

BUTLER COUNTY COMMUNITY COLLEGE

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2017 AND 2016
AND
INDEPENDENT AUDITOR'S REPORT

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WITH SUPPLEMENTARY INFORMATION
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BUTLER COUNTY COMMUNITY COLLEGE

El Dorado, Kansas

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BUTLER COUNTY COMMUNITY COLLEGE

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

Years Ended June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Butler County Community College
El Dorado, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, discretely presented component unit, and the aggregate remaining fund information of Butler County Community College (College) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, discretely presented component unit, and the aggregate remaining fund information of the College, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 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*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. Other schedules listed in the table of contents as supplementary information, and the schedule of expenditures of federal awards, as required by *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. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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

December 5, 2017
Wichita, KS

BUTLER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis

Overview of Financial Statements and Financial Analysis

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

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

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

Financial statements for fiscal years 2017 and 2016 are presented; comparative data for fiscal years 2016 and 2015 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 presents 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.

BUTLER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis

Condensed Statements of Net Position (in thousands)

	2017	2016	2015	2017 vs. 2016 Increase (Decrease)	2016 vs. 2015 Increase (Decrease)
Current assets	\$ 23,916	\$ 21,832	\$ 22,971	\$ 2,084	\$ (1,139)
Noncurrent assets	60,891	52,363	50,135	8,528	2,228
Deferred outflows	212	52	--	160	52
Total assets and deferred outflows of resources	<u>85,019</u>	<u>74,247</u>	<u>73,106</u>	<u>10,772</u>	<u>1,141</u>
Current liabilities	7,611	6,150	6,357	1,461	(207)
Noncurrent liabilities	22,606	15,963	16,861	6,643	(898)
Deferred inflows	861	77	--	784	77
Total liabilities and deferred inflows of resources	<u>31,078</u>	<u>22,190</u>	<u>23,218</u>	<u>8,888</u>	<u>(1,028)</u>
Net investment in capital assets	35,973	36,110	31,547	(137)	4,563
Restricted - expendable	130	107	88	23	19
Unrestricted	<u>17,838</u>	<u>15,840</u>	<u>18,253</u>	<u>1,998</u>	<u>(2,413)</u>
Total net position	<u>\$ 53,941</u>	<u>\$ 52,057</u>	<u>\$ 49,888</u>	<u>\$ 1,884</u>	<u>\$ 2,169</u>

Changes to Total Assets and Deferred Outflows of Resources

The total assets of the College increased by \$10,771,696 primarily related to an increase in investments and capital assets.

Changes to Total Liabilities and Deferred Inflows of Resources

The total liabilities of the College for the year have decreased by \$8,887,927. This change is attributed to the issuance of 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 2017, the net investment in capital assets decreased by \$137,686. Along with the combination of an increase in restricted-expendable net position of \$23,451 and an increase in unrestricted net position of \$1,998,004, overall net position of the College increased \$1,883,769.

BUTLER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis

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 \$37,375,543 and \$43,070,861 in fiscal years 2017 and 2016, respectively.

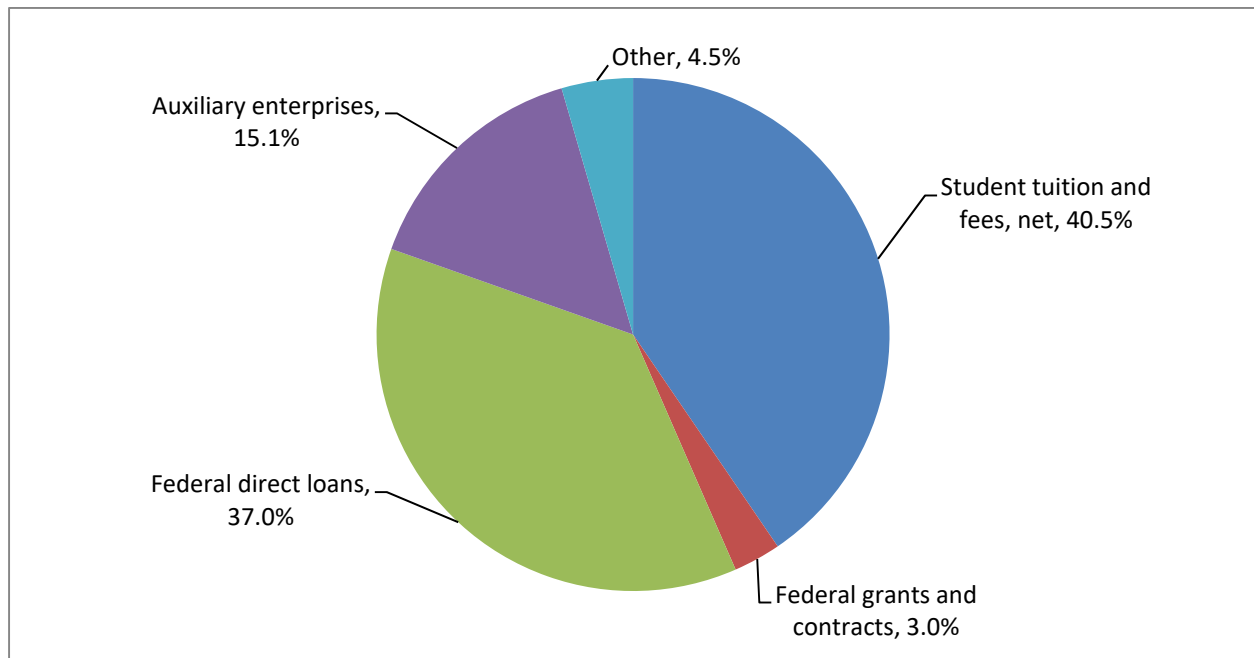
Condensed Statements of Revenues, Expenses and Changes in Net Position (in thousands)

	2017	2016	2015	2017 vs. 2016 Increase (Decrease)	2016 vs. 2015 Increase (Decrease)
Operating revenue	\$ 44,888	\$ 44,508	\$ 47,169	\$ 380	\$ (2,661)
Operating expenses	86,706	87,579	87,777	(873)	(198)
Operating loss	(41,818)	(43,071)	(40,608)	1,253	(2,463)
Nonoperating revenues (expenses)	47,588	45,240	43,567	2,348	1,673
Increase (Decrease) in net position	5,770	2,169	2,959	3,601	(790)
Net position, beginning of the year	52,057	49,888	46,929	2,169	2,959
Prior period adjustment	(3,886)	--	--	(3,886)	--
Net position, end of the year	<u>\$ 53,941</u>	<u>\$ 52,057</u>	<u>\$ 49,888</u>	<u>\$ 1,884</u>	<u>\$ 2,169</u>

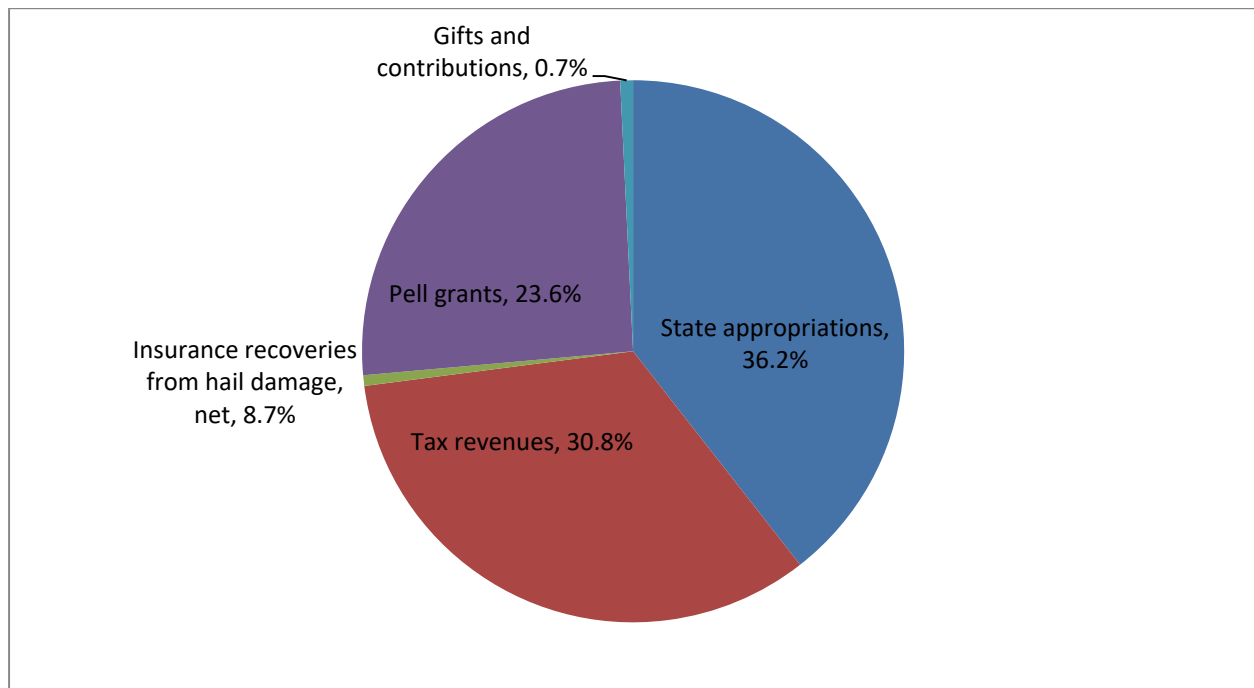
BUTLER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis

Operating Revenues by Source



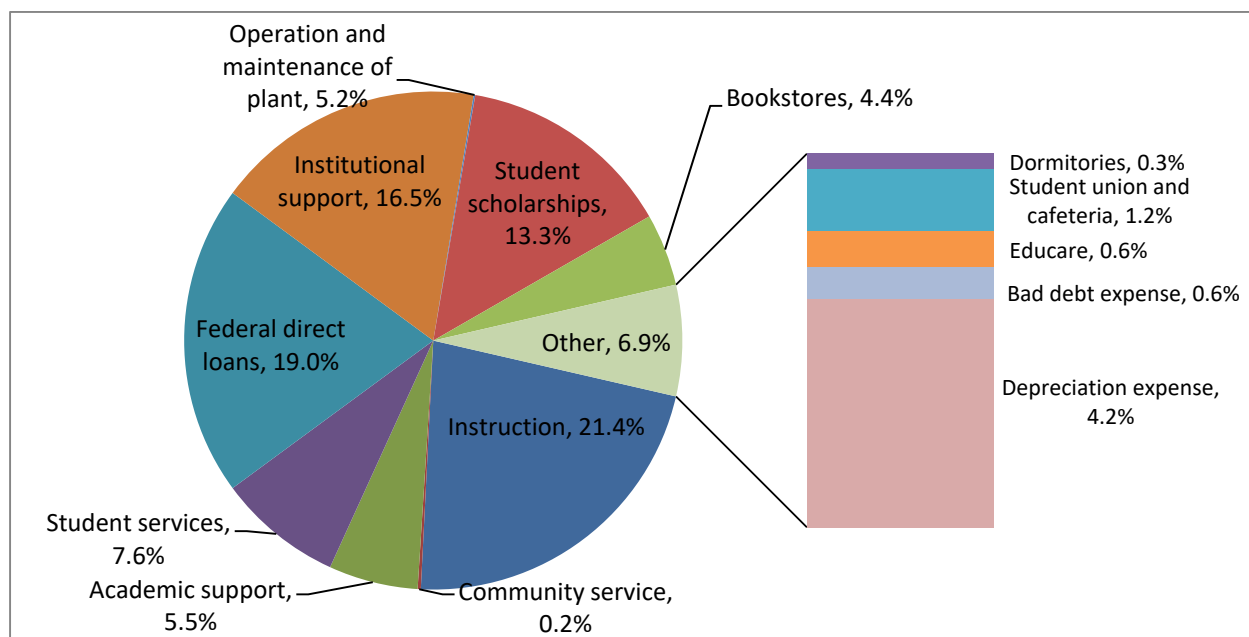
Nonoperating Revenues by Major Source



BUTLER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis

Operating Expenses by Program



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)

	2017	2016	2015
Cash flows from:			
Operating activities	\$ (34,461)	\$ (35,096)	\$ (34,578)
Noncapital financing activities	41,039	40,595	40,925
Capital financing activities	84	(6,688)	(8,530)
Investing activities	(4,788)	44	2,600
Net increase (decrease) in cash	1,874	(1,145)	417
Cash, beginning of year	19,347	20,492	20,075
Cash, end of year	<u>\$ 21,221</u>	<u>\$ 19,347</u>	<u>\$ 20,492</u>

BUTLER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis

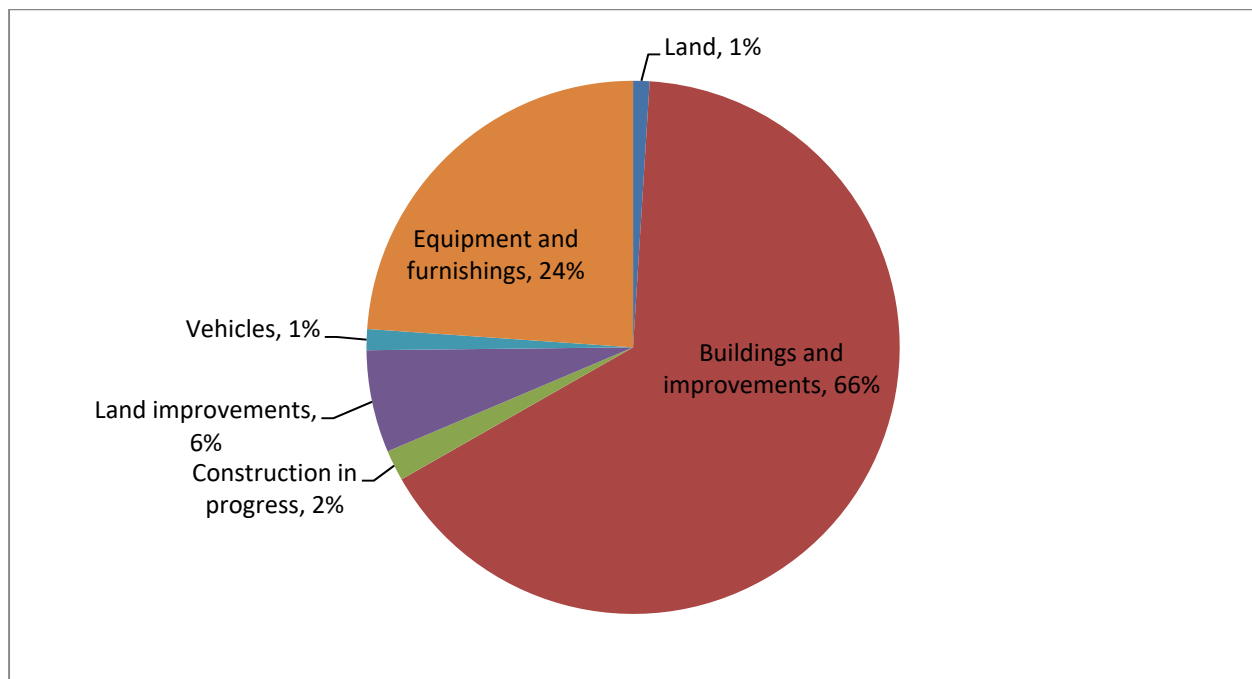
Significant sources of cash included local property taxes, the state operating grant, tuition and fees, and proceeds from maturities of investments. Significant uses of cash were payments to suppliers and vendors, payments to employees, employee benefits, payments for scholarships, capital assets and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

The cash position of the College increased by \$1,874,415 for the fiscal year ended June 30, 2017 compared to a decrease of \$1,145,308 for the fiscal year ended June 30, 2016.

Capital Asset and Debt Administration

At fiscal year-end, the College had \$94,012,144 of capital assets, with accumulated depreciation of \$43,156,209. Related depreciation charges of \$3,654,934 were recognized in the fiscal year 2017. More detailed financial activity related to the changes in Capital Assets is presented in Note 4.

Capital Asset Categories

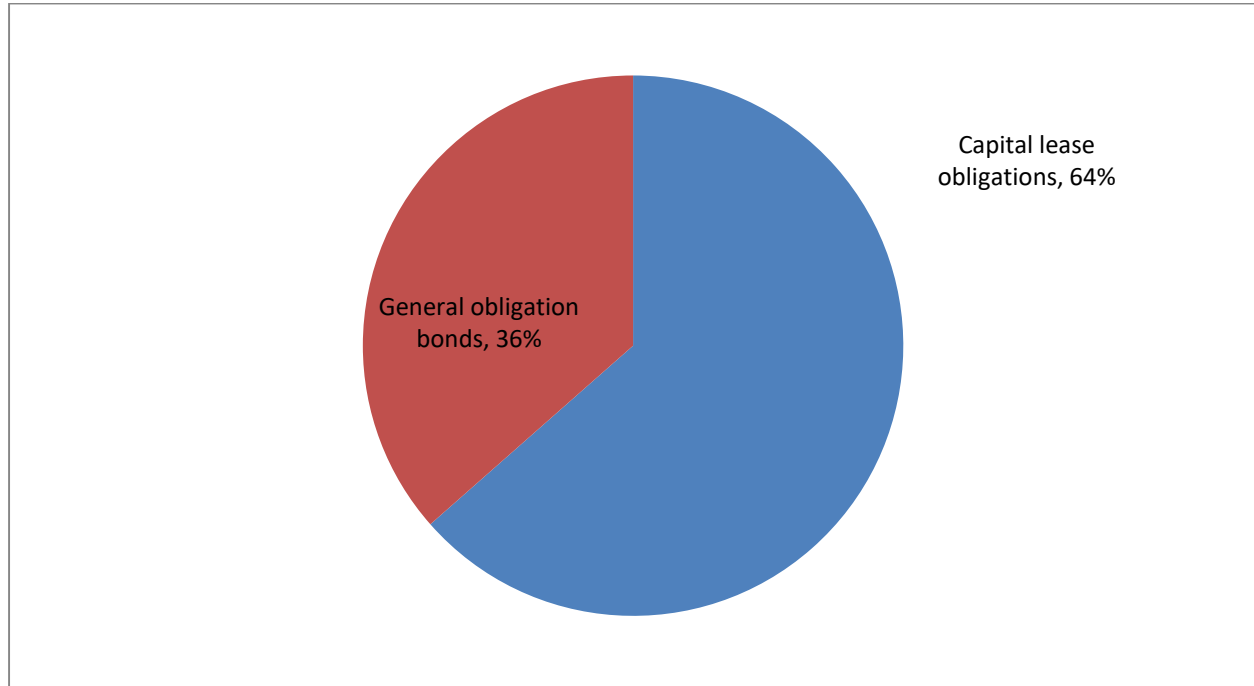


BUTLER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis

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

Categories of Debt



Economic Outlook

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.

BASIC FINANCIAL STATEMENTS

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	<u>College</u>		<u>Foundation</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Current assets:				
Cash and investments	\$ 21,220,934	\$ 19,346,519	\$ 1,743,728	\$ 1,658,519
Accounts receivable net of allowance for doubtful accounts of \$5,636,705 in 2017 and \$5,135,901 in 2016	1,446,877	1,357,300	-	-
Receivables from federal and state governments	166,572	140,118	-	-
Current portion of pledges receivable	-	-	442,199	473,537
Prepaid expenses	191,551	22,294	-	-
Bookstore inventory	890,079	965,601	-	-
Total current assets	<u>23,916,013</u>	<u>21,831,832</u>	<u>2,185,927</u>	<u>2,132,056</u>
Noncurrent assets:				
Cash and investments	-	-	11,097,272	10,049,070
Restricted cash and investments	4,890,500	27,982	-	-
Pledges receivable	-	-	820,052	1,186,284
Cash surrender value of life insurance	-	-	18,621	17,987
Investment in joint venture	5,144,835	5,144,835	-	-
Capital assets, net of accumulated depreciation				
Land and construction in progress	2,693,640	3,366,398	-	-
Other capital assets, net of accumulated depreciation	48,162,295	43,823,361	6,099	8,393
Total noncurrent assets	<u>60,891,270</u>	<u>52,362,576</u>	<u>11,942,044</u>	<u>11,261,734</u>
Deferred outflows of resources:				
Deferred outflows - pensions	211,273	52,452	-	-
Total deferred outflows of resources	<u>211,273</u>	<u>52,452</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>85,018,556</u>	<u>74,246,860</u>	<u>14,127,971</u>	<u>13,393,790</u>
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Current liabilities:				
Accounts payable	2,111,937	963,965	117,310	19,421
Compensated absences payable	1,291,539	1,278,885	-	-
Accrued salaries	642,949	742,590	-	-
Deposits held in custody for others	48,830	56,751	-	-
Accrued interest payable	57,937	55,519	-	-
Unearned revenue	952,487	949,786	-	-
Current portion of annuity payable	-	-	5,800	7,250
Current portion of long-term debt	2,505,117	2,102,722	1,831	1,532
Total current liabilities	<u>7,610,796</u>	<u>6,150,218</u>	<u>124,941</u>	<u>28,203</u>
Noncurrent liabilities:				
Long-term debt	12,934,338	9,804,454	5,291	7,123
Long-term compensated absences payable	922,731	755,874	-	-
Net pension liability	402,608	651,561	-	-
Net OPEB obligation	8,346,417	4,750,862	-	-
Long-term annuity payable	-	-	44,951	48,369
Total noncurrent liabilities	<u>22,606,094</u>	<u>15,962,751</u>	<u>50,242</u>	<u>55,492</u>
Deferred inflows of resources:				
Deferred inflows - pensions	225,190	76,958	-	-
Deferred inflows - OPEB	635,774	-	-	-
Total deferred inflows of resources	<u>860,964</u>	<u>76,958</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>31,077,854</u>	<u>22,189,927</u>	<u>175,183</u>	<u>83,695</u>
<u>NET POSITION</u>				
Net investment in capital assets	35,972,878	36,110,564	6,099	8,393
Restricted - expendable:				
For capital projects	-	-	694,261	989,442
For scholarships, instruction and other	130,229	106,778	2,369,801	1,746,844
For college support	-	-	839,838	873,416
Restricted - non-expendable:				
For scholarships	-	-	8,125,023	7,889,498
For college support	-	-	1,353,385	1,354,167
Unrestricted	17,837,595	15,839,591	564,381	448,335
Total net position	<u>\$ 53,940,702</u>	<u>\$ 52,056,933</u>	<u>\$ 13,952,788</u>	<u>\$ 13,310,095</u>

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

BUTLER COUNTY COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2017 and 2016

	<u>College</u>		<u>Foundation</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>REVENUES</u>				
Operating revenues:				
Student tuition and fees, net of scholarship allowances of \$2,108,926 in 2017 and \$2,003,722 in 2016	\$ 18,140,257	\$ 17,614,202	\$ -	\$ -
Federal grants and contracts	1,347,797	1,209,056	-	-
Federal direct loans	16,599,188	17,117,497	-	-
Gifts and contributions	-	-	1,496,650	1,835,650
Auxiliary enterprises:				
Bookstores, net of scholarship allowances of \$527,598 in 2017 and \$548,425 in 2016	4,538,217	4,693,474	-	-
Dormitories, net of scholarship allowances of \$137,007 in 2017 and \$172,322 in 2016	1,178,490	1,166,884	-	-
Student union and cafeteria, net of scholarship allowances of \$63,488 in 2017 and \$92,406 in 2016	546,104	631,461	-	-
Educare, net of discounts	517,151	488,870	-	-
Net investment return	-	-	1,301,114	(40,491)
Other	2,020,310	1,586,421	-	-
Total operating revenues	<u>44,887,514</u>	<u>44,507,865</u>	<u>2,797,764</u>	<u>1,795,159</u>
<u>EXPENSES</u>				
Operating expenses:				
Instruction	18,334,002	18,780,391	-	-
Community service	152,721	119,504	-	-
Academic support	4,803,345	4,373,833	1,019,385	1,332,334
Student services	6,631,787	6,598,560	-	-
Federal direct loans	16,599,188	17,117,497	-	-
Institutional support	14,387,821	14,211,076	399,779	387,697
Operation and maintenance of plant	4,506,187	3,741,814	-	-
Student scholarships	11,491,423	12,330,422	484,786	530,512
Fundraising	-	-	248,936	241,412
Auxiliary enterprises:				
Bookstores	3,847,824	3,727,416	-	-
Dormitories	246,354	747,536	-	-
Student union and cafeteria	1,009,646	1,056,678	-	-
Educare	539,769	555,269	-	-
Bad debt expense	500,804	665,014	-	-
Depreciation expense	3,654,934	3,553,716	2,185	2,705
Total operating expenses	<u>86,705,805</u>	<u>87,578,726</u>	<u>2,155,071</u>	<u>2,494,660</u>
Operating income (loss)	<u>(41,818,291)</u>	<u>(43,070,861)</u>	<u>642,693</u>	<u>(699,501)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>				
State appropriations	17,447,737	18,121,848	-	-
Tax revenues	14,833,769	13,160,368	-	-
Pell grants	11,350,282	12,106,740	-	-
Gifts and contributions	335,796	490,000	-	-
Investment income	74,796	11,925	-	-
Insurance recoveries from hail damage, net	4,163,957	2,063,057	-	-
Interest on capital asset-related debt	(328,126)	(394,208)	-	-
Gain (loss) on disposal of assets	(290,618)	(320,455)	-	-
Total nonoperating revenues (expenses)	<u>47,587,593</u>	<u>45,239,275</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>5,769,302</u>	<u>2,168,414</u>	<u>642,693</u>	<u>(699,501)</u>
Net position at beginning of year	<u>52,056,933</u>	<u>49,888,519</u>	<u>13,310,095</u>	<u>14,009,596</u>
Prior period adjustment	(3,885,533)	-	-	-
Net position at beginning of year, restated	<u>48,171,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 53,940,702</u>	<u>\$ 52,056,933</u>	<u>\$ 13,952,788</u>	<u>\$ 13,310,095</u>

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

BUTLER COUNTY COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS - COLLEGE
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Tuition and fees	\$ \$ 17,981,075	\$ 17,617,215
Grants and contracts	17,920,531	18,324,567
Payments to suppliers and employees	(67,739,236)	(67,231,296)
Payments for scholarships	(11,491,423)	(12,330,422)
Auxiliary enterprise charges:		
Bookstores	4,538,217	4,693,474
Dormitories	1,178,490	1,166,884
Student union and cafeteria	614,214	588,237
Educare	517,151	488,870
Other	2,020,310	1,586,421
Net cash flow from operating activities	<u>(34,460,671)</u>	<u>(35,096,050)</u>
Cash Flows From Noncapital Financing Activities:		
Tax receipts	14,833,769	13,160,368
State appropriations	14,844,161	15,327,448
Other	11,361,078	12,106,740
Net cash flow from noncapital financing activities	<u>41,039,008</u>	<u>40,594,556</u>
Cash Flows From Capital Financing Activities:		
Donations received from Foundation	325,000	490,000
Proceeds from long-term debt	6,230,000	-
Principal paid on long-term debt	(2,697,721)	(2,736,114)
Interest paid on long-term debt	(325,708)	(371,425)
Purchases of capital assets	(7,611,728)	(7,057,912)
Proceeds from hail damage insurance recovery and asset disposal	4,163,957	2,987,312
Net cash flow from capital financing activities	<u>83,800</u>	<u>(6,688,139)</u>
Cash Flows From Investing Activities:		
Investment income	74,796	11,925
Proceeds from sales and maturities of investments	9,500,000	10,500,000
Purchases of investments	(14,362,518)	(10,467,600)
Net cash flow from investing activities	<u>(4,787,722)</u>	<u>44,325</u>
Net change in cash and cash equivalents	1,874,415	(1,145,308)
Cash and cash equivalents at beginning of year	19,346,519	20,491,827
Cash and cash equivalents at end of year	<u>\$ 21,220,934</u>	<u>\$ 19,346,519</u>

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

BUTLER COUNTY COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS - COLLEGE
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Net Operating Loss to Net Cash Flow From Operating Activities:		
Operating loss	\$ (41,818,291)	\$ (43,070,861)
Adjustments to reconcile net operating loss to net cash flow from operating activities:		
Depreciation expense	3,654,934	3,553,716
State on-behalf payments for employee benefits	2,603,576	2,794,400
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable	(89,577)	(195,448)
Receivable from federal and state governments	(26,454)	(1,986)
Inventories	75,522	171,053
Prepaid expenses	(169,257)	20,473
Deferred outflows - pensions	(158,821)	(52,452)
Accounts payable and accrued expenses	929,943	802,862
Post retirement benefits	(248,953)	651,561
Deferred revenue	2,701	153,674
Deferred inflows - pensions	148,232	76,958
Deferred inflows - OPEB	635,774	-
Net cash flow from operating activities	<u>\$ (34,460,671)</u>	<u>\$ (35,096,050)</u>
 Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Current cash and investments	\$ 21,220,934	\$ 19,346,519
Noncurrent cash and investments	4,890,500	27,982
Less: investments	<u>(4,890,500)</u>	<u>(27,982)</u>
Net cash and cash equivalents	<u>\$ 21,220,934</u>	<u>\$ 19,346,519</u>

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

BUTLER COUNTY COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS - FOUNDATION
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Increase in net position	\$ 642,693	\$ (699,501)
Adjustments to reconcile the change in net position to net cash flow from operating activities:		
Depreciation	2,185	2,705
Unrealized and realized loss (gain) on investments	(1,127,360)	232,246
Decrease (increase) in cash value of life insurance	(634)	(621)
Net change in operating assets and liabilities:		
Unconditional promises to give	397,570	465,848
Accounts payable	101,853	(33,501)
Accrued liabilities	(3,964)	(8,099)
	<u>12,343</u>	<u>(40,923)</u>
Net cash flow from operating activities		
Cash Flows From Investing Activities:		
Net change in short term investments	(84,618)	189,154
Purchase of investments	(12,226,490)	(1,435,743)
Proceeds from sale of investments	12,305,648	1,286,501
Loss (gain) from disposition of property and equipment	109	(87)
	<u>(5,351)</u>	<u>39,825</u>
Net cash flow from investing activities		
Cash Flows From Financing Activities:		
Payments on capital lease obligations	(1,533)	(1,280)
Payments on annuity obligations	(4,868)	(1,807)
	<u>(6,401)</u>	<u>(3,087)</u>
Net cash flow from financing activities		
Net change in cash and cash equivalents	591	(4,185)
Cash and cash equivalents at beginning of year	<u>10,938</u>	<u>15,123</u>
Cash and cash equivalents at end of year	<u><u>\$ 11,529</u></u>	<u><u>\$ 10,938</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and cash equivalents	\$ 11,529	\$ 10,938
Investments	<u>1,732,199</u>	<u>1,647,581</u>
Total cash and investments	<u><u>\$ 1,743,728</u></u>	<u><u>\$ 1,658,519</u></u>

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

BUTLER COUNTY COMMUNITY COLLEGE
STATEMENTS OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 408,651	\$ 345,024
Due from other governments	<u>3,000</u>	<u>3,000</u>
Total assets	<u><u>\$ 411,651</u></u>	<u><u>\$ 348,024</u></u>
LIABILITIES		
Accrued liabilities	18,240	12,522
Due to other governments	<u>393,411</u>	<u>335,502</u>
Total liabilities	<u><u>\$ 411,651</u></u>	<u><u>\$ 348,024</u></u>

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity - During 2013, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *Financial Reporting Entity: Omnibus* which amends Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement 14. Entities that are legally separate tax-exempt organizations are required to be reported in the College's financial statements if the resources of the affiliated organization benefit the College, the College is entitled to or can otherwise access the resources, and the resources are considered significant to the College.

Butler Community College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement funds to provide scholarships to students at the College and to provide other financial support to the College. The majority of the resources or income thereon that the Foundation holds and invests are restricted to the activities to the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College or its constituents, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. Under this amendment there were no changes to the Foundation's presentation as a discretely presented component unit.

The Foundation is a nonprofit organization that reports under standards of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. Separately issued audited financial statements for the Foundation may be obtained from the College's administrative office at 901 South Haverhill Road, El Dorado, Kansas 67042.

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

The Educational Facilities Authority of Butler County is the official governing body of the BG Products Veterans Sports Complex, which was constructed and located directly northeast of the College's campus. The bowl-design stadium accommodates 3,000 home fans and 1,000 visitors, with a future capacity to seat 4,500 and 2,000 respectively. The College has an ongoing financial obligation for certain operating costs of the stadium.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

During fiscal 2012, the College issued \$3 million of Certificates of Participation to fund its portion of construction (see Note 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, 2017 and 2016 was \$5,144,835, and consists of payments made for construction costs.

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

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

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

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

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

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

For purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Money market investments are measured at amortized cost (see Note 2).

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In the PY, the college implemented GASB 72, *Fair Value Measurement and Application*, which 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.

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

Capital Assets - Capital assets are recorded at cost at the date of acquisition, or 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.

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, 2017 and 2016, the County Treasurer had distributed to the College approximately 91%, of taxes levied in the prior year.

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Pensions - 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'

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Postemployment Benefits Other Than Pensions (OPEB) - As discussed in Note 14 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. This separate financial statement element, deferred outflows and deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (revenue) until that time. The College has deferred outflows and deferred inflows for pensions and OPEB that qualify for reporting in this category that qualify for reporting in this category. The third item, deferred outflows and deferred inflows for pensions and OPEB, is reported on the government-wide statement of net position. See Notes 8 and 14 for more information on these deferred outflows and deferred inflows.

Net Position - *Net investment in capital assets*: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this component.

Restricted net position - expendable: Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

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

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

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Scholarship Discounts and Allowances - Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

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

1. Preparation of the budget for the succeeding year on or before August 1.
2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year ended June 30, 2017.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2. CASH AND INVESTMENTS

Deposits - Custodial credit risk for deposits is the risk that, in the event of 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, 2017 and 2016 consists of demand deposit accounts, money market savings accounts, certificates of deposit and U.S. Treasury Bonds. At year-end, the carrying amount of the College's deposits was \$26,513,688 with the bank balances of such accounts being \$26,758,299. Of the bank balances, \$1,750,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by the College's custodial bank in joint custody in the name of the College and its bank.

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

	2017	2016
Money market accounts - held in trust	\$ 6,397	\$ 27,982
U.S. Treasury Bonds	4,884,103	--
	<u>\$ 4,890,500</u>	<u>\$ 27,982</u>

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

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

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

	2017	2016
Money market accounts	\$ 1,732,199	\$ 1,647,581
Equities	7,518,964	6,903,900
Fixed income	3,079,374	3,145,170
Hedge funds	303,070	--
Commodities	195,864	--
	<u>\$ 12,829,471</u>	<u>\$ 11,696,651</u>

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

	2017	2016
Investment income	\$ 173,755	\$ 191,755
Net realized and unrealized gains (losses)	1,127,359	(232,246)
	<u>\$ 1,301,114</u>	<u>\$ (40,491)</u>

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements - The College and the Foundation categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investment.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets that the reporting entity has the ability to access at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs for the asset. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset. Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the (including assumptions about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of other assets and liabilities measured on a recurring basis, as of June 30, 2017, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
<u>College</u>				
Short-term investments:				
Money market accounts	\$ 6,397	\$ --	\$ --	\$ 6,397
U.S. Treasury Bonds	4,884,103	--	--	4,884,103
Total investments	<u>\$ 4,890,500</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,890,500</u>
<u>Foundation</u>				
Short-term investments:				
Money market accounts	\$ 1,732,199	\$ --	\$ --	\$ 1,732,199
Total short-term investments	<u>1,732,199</u>	<u>--</u>	<u>--</u>	<u>1,732,199</u>
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	<u>11,097,272</u>	<u>--</u>	<u>--</u>	<u>11,097,272</u>
Total investments	<u>\$ 12,829,471</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 12,829,471</u>

Fair values of other assets and liabilities measured on a recurring basis, as of June 30, 2016, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
<u>College</u>				
Short-term investments:				
Money market accounts	\$ 27,982	\$ --	\$ --	\$ 27,982
<u>Foundation</u>				
Short-term investments:				
Money market accounts	\$ 1,647,581	\$ --	\$ --	\$ 1,647,581
Total short-term investments	<u>1,647,581</u>	<u>--</u>	<u>--</u>	<u>1,647,581</u>
Long-term investments:				
Equities	6,903,900	--	--	6,903,900
Fixed income	3,145,170	--	--	3,145,170
Total long-term investments	<u>10,049,070</u>	<u>--</u>	<u>--</u>	<u>10,049,070</u>
Total investments	<u>\$ 11,696,651</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 11,696,651</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>College</u>				
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
	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Foundation</u>				
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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<u>College</u>				
Capital assets not being depreciated:				
Land	\$ 935,237	\$ --	\$ --	\$ 935,237
Construction in progress	1,404,249	2,326,553	1,299,641	2,431,161
Total capital assets not being depreciated	2,339,486	2,326,553	1,299,641	3,366,398
Capital assets being depreciated:				
Land improvements	5,364,294	226,673	--	5,590,967
Buildings and improvements	51,838,549	5,062,419	2,231,018	54,669,950
Vehicles	1,047,506	195,740	24,432	1,218,814
Equipment and furnishings	22,738,667	546,167	--	23,284,834
Total capital assets being depreciated	80,989,016	6,030,999	2,255,450	84,764,565
Less: accumulated depreciation				
Land improvements	3,154,935	272,664	--	3,427,599
Building and improvements	16,834,377	1,760,006	985,628	17,608,755
Vehicles	832,133	120,413	24,432	928,114
Equipment and furnishings	17,576,784	1,400,633	681	18,976,736
Total accumulated depreciation	38,398,229	3,553,716	1,010,741	40,941,204
Total capital assets being depreciated, net	42,590,787	2,477,283	1,244,709	43,823,361
Net capital assets	\$ 44,930,273	\$ 4,803,836	\$ 2,544,350	\$ 47,189,759
	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<u>Foundation</u>				
Equipment, at cost	\$ 34,045	\$ --	\$ 1,484	\$ 32,561
Accumulated depreciation	23,034	2,705	1,571	24,168
Net capital assets	\$ 11,011	\$ (2,705)	\$ (87)	\$ 8,393

In fiscal year 2015, the College endured a hail storm and certain assets were damaged. The College has commercial insurance to cover its risk of loss. In the prior year, there was a loss disposal of \$924,255 and insurance recovery of \$2,987,312, with net insurance recoveries recorded of \$2,063,057 reported as nonoperating revenues on the statement of revenues, expenses and changes in net position. In the current year, there were net insurance recoveries of \$4,163,957 reported as nonoperating revenues on the statement of revenues, expenses and changes in net position.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

5. UNEARNED REVENUE

At June 30 unearned revenue consists of the following:

	2017	2016
Prepaid tuition and fees	\$ 952,487	\$ 949,786

6. LONG-TERM LIABILITIES

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

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017	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
	<u>11,907,176</u>	<u>6,230,000</u>	<u>2,697,721</u>	<u>15,439,455</u>	<u>2,505,117</u>
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	--
	<u>7,437,182</u>	<u>5,356,583</u>	<u>1,830,470</u>	<u>10,963,295</u>	<u>1,291,539</u>
	<u>\$ 19,344,358</u>	<u>\$ 11,586,583</u>	<u>\$ 4,528,191</u>	<u>\$ 26,402,750</u>	<u>\$ 3,796,656</u>

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Balance at June 30, 2015	Additions	Reductions	Balance at June 30, 2016	Amounts due within one year
Capital lease obligations	\$ 14,643,290	\$ --	\$ 2,736,114	\$ 11,907,176	\$ 2,102,722
	<u>14,643,290</u>	<u>--</u>	<u>2,736,114</u>	<u>11,907,176</u>	<u>2,102,722</u>
Other liabilities:					
Net OPEB obligation	4,162,653	775,810	187,601	4,750,862	--
Compensated absences payable	2,087,087	1,226,557	1,278,885	2,034,759	1,278,885
Net pension liability	--	651,561	--	651,561	--
	<u>6,249,740</u>	<u>2,653,928</u>	<u>1,466,486</u>	<u>7,437,182</u>	<u>1,278,885</u>
	<u>\$ 20,893,030</u>	<u>\$ 2,653,928</u>	<u>\$ 4,202,600</u>	<u>\$ 19,344,358</u>	<u>\$ 3,381,607</u>

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM DEBT

At June 30 capital lease obligations within long-term debt consists of the following:

	2017	2016
<i>April 4, 2003 real estate lease agreement</i> in the original amount of \$2,492,117 and amendments effective July 1, 2005 in the original amount of \$1,795,016. The lease requires monthly principal and interest payments at 6% of \$37,546 beginning July 1, 2005 through July 1, 2018 at which time the title to the property will pass to the College.	\$ 436,247	\$ 847,150
Kansas Board of Regents Post-Secondary Education Institution Infrastructure Finance Program loan agreement effective March 2009. The loan provides for funding up to \$1,451,923 for infrastructure improvements at the College, bears interest at 0.00%, and requires principal payments annually beginning December 1, 2009 of \$181,490. The loan is secured by state appropriations received from the State of Kansas and was paid off during fiscal year 2017.	--	180,150
<i>Series 2012 Stadium Certificates of Participation lease purchase agreement</i> issued April 3, 2012 in the original amount of \$3,000,000. The lease is to fulfill an obligation of the Foundation to pay for the College's share of construction of the BG Veterans Stadium. The lease requires semiannual principal and interest payments at 2.70% at varied amounts, with the final payment due April 3, 2020. These amounts will be reimbursed to the College by the Foundation. Ownership of the stadium will be held by the Educational Facilities Authority. See also Note 1.	550,000	800,000
<i>Series 2012B Refunding Certificates of Participation lease purchase agreement</i> issued July 27, 2012 in the original amount of \$2,000,000 for the purpose of refunding Series 2008B and 2009 certificates maturing in years 2012 to 2016 inclusive. The lease required semiannual payments with an interest rate of 1.75% and was paid off during fiscal year 2017.	--	600,000
<i>Building lease agreement with City of El Dorado</i> in the original amount of \$1,841,739. The lease requires monthly principal and interest payments at 3.45% of \$10,634 beginning July 2012 through June 2032, at which time the title to the property will pass to the College.	1,513,208	1,589,876
<i>Series 2013 Refunding Certificates of Participation lease purchase agreement</i> 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.	2,385,000	2,620,000

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

	<u>2017</u>	<u>2016</u>
<i>Series 2013B Certificates of Participation</i> lease purchase agreement issued November 1, 2013 in the original amount of \$5,875,000. The lease requires semiannual principal and interest payments at interest rates varying between 2% and 3.6% (2% at June 30, 2017) beginning November 1, 2014 through November 1, 2028.	\$ 4,920,000	\$ 5,270,000
Total	9,804,455	11,907,176
Less: current portion	<u>1,310,117</u>	<u>2,102,722</u>
Long-term portion	<u>\$ 8,494,338</u>	<u>\$ 9,804,454</u>

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

	<u>2017</u>	<u>2016</u>
Land	\$ 113,942	\$ 113,942
Land improvements	2,080,312	2,080,312
Buildings	12,898,723	12,898,723
Equipment	<u>1,992,743</u>	<u>1,992,743</u>
	17,085,720	17,085,720
Less accumulated depreciation	<u>(5,379,507)</u>	<u>(4,476,853)</u>
	<u>\$ 11,706,213</u>	<u>\$ 12,608,867</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Year ending June 30:</u>			
2018	\$ 1,310,117	\$ 252,757	\$ 1,562,874
2019	886,136	262,169	1,148,305
2020	853,467	229,663	1,083,130
2021	725,865	197,865	923,730
2022	743,332	167,953	911,285
2023 - 2027	3,726,218	521,929	4,248,147
2028 - 2032	1,499,433	83,439	1,582,872
2033 - 2037	<u>59,887</u>	<u>473</u>	<u>60,360</u>
	<u>\$ 9,804,455</u>	<u>\$ 1,716,248</u>	<u>\$ 11,520,703</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

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

	<u>2017</u>	<u>2016</u>
<i>Series 2016 General Obligation Capital Outlay Bonds</i>		
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.	\$ 5,635,000	\$ --
Total	5,635,000	--
Less: current portion	<u>1,195,000</u>	<u>--</u>
Long-term portion	<u>\$ 4,440,000</u>	<u>\$ --</u>

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

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,195,000	\$ 54,393	\$ 1,249,393
2019	1,240,000	42,343	1,282,343
2020	1,270,000	29,818	1,299,818
2021	1,285,000	17,068	1,302,068
2022	<u>645,000</u>	<u>3,548</u>	<u>648,548</u>
	<u>\$ 5,635,000</u>	<u>\$ 147,170</u>	<u>\$ 5,782,170</u>

8. DEFINED BENEFIT PENSION PLAN AND EMPLOYEE BENEFITS

General Information about the Pension Plan

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

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

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

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

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 aged 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 10.81% and 10.91% for the fiscal years ended June 30, 2017 and 2016, respectively.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

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

At June 30, 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:

	<u>June 30, 2017</u>
College's proportionate share of the collective net pension liability	\$ 402,608
State's proportionate share of the collective net pension liability associated with the College	<u>37,535,499</u>
Total	<u><u>\$ 37,938,107</u></u>

The collective net pension liability was measured by KPERS as of June 30, 2016, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. 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 year ended June 30, 2016. The resulting proportion was then allocated to the College based on the ratio of the College's actual contributions paid directly to KPERS for "working after retirement" employees relative to the total employer and nonemployer contributions of the College for the fiscal year ended June 30, 2016. As of the measurement date of June 30, 2016, the College's "working after retirement" contributions were .558% 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, 2016 was .00599%.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 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	<u>65,450</u>	<u>-</u>
Total	<u>\$ 211,273</u>	<u>\$ 225,190</u>

The \$65,450 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Deferred Outflows (Inflows) of Resources</u>
2018	\$ 9,646
2019	9,646
2020	2,782
2021	31,303
2022	25,990
	<u>\$ 79,367</u>

For the years ended June 30, 2017 and 2016, the College recognized pension expense and revenue of \$1,451,682 and \$2,794,400, respectively, for support provided by the State in the form of non-employer contributions to KPERS on the College's behalf. For the years ended June 30, 2017 and 2016, College contributions to the plan for "working after retirement" payments were \$65,450 and \$28,086 respectively.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00 percent
Wage inflation	4.00 percent
Salary increases, including wage increases	4.00 to 16.00 percent, including inflation
Long-term rate of return net of investment expense, and including price inflation	8.00 percent

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted for the three year period beginning 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.80%
Fixed income	13	1.25
Yield driven	8	6.55
Real return	11	1.71
Real estate	11	5.05
Alternatives	8	9.85
Short-term investments	2	(0.25)
Total	100%	

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

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

Sensitivity of the College's proportionate share of the collective net pension liability to changes in the discount rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 8.00%, 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 (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
College's proportionate share of the net pension liability	\$ 523,496	\$ 402,608	\$ 299,892

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

Subsequent events: Under the budgetary allotment process for the State of Kansas, the Kansas governor has authority to reduce or defer the approved budget for purposes of balancing the budget. For the State's fiscal year ending June 30, 2017, approximately \$99 million in state funded employer contributions to the state/school group were deferred. It is unknown at the time whether this reduction will have a significant effect on the College's proportionate share of the KPERS' collective net pension liability, or an effect on any actuarial assumptions used by KPERS to calculate the collective net pension liability.

BUTLER COUNTY COMMUNITY COLLEGE**NOTES TO FINANCIAL STATEMENTS****9. PLEDGES RECEIVABLE - FOUNDATION**

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

	2017	2016
Total pledges receivable	\$ 1,404,403	\$ 1,842,619
Less: unamortized discount	(70,152)	(87,798)
Less: allowance for uncollectible pledges	(72,000)	(95,000)
Net pledges receivable	1,262,251	1,659,821
Less: pledges receivable, current portion	(442,199)	(473,537)
Pledges receivable, long-term	<u>\$ 820,052</u>	<u>\$ 1,186,284</u>
Amounts due in:		
Less than one year	\$ 514,199	\$ 568,537
One to five years	823,704	1,181,482
Five to ten years	<u>66,500</u>	<u>92,600</u>
	<u>\$ 1,404,403</u>	<u>\$ 1,842,619</u>

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

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

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

10. RELATED PARTIES

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

The balances of the conditional pledges made to the College as June 30, 2017 and 2016 which are not recognized on the financial statements are as follows:

	<u>2017</u>	<u>2016</u>
Stadium Project	\$ 343,000	\$ 668,000
	<u>\$ 343,000</u>	<u>\$ 668,000</u>

Future payments of conditional pledges made to the College at June 30, 2017 are anticipated as follows for the years ending June 30:

2018	\$ 250,000
2019	<u>93,000</u>
	<u>\$ 343,000</u>

11. ENDOWMENTS

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

Interpretation of Relevant Law

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

11. ENDOWMENTS (CONTINUED)

position in accordance with the direction of the donor. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters

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

Spending Policy

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

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

Strategies Employed for Achieving Objectives

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ --	\$ --	\$ 9,478,408	\$ 9,478,408
Board designated endowment funds	49,941	--	--	49,941
Total funds	<u>\$ 49,941</u>	<u>\$ --</u>	<u>\$ 9,478,408</u>	<u>\$ 9,528,349</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

11. ENDOWMENTS (CONTINUED)

Endowment Net Asset Composition by Type of Fund as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ --	\$ --	\$ 9,243,665	\$ 9,243,665
Board designated endowment funds	49,941	--	--	49,941
Total funds	<u>\$ 49,941</u>	<u>\$ --</u>	<u>\$ 9,243,665</u>	<u>\$ 9,293,606</u>

Changes in Endowment Net position for the Fiscal Year Ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net position, beginning of year	\$ 49,941	\$ --	\$ 9,243,665	\$ 9,293,606
Investment income (loss)	--	348,804	--	348,804
Changes in donor restrictions	--	--	(21,919)	(21,919)
Contributions	--	--	256,662	256,662
Appropriation of endowment assets for expenditure	--	(348,804)	--	(348,804)
Net position, end of year	<u>\$ 49,941</u>	<u>\$ --</u>	<u>\$ 9,478,408</u>	<u>\$ 9,528,349</u>

Changes in Endowment Net position for the Fiscal Year Ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net position, beginning of year	\$ 49,941	\$ --	\$ 8,717,470	\$ 8,767,411
Investment income (loss)	--	355,601	--	355,601
Changes in donor restrictions	--	--	11,750	11,750
Contributions	--	--	514,445	514,445
Appropriation of endowment assets for expenditure	--	(355,601)	--	(355,601)
Net position, end of year	<u>\$ 49,941</u>	<u>\$ --</u>	<u>\$ 9,243,665</u>	<u>\$ 9,293,606</u>

12. COMMITMENTS AND CONTINGENCIES

The College participates in a number of federal and state assisted grant programs that are subject to financial and compliance audits by the grantor agencies or their designees. Accordingly, the College's compliance with applicable grant requirements and any disallowed costs resulting from such audits, if any, could become a liability of the College. It is Management's opinion that any such disallowed costs will not have a material effect on the financial statements of the College at June 30, 2017 and 2016.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

13. RISK MANAGEMENT

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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. As a result, the College recorded an adjustment to beginning net position for (\$3,885,533) to record the beginning balance of the net OPEB liability.

General Information about the OPEB Plan

Plan description. The College's sponsor 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.

Employees covered by benefit terms. As of July 1, 2016, the following employees were covered by the benefit terms:

Active: Professional employees	155
Active: Other employees	257
Current benefit recipients: Retirees and surviving spouses	26
Current benefit recipients: Covered spouses of retirees	5
Total	<u>443</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Total OPEB Liability

The County's total OPEB liability of \$8,346,417 was measured as of July 1, 2016, and was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.50 percent
Salary scale	2.00 percent
Discount rate	3.40 percent
Actuarial cost method	Entry age - level percent-of-pay
Healthcare Cost Trend Rate	7.50 percent

Discount rate. 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.

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, 2017 actuarial valuation 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 Net OPEB Liability

Total OPEB liability July 1, 2016	<u>\$ 8,636,395</u>
Changes for the year:	
Service cost	508,021
Interest cost	242,286
Changes in assumptions and inputs	(698,598)
Employer contributions (benefit payments)	<u>(341,687)</u>
Total OPEB Liability at June 30, 2017	<u>\$ 8,346,417</u>

Changes in assumptions reflect a change in the discount rate from 2.7% at the beginning of the year to 3.4% at the end of the year.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.40 percent) or 1-percentage-point higher (4.40 percent) than the current discount rate:

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

	<u>1% Decrease (2.40%)</u>	<u>Current Discount Rate (3.40%)</u>	<u>1% Increase (4.40%)</u>
Net OPEB liability	\$ 9,042,853	\$ 8,346,417	\$ 7,707,905

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current healthcare cost trend rates:

	<u>1% Decrease (6.50%)</u>	<u>Heathcare cost trend rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net OPEB liability	\$ 9,490,311	\$ 8,346,417	\$ 7,385,111

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

For the year ended June 30, 2017, the College recognized OPEB expense of \$687,483. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Changes in assumptions	<u>\$ 635,774</u>

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

Year ended June 30:	<u>Deferred Inflows of Resources</u>
2018	\$ (62,824)
2019	(62,824)
2020	(62,824)
2021	(62,824)
2022	(62,824)
2023 thereafter	(321,654)
	<u>\$ (635,774)</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

15. PENDING GOVERNMENTAL ACCOUNTING STANDARDS

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability and a corresponding deferred outflow of resources for AROs when the liability is incurred and reasonable estimable. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for estimating the liability and the estimated remaining useful life of the associated tangible capital asset. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when demands for resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2018.

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resource based on the payment provisions of the contract. It establishes a single model for lease accounting based on foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2021.

BUTLER COUNTY COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

Schedule of the College's Proportionate Share of the Net Pension Liability Kansas Public Employees Retirement System Last Four Years*

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
College's proportion of the collective net pension liability	0.00599%	0.00941%	0.00000%	0.00000%
College's proportionate share of the collective net pension liability	\$ 402,608	\$ 651,561	\$ --	\$ --
State's proportionate share of the collective net pension liability associated with the College	37,535,499	36,857,961	36,994,461	39,917,397
Total	<u>\$ 37,938,107</u>	<u>\$ 37,509,522</u>	<u>\$ 36,994,461</u>	<u>\$ 39,917,397</u>
College's covered payroll	\$ 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	1.70%	2.77%	0.00%	0.00%
Plan (KPERS) fiduciary net position as a percentage of the total pension liability	65.10%	64.95%	66.60%	59.94%

* GASB 68 requires presentation of ten years. As of June 30, 2017, only four years of information are available.

Note: Information on this schedule is measured as of the measurement date.

BUTLER COUNTY COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

Share of the College Contributions Kansas Public Employees Retirement System Last Four Fiscal Years*

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 65,450	\$ 28,086	\$ --	\$ --
Contributions in relation to the contractually required contribution	<u>(65,450)</u>	<u>(28,086)</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
College's covered payroll	\$ 24,165,246	\$ 22,198,260	\$ 25,142,766	\$ 25,666,659
Contributions as a percentage of covered payroll	0.27%	0.13%	0.00%	0.00%

*GASB 68 requires presentation of ten years. As of June 30, 2017, only four years of information are available.

Note: 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.

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

The KPERS 3 cash balance plan became effective January 1, 2015. Members enrolled in this plan are ones first employed in a KPERS covered position on or after January 1, 2015, or KPERS 1 or KPERS 2 members who left employment before vesting and returned to employment on or after January 1, 2015. The retirement benefit is an annuity based on the account balance at retirement.

BUTLER COUNTY COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

Schedule of the Changes in the College's Total OPEB Liability and Related Ratios Last One Fiscal Year*

	<u>June 30, 2017</u>
Total OPEB liability	
Service cost	\$ 508,021
Interest	242,286
Changes of benefit terms	--
Differences between actual and expected experience	--
Changes in assumptions or other inputs	(698,598)
Employer Contributions (Benefit Payments)	<u>(341,687)</u>
Net Change in total OPEB liability	(289,978)
Total OPEB liability - beginning	<u>8,636,395</u>
Total OPEB liability - ending	<u><u>\$ 8,346,417</u></u>
Covered payroll	\$ 18,958,502
Contributions as a percentage of covered payroll	44.02%

* GASB 75 requires presentation of ten years. As of June 30, 2017, only one fiscal year of information was available.

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

Changes in benefit terms.

- The Medical plans changed from POS \$500, POX \$1,500 and HDHP POS \$2,600 to POS \$1,000, PPO \$1,000, POS \$2,500 and HDHP POS \$3,000 effective September 1, 2016.

Changes in 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-2016 Full Generational Improvement.
- The per capita costs, retiree contribution premiums and trend assumptions were updated as part of the ongoing actuarial analysis.

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, 2017

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund balance, legal, July 1, 2016	\$ 11,610,539	\$ 11,331,722	\$ 278,817
Revenue and transfers:			
Local property taxes	13,558,974	13,717,960	(158,986)
State appropriations	10,121,710	10,121,710	--
Student tuition and fees	15,864,808	15,426,643	438,165
Investment income	59,800	11,851	47,949
Cancellation of prior year encumbrances	424,903	--	424,903
Gifts and grants	325,000	10,000	315,000
Insurance proceeds - hail damage	4,163,957	--	4,163,957
Other	1,657,942	3,445,170	(1,787,228)
Transfers among funds - additions	927,422	--	927,422
Total revenue and transfers	47,104,516	42,733,334	4,371,182
Expenditures, encumbrances and transfers:			
Education and general:			
Instruction	11,797,474	13,504,554	1,707,080
Academic support	2,976,348	3,354,924	378,576
Student services	4,944,775	5,423,557	478,782
Institutional support	10,462,162	11,871,010	1,408,848
Operation and maintenance of plant	2,380,903	6,628,465	4,247,562
Student scholarships	2,837,019	3,301,466	464,447
Transfers among funds - deductions	6,461,110	5,500,000	(961,110)
Total education and general	41,859,791	49,583,976	7,724,185
Repairs and maintenance - hail damage *	4,982,379	--	(4,982,379)
Total expenditures, encumbrances and transfers	46,842,170	49,583,976	2,741,806
Revenue and transfers over (under) expenditures and encumbrances	262,346	(6,850,642)	7,112,988
Fund balance, legal, June 30, 2017	\$ 11,872,885	\$ 4,481,080	\$ 7,391,805

* Not subjected to the College's certified budget

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, 2017

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund balance, legal, July 1, 2016	\$ 293,807	\$ 166,465	\$ 127,342
Revenue and transfers:			
State appropriations	4,589,761	4,558,388	31,373
Student tuition and fees	4,438,628	4,553,595	(114,967)
Cancellation of prior year encumbrances	5,028	--	5,028
Other	8,500	--	8,500
Transfers among funds - additions	4,000,000	5,523,493	(1,523,493)
Total revenue	<u>13,041,917</u>	<u>14,635,476</u>	<u>(1,593,559)</u>
Expenditures, encumbrances and transfers:			
Instruction	4,693,286	5,617,236	923,950
Academic support	1,339,806	1,673,635	333,829
Student services	1,052,122	1,193,028	140,906
Institutional support	4,048,652	4,739,866	691,214
Operation and maintenance of plant	999,296	1,102,230	102,934
Student scholarships	170,658	210,235	39,577
Transfer among funds - reductions	799,420	139,545	(659,875)
Total expenditures, encumbrances and transfers	<u>13,103,240</u>	<u>14,675,775</u>	<u>1,572,535</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>(61,323)</u>	<u>(40,299)</u>	<u>(21,024)</u>
Fund balance, legal, June 30, 2017	<u>\$ 232,484</u>	<u>\$ 126,166</u>	<u>\$ 106,318</u>

BUTLER COUNTY COMMUNITY COLLEGE

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

Year ended June 30, 2017

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2016	\$ 34,741	\$ 34,741	\$ -
Revenue and transfers:			
Federal grants	76,386	78,062	(1,676)
State appropriations	51,381	57,635	(6,254)
Other	--	119,751	(119,751)
Transfers among funds - additions	166,415	--	166,415
Total revenue and transfers	<u>294,182</u>	<u>255,448</u>	<u>38,734</u>
Expenditures and encumbrances:			
Instruction	<u>255,380</u>	<u>278,608</u>	<u>23,228</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>38,802</u>	<u>(23,160)</u>	<u>61,962</u>
Fund balance, legal, June 30, 2017	<u>\$ 73,543</u>	<u>\$ 11,581</u>	<u>\$ 61,962</u>

BUTLER COUNTY COMMUNITY COLLEGE

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

Year ended June 30, 2017

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2016	\$ 34,399	\$ 34,681	\$ (282)
Revenue and transfers:			
Other	268,712	443,310	(174,598)
Transfers among funds - additions	69,876	--	69,876
Total revenue and transfers	<u>338,588</u>	<u>443,310</u>	<u>(104,722)</u>
Expenditures and encumbrances:			
Instruction	326,412	437,801	111,389
Academic Support	7,674	--	(7,674)
Total expenditures, encumbrances and transfers	<u>334,086</u>	<u>437,801</u>	<u>103,715</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>4,502</u>	<u>5,509</u>	<u>(1,007)</u>
Fund balance, legal, June 30, 2017	<u>\$ 38,901</u>	<u>\$ 40,190</u>	<u>\$ (1,289)</u>

BUTLER COUNTY COMMUNITY COLLEGE

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

Year ended June 30, 2017

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund balance, legal, July 1, 2016	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Revenue and transfers:			
State appropriations	<u>8,160</u>	<u>17,794</u>	<u>(9,634)</u>
Expenditures and encumbrances:			
Instruction	<u>8,160</u>	<u>17,794</u>	<u>9,634</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>--</u>	<u>--</u>	<u>--</u>
Fund balance, legal, June 30, 2017	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>

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

Year ended June 30, 2017

	Student Union and Dormitory			Educare Center			Parking			Total		
		Variance			Variance			Variance			Variance	
	Original	With Final		Original	With Final		Original	With Final		Original	With Final	
	and Final	Budget		and Final	Budget		and Final	Budget		and Final	Budget	
	Budget	Positive		Budget	Positive		Budget	Positive		Budget	Positive	
	Actual	(Negative)	Actual	Actual	(Negative)	Actual	Actual	(Negative)	Actual	Actual	(Negative)	Actual
Fund balance, legal, July 1, 2016	\$ 2,836,324	\$ 3,313,680	\$ (477,356)	\$ 935	\$ --	\$ 935	\$ 77,958	\$ 76,432	\$ 1,526	\$ 2,915,217	\$ 3,390,112	\$ (474,895)
Revenue and transfers:												
Student sources	166,800	165,000	1,800	--	--	--	51,682	141,749	(90,067)	218,482	306,749	(88,267)
Bookstore sales, dorm rental, meal tickets, gate receipts and concessions	6,265,296	6,732,055	(466,759)	--	650,331	(650,331)	--	--	--	6,265,296	7,382,386	(1,117,090)
Child care services	--	--	--	517,151	--	517,151	--	--	--	517,151	--	517,151
Cancellation of prior year encumbrances	115,734	--	115,734	--	--	--	--	--	--	115,734	--	115,734
Other	73,845	245,680	(171,835)	1,060	35,000	(33,940)	3,421	4,500	(1,079)	78,326	285,180	(206,854)
Transfers among funds - additions	398,967	--	398,967	--	--	--	--	--	--	398,967	--	398,967
Total revenue and transfers	7,020,642	7,142,735	(122,093)	518,211	685,331	(167,120)	55,103	146,249	(91,146)	7,593,956	7,974,315	(380,359)
Expenditures, encumbrances and transfers:												
Education and general:												
Cost of books, supplies, and meals	3,804,711	4,576,596	771,885	68,885	68,762	(123)	--	--	--	3,873,596	4,645,358	771,762
Salaries	903,574	1,147,207	243,633	430,469	585,404	154,935	--	--	--	1,334,043	1,732,611	398,568
Operating expense	570,445	798,465	228,020	16,438	31,165	14,727	--	9,074	9,074	586,883	838,704	251,821
Equipment	178,980	226,746	47,766	2,009	--	(2,009)	--	--	--	180,989	226,746	45,757
Expended for plant facilities	2,493	9,074	6,581	--	--	--	22,746	137,175	114,429	25,239	146,249	121,010
Transfers among funds - deductions	688,417	--	(688,417)	--	--	--	--	--	--	688,417	--	(688,417)
Total expenditures, encumbrances and transfers	6,148,620	6,758,088	609,468	517,801	685,331	167,530	22,746	146,249	123,503	6,689,167	7,589,668	900,501
Revenue and transfers over (under) expenditures and encumbrances	872,022	384,647	487,375	410	--	410	32,357	--	32,357	904,789	384,647	520,142
Fund balance, legal, June 30, 2017	\$ 3,708,346	\$ 3,698,327	\$ 10,019	\$ 1,345	\$ --	\$ 1,345	\$ 110,315	\$ 76,432	\$ 33,883	\$ 3,820,006	\$ 3,774,759	\$ 45,247

BUTLER COUNTY COMMUNITY COLLEGE

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

Year ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Assets				
Cash	\$ 345,024	\$ 685,798	\$ 622,171	\$ 408,651
Due from other governments	3,000	3,000	3,000	3,000
	<u>348,024</u>	<u>688,798</u>	<u>625,171</u>	<u>411,651</u>
Total assets	<u>\$ 348,024</u>	<u>\$ 688,798</u>	<u>\$ 625,171</u>	<u>\$ 411,651</u>
Liabilities				
Accrued liabilities	\$ 12,522	\$ 18,240	\$ 12,522	\$ 18,240
Due to other governments	335,502	435,288	377,379	393,411
	<u>348,024</u>	<u>453,528</u>	<u>389,901</u>	<u>411,651</u>
Total liabilities	<u>\$ 348,024</u>	<u>\$ 453,528</u>	<u>\$ 389,901</u>	<u>\$ 411,651</u>

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

Independent Auditor's Report

Board of Trustees
Butler County Community College
El Dorado, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, discretely presented component unit, and aggregate remaining fund information of Butler County Community College (College) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 5, 2017. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Butler Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

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

December 5, 2017
Wichita, Kansas

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

Independent Auditor's Report

Board of Trustees
Butler County Community College
El Dorado, Kansas

Report on Compliance for Each Major Federal Program

We have audited Butler County Community College's (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2017. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

December 5, 2017
Wichita, Kansas

BUTLER COUNTY COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

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

FEDERAL AWARDS

Internal control over major federal programs:

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

Type of auditor's report issued on compliance for major federal programs:

See below

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>	<u>OPINION</u>
	Student Financial Aid Cluster:	Unmodified
84.007	Federal Supplemental Educational Opportunity Grant	
84.033	Federal Work-Study Program	
84.063	Federal Pell Grant Program	
84.268	Federal Direct Student Loans	
84.408	Postsecondary Education Scholarships for Veteran's Dependents (Iraq and Afghanistan Service Grants (IASG))	
84.048	Carl Perkins Program Improvement	Unmodified

BUTLER COUNTY COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

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

\$ 750,000

Auditee qualified as low-risk auditee?

X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reported

BUTLER COUNTY COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through Kansas State Department of Education:			
Child and Adult Care Food Program	10.558	Not Available	\$ 36,866
Passed through Kansas Department for Children & Families			
Economic and Employment Services	10.596	Not Available	<u>40,939</u>
Total Department of Agriculture			<u>77,805</u>
U.S. Department of Commerce:			
Passed through Mid-America Manufacturing Technology Center			
Manufacturing Extension Partnership	11.611	70ANB15H052	<u>49,682</u>
U.S. Department of Labor:			
Direct Program			
Trade Adjustment Assistance Community			
College and Career Training	17.282	TC-25143-16-60- A-20	<u>496,325</u>
U.S. Department of Transportation:			
Passed through Kansas Department of Transportation			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		<u>4,500</u>
National Endowment for the Humanities:			
Passed through Kansas Humanities Council			
Promotion of the Humanities Federal/State Partnership	45.129	SO-50596-14/SO- 253126-17	<u>3,100</u>
U.S. Department of Education:			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		150,242 ²
Federal Workstudy Program	84.033		171,369 ¹
Federal Pell Grant Program	84.063		11,350,282
Federal Direct Student Loans	84.268		16,599,188 ³
Child Care Access Means Parents in School (CCAMPIS)	84.335		108,634

BUTLER COUNTY COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Indirect Programs:			
Passed through Kansas Board of Regents:			
		V048A150016/V04	
Career and Technical Education – Basic Grants to States	84.048	8A160016	\$ 251,120
Adult Education – Basic	84.002	V002A150017	76,386
Total Department of Education			<u>28,707,221</u>
Total Federal Awards Expended			<u>\$ 29,338,633</u>

- 1 Combined Federal and institutional dollars for wages paid to students eligible for Federal Work Study Program total \$213,684. Administrative allowance on Title IV programs claimed of \$11,010.
- 2 Administrative allowance on Title IV programs claimed of \$9,101.
- 3 Direct Subsidized Loans, Direct Unsubsidized Loans, Direct Plus Loans

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Butler County Community College (College). The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is presented on the budgetary basis of accounting. Under the budgetary basis of accounting, expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year accounts payable and encumbrances.

Note 3. Indirect Cost Rate

The College has elected not to use the 10-percent de minimis cost rate allowed under Section 200.414(f) of the Uniform Guidance.