-	-
Long-term investments				
Equities	7,844,120	7,844,120	-	-
Fixed income	3,313,998	3,313,998	-	-
Hedge funds	415,111	415,111	-	-
Commodities	228,166	228,166	-	-
Total long-term investments	11,801,395	11,801,395	-	-
Total investments	$ 13,582,578	$ 13,582,578	$ -	$ -

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2017				
College				
Short-term investments				
Money market accounts	$ 6,397	$ 6,397	$ -	$ -
U.S. Treasury Bonds	4,884,103	4,884,103	-	-
Total investments	$ 4,890,500	$ 4,890,500	$ -	$ -
Foundation				
Short-term investments				
Money market accounts	$ 1,732,199	$ 1,732,199	$ -	$ -
Total short-term investments	1,732,199	1,732,199	-	-
Long-term investments				
Equities	7,518,964	7,518,964	-	-
Fixed income	3,079,374	3,079,374	-	-
Hedge funds	303,070	303,070	-	-
Commodities	195,864	195,864	-	-
Total long-term investments	11,097,272	11,097,272	-	-
Total investments	$ 12,829,471	$ 12,829,471	$ -	$ -

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Butler County Community College
Notes to Financial Statements
June 30, 2018 and 2017

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2018, was:

	Beginning Balance	Additions	Deletions	Ending Balance
College				
Capital assets not being depreciated:				
Land	$ 935,237	$ -	$ -	$ 935,237
Construction in progress	1,758,403	2,409,220	467,903	3,699,720
Total capital assets not being depreciated	2,693,640	2,409,220	467,903	4,634,957
Capital assets being depreciated:				
Land improvements	5,832,792	62,492	-	5,895,284
Buildings and improvements	61,819,583	391,436	32,642	62,178,377
Vehicles	1,191,589	87,642	45,669	1,233,562
Equipment and furnishings	22,474,540	1,375,398	396,916	23,453,022
Total capital assets being depreciated	91,318,504	1,916,968	475,227	92,760,245
Less accumulated depreciation				
Land improvements	3,688,389	289,293	-	3,977,682
Building and improvements	19,442,907	2,282,797	-	21,725,704
Vehicles	963,816	117,265	45,670	1,035,411
Equipment and furnishings	19,061,097	1,138,228	390,436	19,808,889
Total accumulated depreciation	43,156,209	3,827,583	436,106	46,547,686
Total capital assets being depreciated, net	48,162,295	(1,910,615)	39,121	46,212,559
Net capital assets	$ 50,855,935	$ 498,605	$ 507,024	$ 50,847,516

	Beginning Balance	Additions	Deletions	Ending Balance
Foundation				
Equipment, at cost	$ 31,965	$ -	$ 596	$ 31,369
Accumulated depreciation	25,866	2,419	596	27,689
Net capital assets	$ 6,099	$ (2,419)	$ -	$ 3,680

Capital assets activity for the year ended June 30, 2017, was:

	Beginning Balance	Additions	Deletions	Ending Balance
College				
Capital assets not being depreciated:				
Land	$ 935,237	$ -	$ -	$ 935,237
Construction in progress	2,431,161	1,653,795	2,326,553	1,758,403
Total capital assets not being depreciated	3,366,398	1,653,795	2,326,553	2,693,640
Capital assets being depreciated:				
Land improvements	5,590,967	266,718	24,893	5,832,792
Buildings and improvements	54,669,950	7,637,347	487,714	61,819,583
Vehicles	1,218,814	59,892	87,117	1,191,589
Equipment and furnishings	23,284,834	320,530	1,130,824	22,474,540
Total capital assets being depreciated	84,764,565	8,284,487	1,730,548	91,318,504
Less accumulated depreciation				
Land improvements	3,427,599	285,683	24,893	3,688,389
Building and improvements	17,608,755	2,040,004	205,852	19,442,907
Vehicles	928,114	114,062	78,360	963,816
Equipment and furnishings	18,976,736	1,215,185	1,130,824	19,061,097
Total accumulated depreciation	40,941,204	3,654,934	1,439,929	43,156,209
Total capital assets being depreciated, net	43,823,361	4,629,553	290,619	48,162,295
Net capital assets	$ 47,189,759	$ 6,283,348	$ 2,617,172	$ 50,855,935

	Beginning Balance	Additions	Deletions	Ending Balance
Foundation				
Equipment, at cost	$ 32,561	$ -	$ 596	$ 31,965
Accumulated depreciation	24,168	2,185	487	25,866
Net capital assets	$ 8,393	$ (2,185)	$ 109	$ 6,099

Note 5: Unearned Revenue

Unearned revenue at June 30 consists of the following:

	2018	2017
Prepaid tuition and fees	$ 926,624	$ 952,487

Note 6: Long-term Liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Capital lease obligations	$ 9,804,455	$ -	$ 1,310,117	$ 8,494,338	$ 886,136
General obligation bonds	5,635,000	-	1,195,000	4,440,000	1,240,000
	15,439,455	-	2,505,117	12,934,338	2,126,136
Other liabilities					
Net OPEB obligation	8,346,417	-	491,570	7,854,847	-
Compensated absences payable	2,214,270	1,594,002	1,397,973	2,410,299	1,397,973
Net pension liability	402,608	462,728	-	865,336	-
	10,963,295	2,056,730	1,889,543	11,130,482	1,397,973
	$ 26,402,750	$ 2,056,730	$ 4,394,660	$ 24,064,820	$ 3,524,109

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Capital lease obligations	$ 11,907,176	$ -	$ 2,102,721	$ 9,804,455	$ 1,310,117
General obligation bonds	-	6,230,000	595,000	5,635,000	1,195,000
	11,907,176	6,230,000	2,697,721	15,439,455	2,505,117
Other liabilities					
Net OPEB obligation	4,750,862	3,885,533	289,978	8,346,417	-
Compensated absences payable	2,034,759	1,471,050	1,291,539	2,214,270	1,291,539
Net pension liability	651,561	-	248,953	402,608	-
	7,437,182	5,356,583	1,830,470	10,963,295	1,291,539
	$ 19,344,358	$ 11,586,583	$ 4,528,191	$ 26,402,750	$ 3,796,656

Additional information regarding capital lease obligations and general obligation bonds is included in *Note 7*.

Note 7: Long-Term Debt

Long-term liability activity for the year ended June 30, 2017, was as follows:

	2018	2017
April 4, 2003, real estate lease agreement 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.	$ -	$ 436,247
Series 2012 Stadium Certificates of Participation lease purchase agreement 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* .	350,000	550,000
Building lease agreement with City of El Dorado 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.	1,434,338	1,513,208
Series 2013 Refunding Certificates of Participation 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.	2,145,000	2,385,000
Series 2013B Certificates of Participation 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, 2018) beginning November 1, 2014 through November 1, 2028.	4,565,000	4,920,000
	8,494,338	9,804,455
Less: current portion	886,136	1,310,117
Long-term portion	$ 7,608,202	$ 8,494,338

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

	2018	2017
Land	$ 113,942	$ 113,942
Land improvements	2,080,312	2,080,312
Buildings	12,898,723	12,898,723
Equipment	1,992,743	1,992,743
	17,085,720	17,085,720
Less accumulated depreciation	(6,282,149)	(5,379,507)
	$ 10,803,571	$ 11,706,213

Future minimum lease payments on capital lease obligations are as follows:

	Principal	Interest	Total
Year Ending June 30			
2019	$ 886,136	$ 219,827	$ 1,105,963
2020	853,467	199,846	1,053,313
2021	725,865	180,798	906,663
2022	743,332	164,406	907,738
2023	760,870	146,643	907,513
2024-2028	3,535,044	416,771	3,951,815
2029-2033	989,624	42,426	1,032,050
	$ 8,494,338	$ 1,370,717	$ 9,865,055

At June 30 general obligation bonds within long-term debt consists of the following:

	2018	2017
Series 2016 General Obligation Capital Outlay Bonds issued October 4, 2016, in the original amount of $6,230,000. The bonds require semiannual principal and interest payments at 1% interest, beginning February 1, 2017, with the final payment due August 1, 2021.	$ 4,440,000	$ 5,635,000
Less: current portion	1,240,000	1,195,000
Long-term portion	$ 3,200,000	$ 4,440,000

Future minimum lease payments on general obligation bonds are as follows:

	Principal	Interest	Total
Year Ending June 30			
2019	$ 1,240,000	$ 42,343	$ 1,282,343
2020	1,270,000	29,817	1,299,817
2021	1,285,000	17,068	1,302,068
2022	645,000	3,547	648,547
	$ 4,440,000	$ 92,775	$ 4,532,775

Note 8: Defined Benefit Pension Plan and Employee Benefits

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

The 2012 Legislature made changes affecting new hires, current member employees and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the accounts balance at retirement.

Contributions

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Kansas law establishes the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

With the exception of contributions made by the College directly to KPERS for KPERS retirees filling KPERS covered positions under K.S.A. 74-4937 (known as "working after retirement" employees), employer contributions for the College's active employees are funded by the State of Kansas on behalf of the employer. Therefore, the College is considered to be in a special funding situation as defined by GASB 68, *Accounting and Financial Reporting for Pensions*. State law provides that the contribution rates 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 statutory contribution rate was 13.01% and 10.81% for the fiscal years ended June 30, 2018 and 2017, respectively.

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

At June 30, 2018 and 2017, the College reported a liability for its proportionate share of the KPERS' collective net pension liability that reflected a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the collective net pension liability, the related state support, and the total portion of the collective net pension liability that was associated with the College were as follows:

	2018	2017
College's proportionate share of the collective net pension liability	$ 865,336	$ 402,608
State's proportionate share of the collective net pension liability associated with the College	36,340,102	37,535,499
	$ 37,205,438	$ 37,938,107

The collective net pension liability was measured by KPERS as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2016 and 2015, respectively, which was rolled forward to June 30, 2017 and 2016, respectively. The College's proportion of the collective net pension liability was first based on the ratio of the total actual contributions made for the College (including on behalf contributions from the State and contributions paid by the College) to KPERS, relative to the total employer and nonemployer contributions of the State/School subgroup within KPERS for the fiscal years ended June 30, 2017 and 2016, respectively. The resulting proportion was then allocated to the College based on the ratio of the College's actual contributions paid directly to KPERS for "working after retirement" employees relative to the total employer and nonemployer contributions of the College for the fiscal years ended June 30, 2017 and 2016, respectively. As of the measurement date of June 30, 2017 and 2016, respectively, the College's "working after retirement" contributions were .541% and .558%, respectively, of total contributions made for the College (including on-behalf contributions made by the State). The total local allocation percentage for the College as of the measurement date of June 30, 2017 and 2016, was .0128% and .00599%, respectively.

At June 30, 2018 and 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018 Deferred Outflows of Resources	2018 Deferred Inflows of Resources
Difference between expected and actual experience net pension liability	$ -	$ 43,035
Net difference between projected and actual earnings on pension plan investments	18,559	-
Changes in proportionate share	435,510	160,300
Changes in assumptions	40,858	1,146
College contributions subsequent to measurement date	54,580	-
	$ 549,507	$ 204,481

	2017 Deferred Outflows of Resources	2017 Deferred Inflows of Resources
Difference between expected and actual experience net pension liability	$ -	$ 19,007
Net difference between projected and actual earnings on pension plan investments	36,362	-
Changes in proportionate share	109,461	205,455
Changes in assumptions	-	728
College contributions subsequent to measurement date	65,450	-
	$ 211,273	$ 225,190

At June 30, 2018 and 2017, the College reported $58,580 and $65,450, respectively, as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the years ending June 30, 2019 and 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2018 and 2017, related to pensions will be recognized in pension expense as follows:

	Deferred Outflows (Inflows) of Resources
Year Ended June 30	
2019	$ 65,737
2020	86,091
2021	53,030
2022	48,558
2023	37,030
	$ 290,446

For the years ended June 30, 2018 and 2017, the College recognized pension expense and revenue of $2,681,376 and $2,603,576, respectively, for support provided by the State in the form of non-employer contributions to KPERS on the College's behalf. Pension revenue is included in State Appropriations on the Statement of Revenues, Expenses, and Changes in Net Position. For the years ended June 30, 2018 and 2017, College contributions to the plan for "working after retirement" payments were $58,580 and $65,450, respectively.

Actuarial Assumptions

The total pension liability for KPERS in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.5% to 12%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates for December 31, 2016, were based on the RP-2014 Mortality tables, as appropriate with adjustments for mortality improvements based on Scale MP -2016. Mortality rates for December 31, 2015, were based on the RP-2000 Combined Mortality table, as appropriate with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of an actuarial experience study for the three-year period ended December 31, 2015. The actuarial assumptions used in the December 31, 2015, valuations were based on the results of an actuarial experience study for the three-year period ended December 31, 2012.

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, 2017 and 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.85%
Fixed income	13%	1.25%
Yield driven	8%	6.55%
Real return	11%	1.71%
Real estate	11%	5.05%
Alternatives	8%	9.85%
Short-term investments	2%	-0.25%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75% and 8% for the years ended December 31, 2016 and 2015, respectively. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by KPERS' Board of Trustees for these groups 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 future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the College's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$ 1,153,686	$ 865,336	$ 622,023

Pension Plan Fiduciary Net Position

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

Note 9: Postemployment Benefits Other Than Pension Plans

Effective July 1, 2016, the College adopted Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No., 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and establishes new accounting and financial reporting requirements for OPEB plans.

Plan Description

The College sponsors a single-employer defined benefit healthcare plan (Plan) that provides healthcare benefits, including medical, prescription drug, dental and vision benefits (OPEB) 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 Retirement System (KPERS) are eligible for benefits. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan provides healthcare and life insurance benefits for retirees and their dependents. 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.

The employees covered by the benefit terms at June 30, 2018 and 2017, are:

	2018	2017
Active: Professional employees	155	155
Active: Other employees	257	257
Current benefit recipients: Retirees and surviving spouses	26	26
Current benefit recipients: Covered spouses of retirees	5	5
	443	443

Total OPEB Liability

The College's total OPEB liability of $7,854,847 and $8,346,417 was measured as of June 30, 2018 and 2017, for the years ended June 30, 2018 and 2017, respectively, and was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2018 and 2017, respectively.

The total OPEB liability in the June 30, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% (2.50% for 2017)
Discount rate	3.30% (3.40% for 2017)
Salary increases	2.00%, average, including inflation
Actuarial cost method	Entry age – level percent-of-pay
Health care cost trend rates	7.50%

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

For June 30, 2018, mortality rates were based on the Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality with Scale MP-2017 Full Generational Improvement. For June 30, 2017, mortality rates were based on the Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality with Scale MP-2016 Full Generational Improvement.

The actuarial assumptions used in the June 30, 2018 and 2017, actuarial valuations were based on the results of an actuarial experience study conducted by evaluating the group plan experience from the College using historical data.

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

	2018	2017
Balance, beginning of year	$ 8,346,417	$ 8,636,395
Changes for the year		
Service cost	466,908	508,021
Interest cost	293,054	242,286
Changes in benefit terms	(426,606)	-
Differences between actual and expected experience	(330,371)	-
Changes in assumptions and inputs	(106,369)	(698,598)
Employer contributions (benefit payments)	(388,186)	(341,687)
Net changes	(491,570)	(289,978)
Balance, end of year	$ 7,854,847	$ 8,346,417

Changes in assumptions reflect a change in the discount rate from 3.4% at the beginning of the year to 3.3% at the end of the year.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The total OPEB liability of the College has been calculated using a discount rate of 3.3%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease (2.30%)	Current Discount Rate (3.30%)	1% Increase (4.30%)
Net OPEB liability	$ 8,435,787	$ 7,854,847	$ 7,317,387

The total OPEB liability of the College has been calculated using health care cost trend rates of 7.50%. The following presents the total OPEB liability using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1% Decrease (6.50%)	Health Care Cost Trend Rate (7.50%)	1% Increase (8.50%)
Net OPEB liability	$ 6,906,221	$ 7,854,847	$ 8,986,865

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

For the years ended June 30, 2018 and 2017, the College recognized OPEB expense of $231,256 and $687,483, respectively. At June 30, 2018 and 2017, the College reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources 2018	2017
Differences between expected and actual experience	$ 300,661	$ -
Changes in assumptions	669,753	635,774
	$ 970,414	$ 635,774

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

	Deferred Inflows of Resources
Year ended June 30	
2019	$ 102,100
2020	102,100
2021	102,100
2022	102,100
2023	102,100
2024 thereafter	459,914
	$ 970,414

Note 10: Pledges Receivable – Foundation

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

	2018	2017
Total pledges receivable	$ 955,930	$ 1,404,403
Less unamortized discount	(40,294)	(70,152)
Less allowance for uncollectible pledges	(50,000)	(72,000)
Net pledges receivable	865,636	1,262,251
Less pledges receivable, current portion	(373,688)	(442,199)
Pledges receivable, long-term	$ 491,948	$ 820,052
Amounts due in:		
Less than one year	$ 423,688	$ 514,199
One to five years	476,342	823,704
Five to ten years	55,900	66,500
	$ 955,930	$ 1,404,403

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.

Note 11: Related Parties

During the years ended June 30, 2018 and 2017, 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, 2018 and 2017, has been made on a conditional basis, it has not been recognized in the financial statements as of June 30, 2018 and 2017.

The balances of the conditional pledges made to the College as of June 30, 2018 and 2017 which are not recognized on the financial statements are as follows:

	2018	2017
Stadium Project	$ 93,000	$ 343,000

Future payments of conditional pledges made to the College at June 30, 2018, are anticipated as follows for the years ending June 30:

2019	$ 93,000

Note 12: 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.

The Board of the Foundation has interpreted the State of Kansas Prudent Management of Institutional Funds Act (SPMIFA), subject to expressed intent of the donor, as allowing appropriation for expenditure or accumulation so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. As a result of this interpretation, the Foundation classifies as permanently restricted net position (a) the original expressed value of gifts donated to the permanent endowment, (b) the expressed original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as unrestricted or temporarily restricted net position in accordance with the direction of the donor. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

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.

The composition of net assets by type of endowment fund at June 30, 2018 and 2017, was:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 4,020,794	$ 9,826,372	$ 13,847,166
Board designated endowment funds	49,941	-	-	49,941
	$ 49,941	$ 4,020,794	$ 9,826,372	$ 13,897,107

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 3,903,900	$ 9,478,408	$ 13,382,308
Board designated endowment funds	49,941	-	-	49,941
	$ 49,941	$ 3,903,900	$ 9,478,408	$ 13,432,249

Changes in endowment net assets for the years ended June 30, 2018 and 2017, were:

2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net position, beginning of year	$ 49,941	$ 3,903,900	$ 9,478,408	$ 13,432,249
Investment income	-	903,054	-	903,054
Changes in donor restrictions	-	850	(850)	-
Contributions	-	402,215	348,814	751,029
Appropriation of endowment assets for expenditure	-	(1,189,225)	-	(1,189,225)
Net position, end of year	$ 49,941	$ 4,020,794	$ 9,826,372	$ 13,897,107

2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net position, beginning of year	$ 49,941	$ 3,609,702	$ 9,243,665	$ 12,903,308
Investment income	-	1,311,822	-	1,311,822
Changes in donor restrictions	-	21,919	(21,919)	-
Contributions	-	511,825	256,662	768,487
Appropriation of endowment assets for expenditure	-	(1,551,368)	-	(1,551,368)
Net position, end of year	$ 49,941	$ 3,903,900	$ 9,478,408	$ 13,432,249

Note 13: 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, 2018 and 2017.

Note 14: 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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Note 15: Restatement of Prior Years' Financial Statements

In prior years, the College presented operating revenues and expense related to Federal Direct Loans. During 2018, the College retroactively changed its accounting method to exclude these revenues and expenses. In addition, in prior years the College included employee benefits as Institutional Expenses. During 2018, the College retroactively changes its accounting method to allocate these expense to other operating expenses. The changes to financial statements items are as follows.

	As Restated	As Previously Issued	Effect of Change
Statement of Revenues, Expenses and Changes in Net Position			
Operating Revenues			
Federal direct loans	$ -	$ 16,599,188	$(16,599,188)
Total operating revenues	28,288,326	44,887,514	(16,599,188)
Operating Expenses			
Instruction	21,257,661	18,334,002	2,923,659
Community service	159,752	152,721	7,031
Academic support	5,396,561	4,803,345	593,216
Student services	7,566,312	6,631,787	934,525
Federal direct loans	-	16,599,188	(16,599,188)
Institutional support	9,592,601	14,387,821	(4,795,220)
Operation and maintenance of plant	4,842,976	4,506,187	336,789
Total operating expenses	70,106,617	86,705,805	(16,599,188)
Statement of Cash Flows - College			
Cash Flows From Operating Activities			
Grants and contracts	1,321,343	17,920,531	(16,599,188)
Payments to suppliers and employees	(51,140,048)	(67,739,236)	16,599,188

Required Supplementary Information

Butler County Community College

Schedule of the College's Proportionate Share of the Net Pension Liability

Kansas Public Employees Retirement System

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
College's proportion of the collective net pension liability	0.01288%	0.00599%	0.00941%	0.00000%	0.00000%
College's proportionate share of the collective net pension liability	$ 865,336	$ 402,608	$ 651,561	$ -	$ -
State's proportionate share of the collective net pension liability associated with the College	36,340,102	37,535,499	36,857,961	36,994,461	39,917,397
Total	$37,205,438	$37,938,107	$37,509,522	$36,994,461	$39,917,397
College's covered payroll	$25,463,314	$23,705,497	$23,494,662	$25,142,766	$23,666,659
College's proportionate share of the collective net pension liability as a percentage of its covered payroll	3.40%	1.70%	2.77%	0.00%	0.00%
Plan (KPERS) fiduciary net position as a percentage of the total pension liability	67.12%	65.10%	64.95%	66.60%	59.94%

*The amounts presented for each fiscal year were determined as of June 30.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Butler County Community College

Schedule of College Pension Contributions
Kansas Public Employees Retirement System
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Contractually required contribution	$ 54,580	$ 65,450	$ 28,086	$ -	$ -
Contributions in relation to the contractually required contribution	(54,580)	(65,450)	(28,086)	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$25,463,314	$24,165,246	$22,198,260	$25,142,766	$25,666,659
Contributions as a percentage of covered payroll	0.21%	0.27%	0.13%	0.00%	0.00%

*The amounts presented for each fiscal year were determined as of June 30.

Notes to Schedule:

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Butler County Community College

Schedule of Changes in the College's Total OPEB Liability and Related Ratios

Last 10 Fiscal Years

	2018	2017
Total OPEB Liability		
Service cost	$ 466,908	$ 508,021
Interest	293,054	242,286
Changes of benefit terms	(426,606)	-
Differences between actual and expected experience	(330,371)	-
Changes in assumptions or other inputs	(106,369)	(698,598)
Employer contributions (benefit payments)	(388,186)	(341,687)
Net change in total OPEB liability	(491,570)	(289,978)
Total OPEB liability - beginning	8,346,417	8,636,395
Total OPEB liability - ending	$ 7,854,847	$ 8,346,417
Covered payroll	$ 19,398,195	$ 18,958,502
Contributions as a percentage of covered payroll	40.49%	44.02%

Notes to Schedule:

No assets are accumulated in a trust to pay related benefits.

Benefit changes.

- The Medical plans changed from POS $1,000, PPO $1,000, POS $2,500 and HDHP $3,000 to PPO $1,500, PPO $3,000 and HDHP $3,500 effective October 1, 2017

Changes of assumptions.

- Retirement and turnover assumptions were updated to reflect the latest statistics from KPERS. In particular, retirement probabilities were lowered at various ages
- The assumed mortality was updated to reflect the Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2017 Full Generational Improvement
- The discount rate changed from 3.4% to 3.3%
- The load on present value costs due to the "Cadillac" tax changed from 4% to 2%
- The actual 2017-18 retiree contribution premiums were valued

This schedule is presented as of the measurement date for the fiscal year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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, 2018

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2017	$ 11,872,885	$ 11,975,285	$ (102,400)
Revenue and Transfers			
Local property taxes	14,039,920	14,178,768	(138,848)
State appropriations	10,123,185	10,681,710	(558,525)
Student tuition and fees	16,096,794	16,000,000	96,794
Investment income	98,042	70,000	28,042
Cancellation of prior year encumbrances	475,863	-	475,863
Other	1,628,949	5,295,484	(3,666,535)
Transfers among funds - additions	772,364	-	772,364
Total revenue and transfers	43,235,117	46,225,962	(2,990,845)
Expenditures, Encumbrances and Transfers			
Instruction	15,078,704	12,210,394	(2,868,310)
Academic support	2,663,741	3,086,120	422,379
Student services	6,341,469	5,102,386	(1,239,083)
Institutional support	6,421,823	10,351,842	3,930,019
Operation and maintenance of plant	2,343,995	8,124,522	5,780,527
Student scholarships	2,937,374	2,993,789	56,415
Transfers among funds - deductions	6,726,924	8,171,792	1,444,868
Total expenditures, encumbrances and transfers	42,514,030	50,040,845	7,526,815
Revenue and Transfers Over (Under) Expenditures and Encumbrances	721,087	(3,814,883)	4,535,970
Fund Balance, Legal, June 30, 2018	$ 12,593,972	$ 8,160,402	$ 4,433,570

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, 2018

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2017	$ 232,484	$ 232,039	$ 445
Revenue and Transfers			
State appropriations	4,747,241	4,589,761	157,480
Student tuition and fees	4,705,620	4,042,275	663,345
Cancellation of prior year encumbrances	21,673	-	21,673
Other	17,724	-	17,724
Transfers among funds - additions	5,000,000	6,000,000	(1,000,000)
Total revenue and transfers	14,492,258	14,632,036	(139,778)
Expenditures, Encumbrances and Transfers			
Instruction	4,905,342	5,346,871	441,529
Academic support	1,304,044	1,522,143	218,099
Student services	1,179,475	1,197,813	18,338
Institutional support	4,426,636	4,609,285	182,649
Operation and maintenance of plant	877,265	1,137,663	260,398
Student scholarships	176,088	194,289	18,201
Transfers among funds - reductions	590,456	700,000	109,544
Total expenditures, encumbrances and transfers	13,459,306	14,708,064	1,248,758
Revenue and Transfers Over (Under) Expenditures and Encumbrances	1,032,952	(76,028)	1,108,980
Fund Balance, Legal, June 30, 2018	$ 1,265,436	$ 156,011	$ 1,109,425

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, 2018

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2017	$ 73,543	$ 73,543	$ -
Revenue and Transfers			
Federal grants	251,063	80,000	171,063
State appropriations	69,938	52,000	17,938
Other	-	104,785	(104,785)
Transfers among funds - additions	131,681	-	131,681
Total revenue and transfers	452,682	236,785	215,897
Expenditures and Encumbrances			
Instruction	453,049	285,814	(167,235)
Revenue and Transfers Over (Under) Expenditures and Encumbrances	(367)	(49,029)	48,662
Fund Balance, Legal, June 30, 2018	$ 73,176	$ 24,514	$ 48,662

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, 2018

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2017	$ 38,901	$ 39,071	$ (170)
Revenue and Transfers			
Other	262,169	406,075	(143,906)
Transfers among funds - additions	92,244	-	92,244
Total revenue and transfers	354,413	406,075	(51,662)
Expenditures and Encumbrances			
Instruction	388,542	406,075	17,533
Transfers among funds - reductions	4,772	-	(4,772)
Total expenditures and encumbrances	393,314	406,075	12,761
Revenue and Transfers Over (Under) Expenditures and Encumbrances	(38,901)	-	(38,901)
Fund Balance, Legal, June 30, 2018	$ -	$ 39,071	$ (39,071)

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, 2018

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2017	$ -	$ -	$ -
Revenue and Transfers			
State appropriations	9,590	16,320	(6,730)
Expenditures and Encumbrances			
Instruction	9,590	16,320	6,730
Revenue and Transfers Over (Under) Expenditures and Encumbrances	-	-	-
Fund Balance, Legal, June 30, 2018	$ -	$ -	$ -

Butler County Community College

Schedule of Revenues, Expenses, Encumbrances and Changes in Fund Balances – Budget and Actual

Capital Outlay

(Legal Basis)

Year Ended June 30, 2017

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2016	$ -	$ -	$ -
Revenue and Transfers			
Local property taxes	1,274,795	-	1,274,795
Expenditures and Encumbrances			
Principal and bonds	595,000	520,542	(74,458)
Interest and fees	37,697	347,028	309,331
Total expenditures and encumbrances	632,697	867,570	234,873
Revenue and Transfers Over (Under) Expenditures and Encumbrances	642,098	(867,570)	1,509,668
Fund Balance, Legal, June 30, 2017	$ 642,098	$ (867,570)	$ 1,509,668

Butler County Community College

Schedule of Revenues, Expenses, Encumbrances and Changes in Fund Balances – Budget and Actual

Capital Outlay

(Legal Basis)

Year Ended June 30, 2018

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2017	$ 642,098	$ 659,232	$ (17,134)
Revenue and Transfers			
Local property taxes	1,423,921	1,569,727	(145,806)
Expenditures and Encumbrances			
Principal and bonds	1,195,000	1,195,000	-
Interest and fees	56,161	54,393	(1,768)
Cash-Basis reserve	-	444,438	444,438
Total expenditures and encumbrances	1,251,161	1,693,831	442,670
Revenue and Transfers Over (Under) Expenditures and Encumbrances	172,760	(124,104)	296,864
Fund Balance, Legal, June 30, 2018	$ 814,858	$ 535,128	$ 279,730

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, 2018

	Student Union and Dormitory			Educare Center		
	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2017	$ 3,708,346	$ 3,745,055	$ (36,709)	$ 1,345	$ -	$ 1,345
Revenue and Transfers						
Student sources	151,903	220,000	(68,097)	-	-	-
Bookstore sales, dorm rental, meal tickets, gate receipts and concessions	5,822,916	6,190,000	(367,084)	-	600,000	(600,000)
Child care services	-	-	-	490,436	-	490,436
Cancellation of prior year encumbrances	39,603	-	39,603	8,461	-	8,461
Other	103,346	550,000	(446,654)	-	200,000	(200,000)
Transfers among funds - additions	148,141	-	148,141	-	-	-
Total revenue and transfers	6,265,909	6,960,000	(694,091)	498,897	800,000	(301,103)
Expenditures, Encumbrances and Transfers						
Education and general						
Cost of books, supplies and meals sold	3,423,898	4,002,644	578,746	65,411	20,000	(45,411)
Salaries	956,953	1,405,586	448,633	424,555	700,000	275,445
Operating expense	603,599	778,624	175,025	8,613	75,000	66,387
Equipment	296,759	73,146	(223,613)	1,663	5,000	3,337
Expended for plant facilities	-	-	-	-	-	-
Transfers among funds - deductions	437,836	700,000	262,164	-	-	-
Total expenditures, encumbrances and transfers	5,719,045	6,960,000	1,240,955	500,242	800,000	299,758
Revenue and Transfers Over (Under) Expenditures and Encumbrances	546,864	-	546,864	(1,345)	-	(1,345)
Fund Balance, Legal, June 30, 2018	$ 4,255,210	$ 3,745,055	$ 510,155	$ -	$ -	$ -

Butler County Community College

Schedule of Revenues, Expenses, Encumbrances and Changes in Fund Balances – Budget and Actual

Auxiliary Enterprises (Continued)

(Legal Basis)

Year Ended June 30, 2018

	Parking			Total		
	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2017	$ 110,315	$ 110,315	$ -	$ 3,820,006	$ 3,855,370	$ (35,364)
Revenue and Transfers						
Student sources	47,375	160,000	(112,625)	199,278	380,000	(180,722)
Bookstore sales, dorm rental, meal tickets, gate receipts and concessions	-	-	-	5,822,916	6,790,000	(967,084)
Child care services	-	-	-	490,436	-	490,436
Cancellation of prior year encumbrances	-	-	-	48,064	-	48,064
Other	1,345	-	1,345	104,691	750,000	(645,309)
Transfers among funds - additions	-	-	-	148,141	-	148,141
Total revenue and transfers	48,720	160,000	(111,280)	6,813,526	7,920,000	(1,106,474)
Expenditures, Encumbrances and Transfers						
Education and general						
Cost of books, supplies and meals sold	-	-	-	3,489,309	4,022,644	533,335
Salaries	-	-	-	1,381,508	2,105,586	724,078
Operating expense	-	160,000	160,000	612,212	1,013,624	401,412
Equipment	-	-	-	298,422	78,146	(220,276)
Expended for plant facilities	33,153	-	(33,153)	33,153	-	(33,153)
Transfers among funds - deductions	-	-	-	437,836	700,000	262,164
Total expenditures, encumbrances and transfers	33,153	160,000	126,847	6,252,440	7,920,000	1,667,560
Revenue and Transfers Over (Under) Expenditures and Encumbrances	15,567	-	15,567	561,086	-	561,086
Fund Balance, Legal, June 30, 2018	$ 125,882	$ 110,315	$ 15,567	$ 4,381,092	$ 3,855,370	$ 525,722

Butler County Community College

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year Ended June 30, 2018

	Balance July 1 2017	Additions	Deductions	Balance July 1 2018
Assets				
Cash	$ 408,651	$ 552,815	$ 493,783	$ 467,683
Due from other	3,000	2,250	3,000	2,250
	$ 411,651	$ 555,065	$ 496,783	$ 469,933
Liabilities				
Accrued liabilities	$ 18,240	$ 16,777	$ 18,240	$ 16,777
Due to other	393,411	552,066	492,321	453,156
	$ 411,651	$ 568,843	$ 510,561	$ 469,933