

***BUTLER COUNTY COMMUNITY COLLEGE***

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2012 AND 2011

AND

INDEPENDENT AUDITORS' REPORT

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FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
YEARS ENDED JUNE 30, 2012 AND 2011  
AND  
INDEPENDENT AUDITORS' REPORT

**BUTLER COUNTY COMMUNITY COLLEGE**

El Dorado, Kansas

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**BUTLER COUNTY COMMUNITY COLLEGE**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2012 and 2011

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## INDEPENDENT AUDITORS' REPORT



Board of Trustees  
**Butler County Community College**  
El Dorado, Kansas

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of Butler County Community College (College) as of June 30, 2012 and 2011 which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. 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), a component unit of the College. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the College and the Foundation at June 30, 2012 and 2011, and the changes in their financial position and, where applicable, cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on the table of contents be presented to supplement the basic financial statements. Such information, although not part of the of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with

management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

November 30, 2012  
Wichita, KS

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

***Overview of Financial Statements and Financial Analysis***

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

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

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

Financial statements for fiscal year 2012 and 2011 are presented; comparative data for fiscal years 2011 and 2010 are discussed. The emphasis of discussions concerning these statements will be for the current year data. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Each one of these statements will be discussed.

***Statement of Net Assets***

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

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

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

**Condensed Statements of Net Assets** (in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	2012 vs. 2011 Increase (Decrease)	2011 vs. 2010 Increase (Decrease)
Current assets	\$ 19,324	\$ 20,048	\$ 18,450	\$ (724)	\$ 1,598
Noncurrent assets	<u>46,585</u>	<u>41,794</u>	<u>41,523</u>	<u>4,791</u>	<u>271</u>
Total assets	<u>65,909</u>	<u>61,842</u>	<u>59,973</u>	<u>4,067</u>	<u>1,869</u>
Current liabilities	7,468	6,053	6,875	1,415	(822)
Noncurrent liabilities	<u>14,617</u>	<u>12,729</u>	<u>12,346</u>	<u>1,888</u>	<u>383</u>
Total liabilities	<u>22,085</u>	<u>18,782</u>	<u>19,221</u>	<u>3,303</u>	<u>(439)</u>
Invested in capital assets	29,624	29,403	27,510	221	1,893
Restricted - expendable	595	609	1,099	(14)	(490)
Unrestricted	<u>13,605</u>	<u>13,048</u>	<u>12,143</u>	<u>557</u>	<u>905</u>
Total net assets	<u>\$ 43,824</u>	<u>\$ 43,060</u>	<u>\$ 40,752</u>	<u>\$ 764</u>	<u>\$ 2,308</u>

*Changes to Total Assets*

The total assets of the College increased by \$4,067,238 primarily related to an increase in the investment in joint venture.

*Changes to Total Liabilities*

The total liabilities of the College for the year have increased by \$3,302,811. This change is attributed to additions in long-term debt and an increase in the net OPEB obligation.

*Changes to Net Assets*

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

The net asset category "Invested in capital assets, net of related debt" reflects overall changes to the buildings, equipment and other capital assets net of depreciation and net of the liabilities associated with those assets. During fiscal 2012, the investment in capital assets, net of related debt increased by \$221,759. Along with the combination of a decrease in expendable net assets of \$14,263 and an increase in unrestricted net assets of \$556,931, overall net assets of the College increased \$764,427.

### **Statement of Revenues, Expenses and Changes in Net Assets**

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

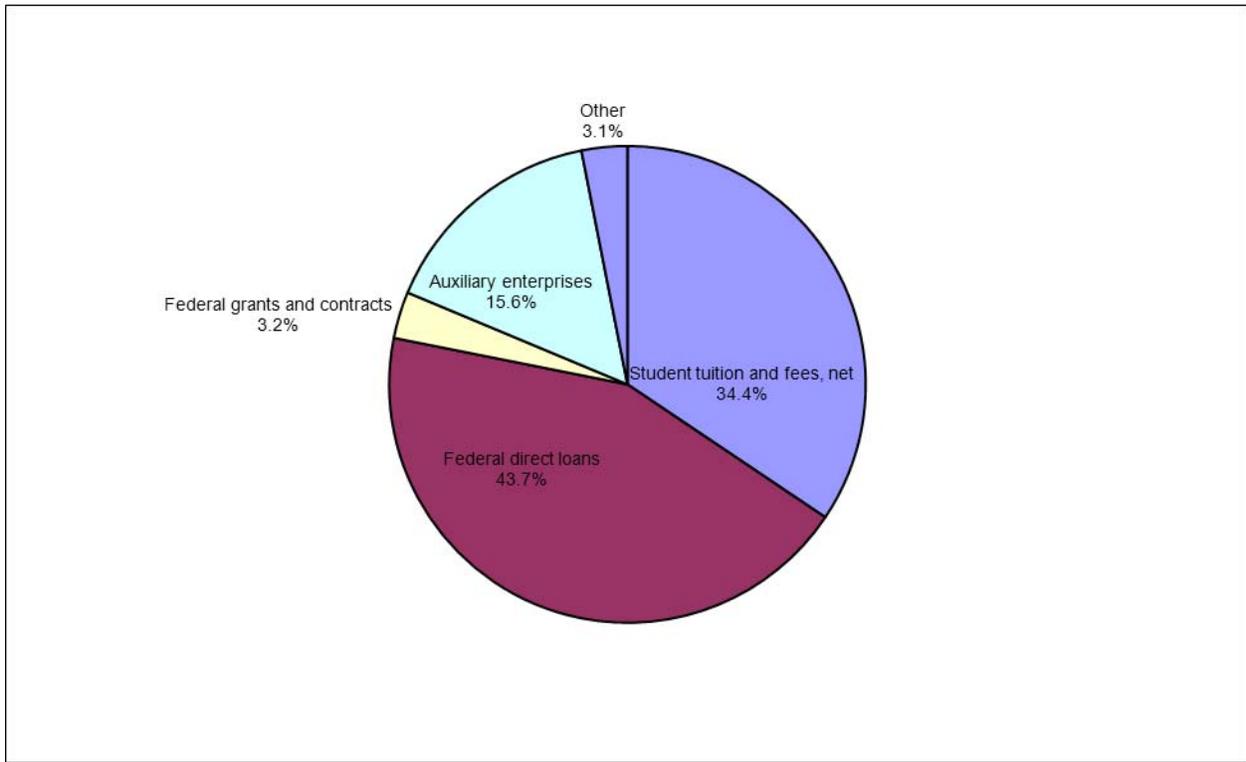
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the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

State appropriations and tax revenues are necessary to maintain a balanced operation at the College. Since these revenues are not classified as operating, the College (like most public colleges and universities) experienced an operating loss. The College's operating loss under this method of presentation was \$43,249,385 and \$38,552,559 in fiscal years 2012 and 2011, respectively.

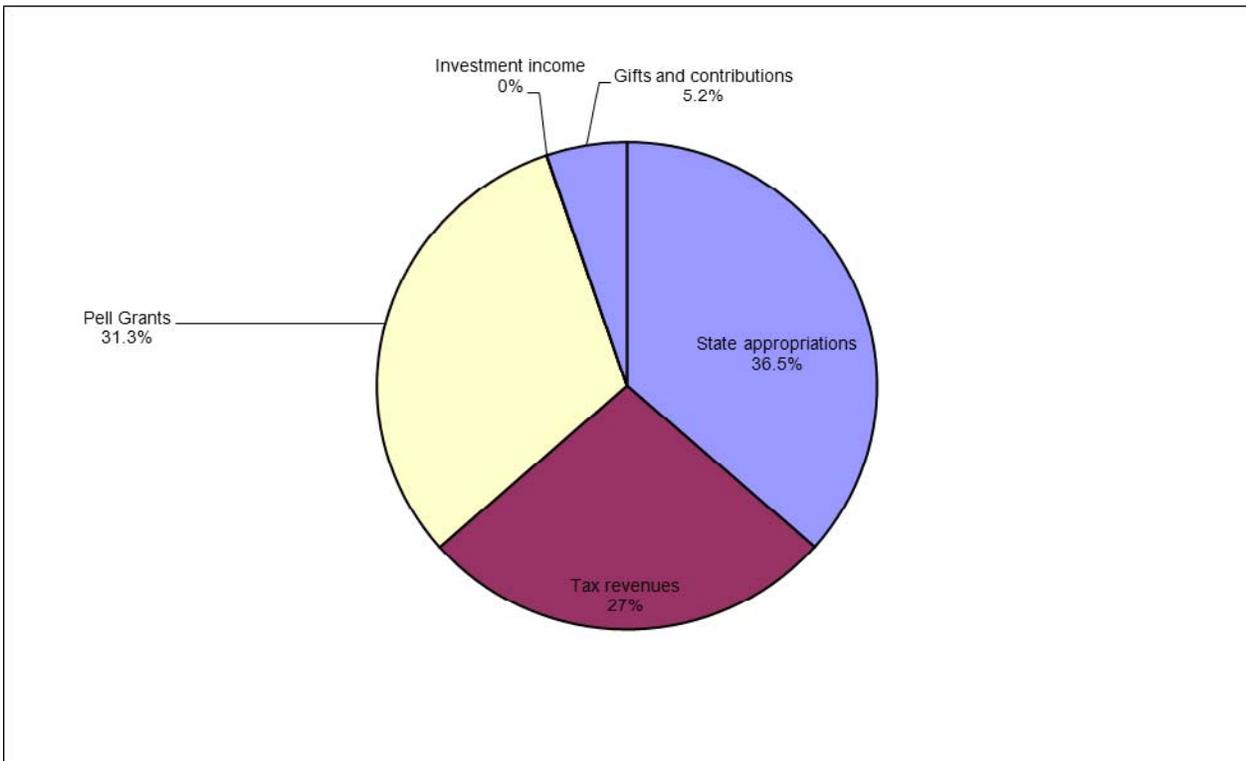
#### **Condensed Statements of Revenues, Expenses and Changes in Net Assets (in thousands)**

	2012	2011	2010	2012 vs. 2011 Increase (Decrease)	2011 vs. 2010 Increase (Decrease)
Operating revenue	\$ 49,378	\$ 47,942	\$ 25,347	\$ 1,436	\$ 22,595
Operating expenses	92,628	86,494	58,530	6,134	27,964
Operating loss	(43,250)	(38,552)	(33,183)	(4,698)	(5,369)
Nonoperating revenues (expenses)	44,014	40,860	35,899	3,154	4,961
Increase (Decrease) in net assets	764	2,308	2,716	(1,544)	(408)
Net assets, beginning of the year	43,060	40,752	38,036	2,308	2,716
Net assets, end of the year	<u>\$ 43,824</u>	<u>\$ 43,060</u>	<u>\$ 40,752</u>	<u>\$ 764</u>	<u>\$ 2,308</u>

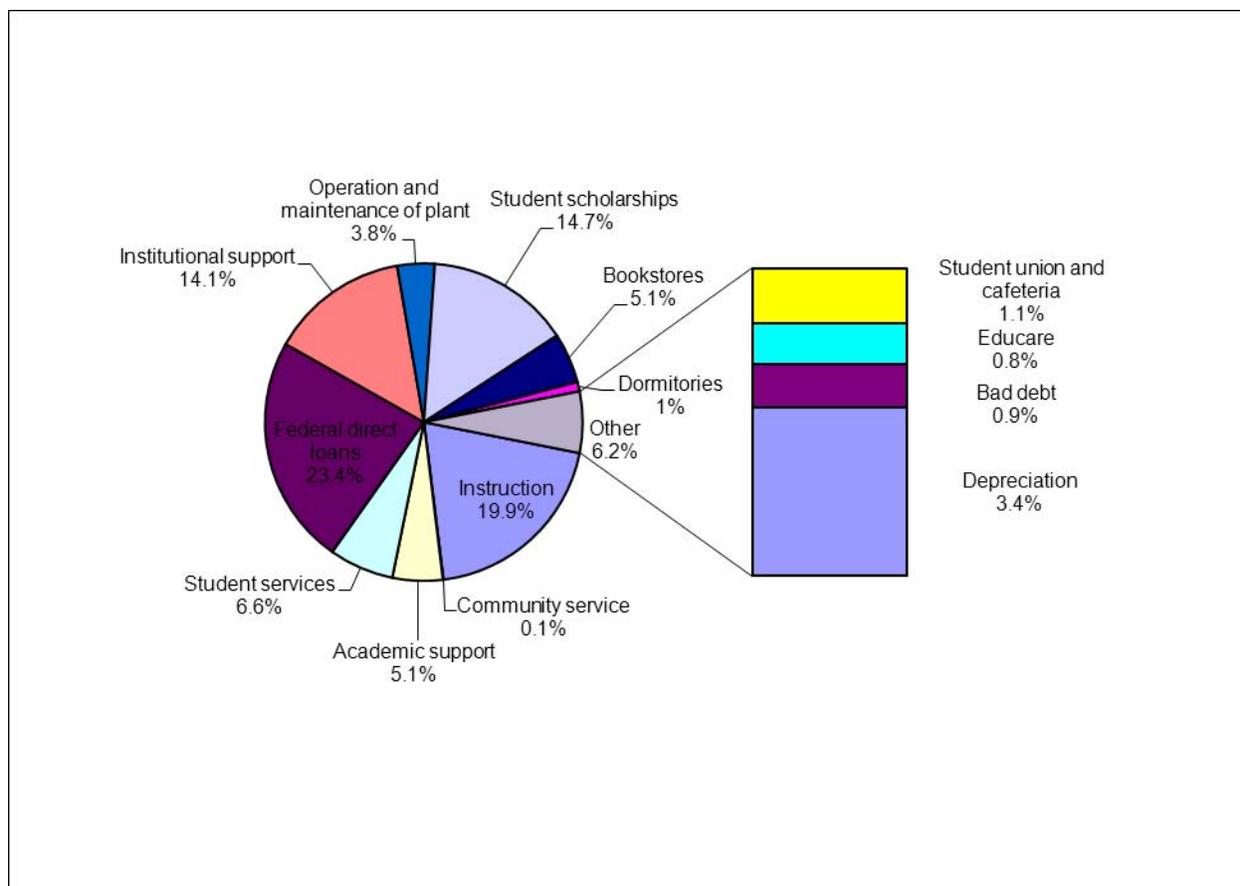
### Operating Revenues by Source



### Nonoperating Revenues by Major Source



## Operating Expenses by Program



### Statement of Cash Flows

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

#### Condensed Statements of Cash Flows (in thousands)

	2012	2011	2010
Cash flows from:			
Operating activities	\$ (35,172)	\$ (32,202)	\$ (29,819)
Noncapital financing activities	40,233	39,351	34,475
Capital financing activities	(1,760)	(4,597)	(6,642)
Investing activities	(1,037)	2,462	(1,578)
Net increase (decrease) in cash	2,264	5,014	(3,564)
Cash, beginning of year	11,642	6,628	10,192
Cash, end of year	<u>\$ 13,906</u>	<u>\$ 11,642</u>	<u>\$ 6,628</u>

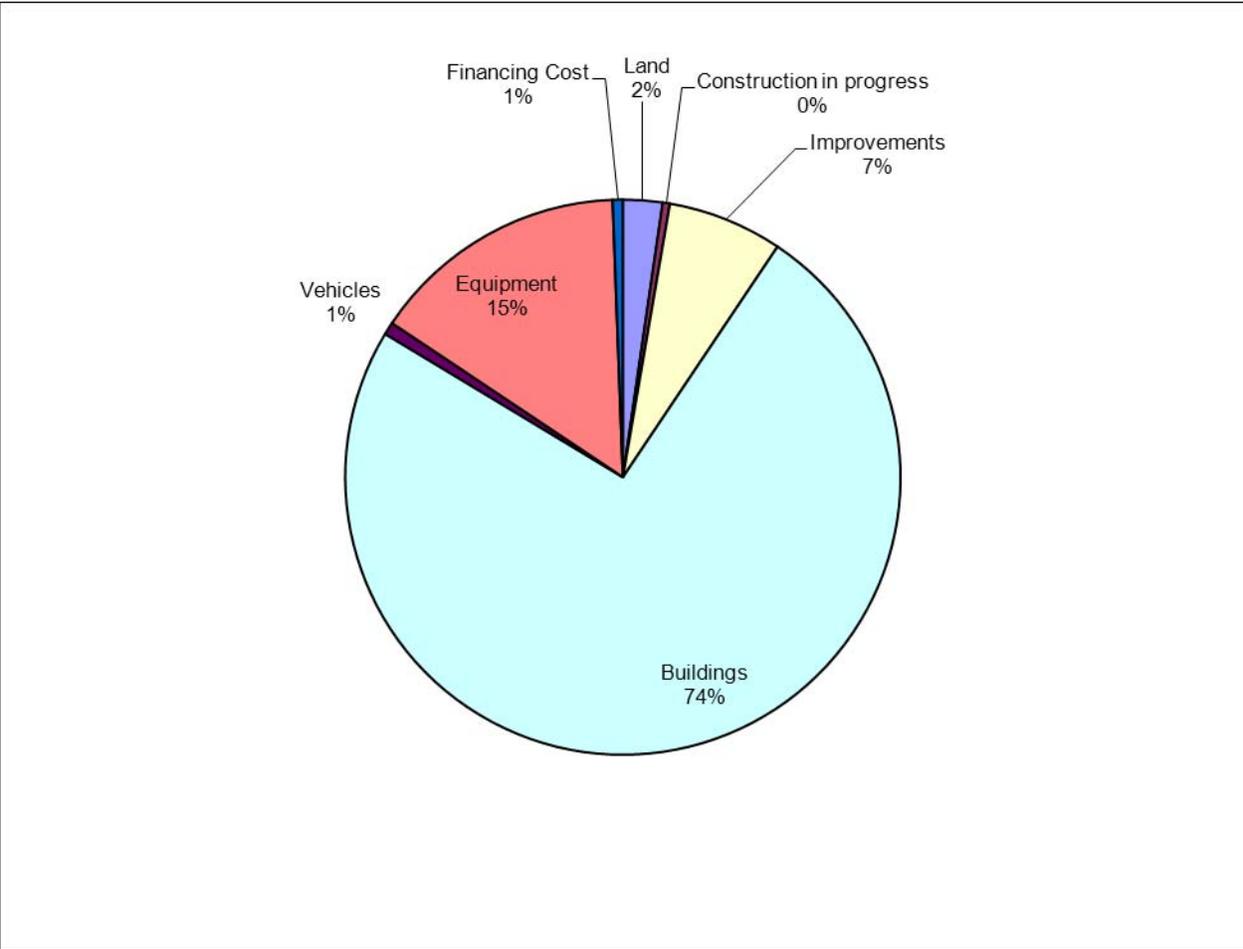
Significant sources of cash included local property taxes, the state operating grant, tuition and fees, and proceeds from maturities of investments. Significant uses of cash were payments to suppliers and vendors, payments to employees, employee benefits, payments for scholarships, capital assets and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

The cash position of the College increased by \$2,263,962 for the fiscal year ended June 30, 2012 compared to an increase of \$5,014,248 for the fiscal year ended June 30, 2011.

**Capital Asset and Debt Administration**

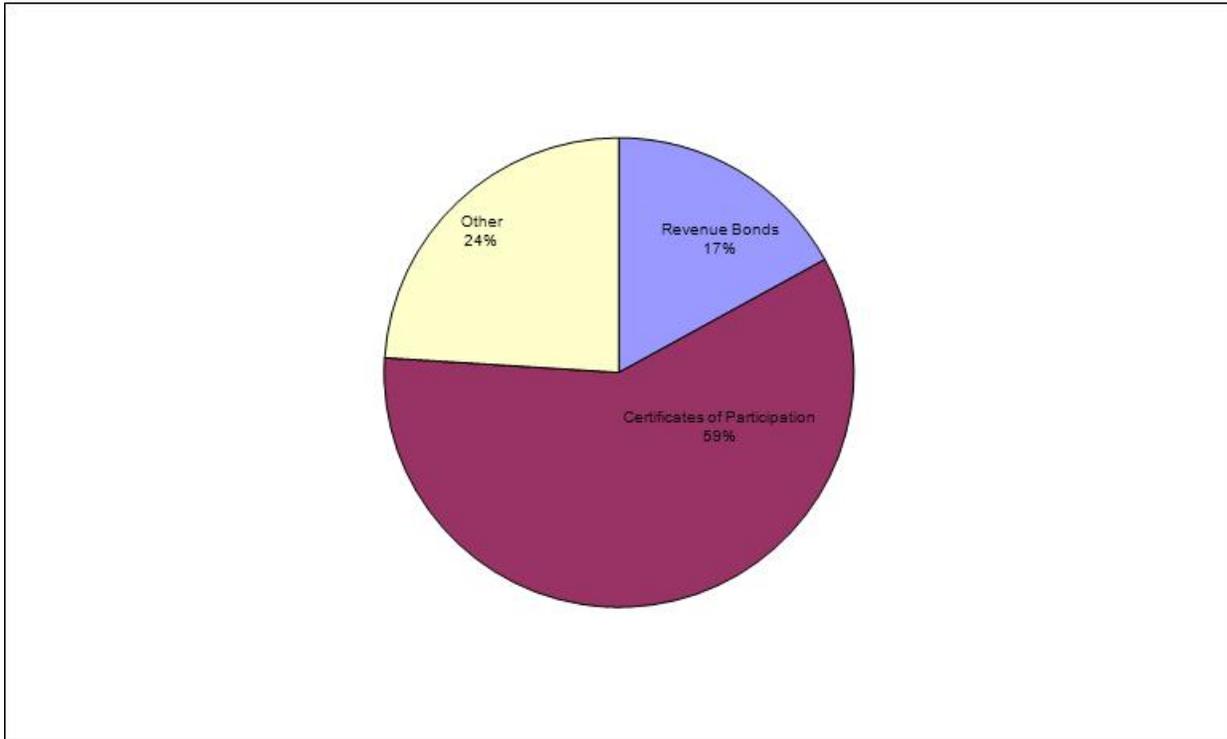
At fiscal year-end, the College had \$70,955,741 of capital assets, with accumulated depreciation of \$30,095,040. Related depreciation charges of \$3,145,345 were recognized in the fiscal year 2012. More detailed financial activity related to the changes in Capital Assets is presented in Note 3.

**Capital Asset Categories**



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

### Categories of Debt



### ***Economic Outlook***

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

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

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

## BASIC FINANCIAL STATEMENTS

**BUTLER COUNTY COMMUNITY COLLEGE**

**STATEMENTS OF NET ASSETS**  
June 30, 2012 and 2011

	<u>College</u>		<u>Foundation</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b><u>ASSETS</u></b>				
Current assets:				
Cash and investments	\$ 17,556,287	\$ 16,291,799	\$ 1,361,245	\$ 1,753,746
Accounts receivable net of allowance for doubtful accounts of \$2,811,586 in 2012 and \$2,019,169 in 2011	691,782	946,829	-	-
Receivables from Federal and State governments	197,400	1,461,725	-	-
Current portion of pledges receivable	-	-	688,176	467,802
Prepaid expenses	-	-	10,554	-
Receivable from Foundation	-	117,774	-	-
Bookstore inventory	877,967	1,229,125	-	-
<b>Total current assets</b>	<b>19,323,436</b>	<b>20,047,252</b>	<b>2,059,975</b>	<b>2,221,548</b>
Noncurrent assets:				
Cash and investments	2,573,074	527,182	7,226,380	7,106,915
Pledges receivable	-	-	2,531,975	750,337
Receivable from Foundation	-	75,315	-	-
Cash surrender value of life insurance	-	-	14,608	16,533
Investment in joint venture	3,151,641	-	-	-
Capital assets, net of accumulated depreciation				
Land and construction in progress	1,104,978	1,067,362	-	-
Other capital assets, net of accumulated depreciation	39,755,723	40,124,503	10,284	15,308
<b>Total noncurrent assets</b>	<b>46,585,416</b>	<b>41,794,362</b>	<b>9,783,247</b>	<b>7,889,093</b>
<b>Total assets</b>	<b>65,908,852</b>	<b>61,841,614</b>	<b>11,843,222</b>	<b>10,110,641</b>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	1,285,820	997,218	12,743	82,459
Accounts payable to College	-	-	-	117,774
Compensated absences payable	1,202,923	1,165,160	-	-
Accrued salaries	710,410	778,684	-	-
Deposits held in custody for others	220,979	210,688	-	-
Accrued interest payable	118,987	80,773	-	-
Unearned revenue	1,095,855	1,028,894	-	-
Current portion of annuity payable	-	-	7,900	2,100
Current portion of long-term debt	2,832,504	1,791,037	2,004	1,676
<b>Total current liabilities</b>	<b>7,467,478</b>	<b>6,052,454</b>	<b>22,647</b>	<b>204,009</b>
Noncurrent liabilities:				
Long-term debt	11,326,239	9,991,999	5,003	7,007
Long-term compensated absences payable	872,748	929,651	-	-
Net OPEB Obligation	2,418,104	1,807,654	-	-
Accounts payable to College	-	-	59,100	75,315
<b>Total noncurrent liabilities</b>	<b>14,617,091</b>	<b>12,729,304</b>	<b>64,103</b>	<b>82,322</b>
<b>Total liabilities</b>	<b>22,084,569</b>	<b>18,781,758</b>	<b>86,750</b>	<b>286,331</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	29,624,336	29,402,577	10,284	15,308
Restricted - expendable:				
For debt service	229,622	269,552	-	-
For capital projects	231,271	176,857	3,000,242	1,692,037
For scholarships, instruction and other	133,862	162,609	600,783	879,489
For college support	-	-	999,512	615,207
Restricted - non-expendable:				
For scholarships	-	-	5,883,459	5,641,045
For college support	-	-	1,011,603	831,390
Unrestricted	13,605,192	13,048,261	250,589	149,834
<b>Total net assets</b>	<b>\$ 43,824,283</b>	<b>\$ 43,059,856</b>	<b>\$ 11,756,472</b>	<b>\$ 9,824,310</b>

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

**BUTLER COUNTY COMMUNITY COLLEGE**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**Years ended June 30, 2012 and 2011**

	<u>College</u>		<u>Foundation</u>	
	<u>2012</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>
	<b><u>REVENUES</u></b>			
Operating revenues:				
Student tuition and fees, net of scholarship allowances of \$2,071,330 in 2012 and \$2,068,442 in 2011	\$ 16,966,573	\$ 16,569,171	\$ -	\$ -
Federal grants and contracts	1,576,246	3,286,381	-	-
Federal direct loans	21,635,272	19,014,894	-	-
Gifts and contributions	-	-	5,377,224	3,870,360
Nongovernmental grants	-	-	-	-
Auxiliary enterprises:				
Bookstores, net of scholarship allowances of \$620,712 in 2012 and \$550,465 in 2011	5,135,126	5,132,366	-	-
Dormitories, net of scholarship allowances of \$163,192 in 2012 and \$136,719 in 2011	1,350,080	1,274,728	-	-
Student union and cafeteria, net of scholarship allowances of \$83,085 in 2012 and \$75,094 in 2011	687,359	650,743	-	-
Educare, net of discounts	517,221	538,345	-	-
Net investment return	-	-	59,648	1,168,919
Other	1,510,360	1,475,182	-	-
<b>Total operating revenues</b>	<b><u>49,378,237</u></b>	<b><u>47,941,810</u></b>	<b><u>5,436,872</u></b>	<b><u>5,039,279</u></b>
	<b><u>EXPENSES</u></b>			
Operating expenses:				
Instruction	18,420,793	17,823,833	-	-
Community service	58,166	99,760	-	-
Academic support	4,760,453	4,530,400	2,461,764	923,682
Student services	6,246,179	5,634,095	-	-
Federal direct loans	21,640,907	19,009,259	-	-
Institutional support	13,020,612	12,504,472	435,234	476,603
Operation and maintenance of plant	3,505,298	3,841,967	-	-
Student scholarships	13,609,430	12,898,848	321,554	422,449
Fundraising	-	-	280,692	302,074
Auxiliary enterprises:				
Bookstores	4,695,480	4,056,008	-	-
Dormitories	913,593	1,001,794	-	-
Student union and cafeteria	1,041,709	1,126,486	-	-
Educare	777,240	751,312	-	-
Bad debt expense	792,417	309,479	-	-
Depreciation expense	3,145,345	2,906,656	5,466	6,700
<b>Total operating expenses</b>	<b><u>92,627,622</u></b>	<b><u>86,494,369</u></b>	<b><u>3,504,710</u></b>	<b><u>2,131,508</u></b>
<b>Operating income (loss)</b>	<b><u>(43,249,385)</u></b>	<b><u>(38,552,559)</u></b>	<b><u>1,932,162</u></b>	<b><u>2,907,771</u></b>
	<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
State appropriations	16,278,020	16,310,674	-	-
Tax revenues	12,058,649	12,124,952	-	-
Pell grants	13,974,506	12,889,150	-	-
Gifts and contributions	2,259,003	-	-	-
Investment income	9,621	21,495	-	-
Interest on capital asset-related debt	(450,036)	(449,255)	-	-
Gain (loss) on disposal of assets	(115,951)	(37,004)	-	-
<b>Total nonoperating revenues (expenses)</b>	<b><u>44,013,812</u></b>	<b><u>40,860,012</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Increase (decrease) in net assets</b>	<b><u>764,427</u></b>	<b><u>2,307,453</u></b>	<b><u>1,932,162</u></b>	<b><u>2,907,771</u></b>
<b>Net assets at beginning of year</b>	<b><u>43,059,856</u></b>	<b><u>40,752,403</u></b>	<b><u>9,824,310</u></b>	<b><u>6,916,539</u></b>
<b>Total net assets</b>	<b><u>\$ 43,824,283</u></b>	<b><u>\$ 43,059,856</u></b>	<b><u>\$ 11,756,472</u></b>	<b><u>\$ 9,824,310</u></b>

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

**BUTLER COUNTY COMMUNITY COLLEGE**

**STATEMENTS OF CASH FLOWS - COLLEGE**  
**Years ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities:</b>		
Tuition and fees	\$ 17,341,299	\$ 16,697,271
Grants and contracts	24,475,843	23,040,021
Payments to suppliers and employees	(72,552,331)	(68,233,856)
Payments for scholarships	(13,609,430)	(12,898,848)
Auxiliary enterprise charges:		
Bookstores	5,135,126	5,132,366
Dormitories	1,350,080	1,274,728
Student union and cafeteria	659,207	654,204
Educare	517,221	538,345
Other	1,510,360	1,593,572
	<u>(35,172,625)</u>	<u>(32,202,197)</u>
<b>Net cash flow from operating activities</b>		
<b>Cash Flows From Noncapital Financing Activities:</b>		
Tax receipts	12,058,649	12,124,952
State appropriations	14,106,025	14,336,889
Other	14,068,674	12,889,150
	<u>40,233,348</u>	<u>39,350,991</u>
<b>Net cash flow from noncapital financing activities</b>		
<b>Cash Flows From Capital Financing Activities:</b>		
Purchases of capital assets	(1,835,934)	(3,812,235)
Payment for joint venture stadium construction	(986,806)	-
Proceeds from long-term debt	3,336,510	618,287
Proceeds from sale of capital assets	116,934	-
Donations received from Foundation	193,089	704,713
Principal paid on long-term debt	(2,178,185)	(1,654,606)
Interest paid on long-term debt	(405,572)	(452,779)
	<u>(1,759,964)</u>	<u>(4,596,620)</u>
<b>Net cash flow from capital financing activities</b>		
<b>Cash Flows From Investing Activities:</b>		
Investment income	9,621	21,495
Proceeds from sales and maturities of investments	36,999,642	39,937,885
Purchase of investments	(38,046,060)	(37,497,306)
	<u>(1,036,797)</u>	<u>2,462,074</u>
<b>Net cash flow from investing activities</b>		
Net change in cash and cash equivalents	2,263,962	5,014,248
Cash and cash equivalents at beginning of year	<u>11,642,124</u>	<u>6,627,876</u>
Cash and cash equivalents at end of year	<u>\$ 13,906,086</u>	<u>\$ 11,642,124</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, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Reconciliation of Net Operating Loss to Net Cash Flow From Operating Activities:</b>		
Operating loss	\$ (43,249,385)	\$ (38,552,559)
Adjustments to reconcile net operating loss to net cash flow from operating activities:		
Depreciation expense	3,145,345	2,906,656
State on-behalf payments for employee benefits	2,171,995	1,973,785
Changes in assets and liabilities:		
Accounts receivable	255,047	54,998
Receivable from Federal and State governments	1,264,325	738,746
Inventories	351,158	75,612
Accounts payable and accrued expenses	821,929	584,545
Deferred revenue	66,961	16,020
	<u>                    </u>	<u>                    </u>
Net cash flow from operating activities	<u>\$ (35,172,625)</u>	<u>\$ (32,202,197)</u>
 <b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:</b>		
Total cash and investments	\$ 17,556,287	\$ 16,291,799
Less: investments	(6,223,275)	(5,176,857)
Plus: noncurrent cash and investments	<u>2,573,074</u>	<u>527,182</u>
	<u>                    </u>	<u>                    </u>
Net cash and cash equivalents	<u>\$ 13,906,086</u>	<u>\$ 11,642,124</u>
 <b>Noncash investing capital and financing activities:</b>		
Acquisition of capital assets with a capital lease	\$ 1,211,132	\$ -
Investment in joint venture funded by Foundation contributions	2,164,835	-

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

**BUTLER COUNTY COMMUNITY COLLEGE**  
**STATEMENTS OF CASH FLOWS - FOUNDATION**  
**Years ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Cash Flows From Operating Activities:</b>		
Increase in net assets	\$ 1,932,162	\$ 2,907,771
Adjustments to reconcile the change in net assets to net cash flow from operating activities:		
Depreciation	5,466	6,700
Unrealized and realized loss (gain) on investments	90,509	(1,018,312)
Decrease (increase) in cash value of life insurance	1,925	(1,947)
Net change in operating assets and liabilities:		
Unconditional promises to give	(2,002,012)	(590,995)
Prepaid expenses	(10,554)	-
Accounts payable	(1,513)	(1,483)
Accrued liabilities	(10,860)	(1,678)
Annuity payable	4,559	-
Agency funds payable	(57,343)	(10,059)
Pledges payables - college	(148,089)	(659,713)
Net cash flow from operating activities	(195,750)	630,284
<b>Cash Flows From Investing Activities:</b>		
Net change in short term investments	401,151	(457,918)
Purchase of investments	(2,626,618)	(292,982)
Proceeds from sale of investments	2,407,013	168,361
Purchases of property and equipment	(1,484)	(681)
Loss from disposition of property and equipment	1,042	120
Net cash flow from investing activities	181,104	(583,100)
<b>Cash Flows From Financing Activities:</b>		
Payments on capital lease obligations	(1,676)	(2,194)
Proceeds of charitable gift annuity	65,599	-
Payments of annuity obligations	(5,258)	-
Payments on advances payable - college	(45,000)	(45,000)
Net cash flow from financing activities	13,665	(47,194)
Net change in cash and cash equivalents	(981)	(10)
Cash and cash equivalents at beginning of year	11,641	11,651
Cash and cash equivalents at end of year	\$ 10,660	\$ 11,641
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:</b>		
Cash and cash equivalents	\$ 10,660	\$ 11,641
Investments	8,576,965	8,849,020
Investments classified as noncurrent assets	(7,226,380)	(7,106,915)
Total cash and investments	\$ 1,361,245	\$ 1,753,746

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

**BUTLER COUNTY COMMUNITY COLLEGE**  
**STATEMENTS OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Cash	\$ 226,883	\$ 156,031
Account receivable	11,114	6,929
Due from other governments	12,211	-
Total assets	\$ 250,208	\$ 162,960
<b>LIABILITIES</b>		
Accrued liabilities	8,853	6,016
Due to other governments	241,355	156,944
Total liabilities	\$ 250,208	\$ 162,960

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

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity – During 2003, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement 14. Under this amendment, entities that are legally separate tax-exempt organizations are required to be reported in the College's financial statements if the resources of the affiliated organization benefit the College, the College is entitled to or can otherwise access the resources, and the resources are considered significant to the College.

Butler Community College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement funds to provide scholarships to students at the College and to provide other financial support to the College. The majority of the resources, or income thereon, that the Foundation holds and invests are restricted to the activities to the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College or its constituents, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

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

The Educational Facilities Authority of Butler County is the official governing body of the BG Products Veterans Sports Complex, which was constructed and located directly northeast of the College's campus. The bowl-design stadium accommodates 3,000 home fans and 1,000 visitors, with a future capacity to seat 4,500 and 2,000 respectively. The College has committed to raising \$5 million in private donations. Those fundraising efforts will be led by the Foundation. In addition to the commitment to help fund construction of the Sports Complex, the College has an ongoing financial obligation for certain operating costs of the stadium, described below.

During fiscal 2012, the College issued \$3 million of Certificates of Participation to funds its portion of construction (see Note 6). Concurrently, the College entered into a lease agreement

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2012 was \$3,151,641, and consisted of payments made through that date 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.

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

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

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

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

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

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Property Taxes – In accordance with governing statutes, property taxes are levied each year on all taxable real property located in the County. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. Taxes levied during the current calendar year become a lien on the property on November 1 and are a revenue source to be used to finance the budget of the ensuing calendar year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, the College recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied. As of June 30, 2012 and 2011, the County Treasurer had distributed to the College approximately 93% and 93%, respectively, of taxes levied in the prior year.

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

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

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

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assets, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net assets. Such amounts are not accrued for budgetary purposes in accordance with Kansas budgetary law.

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

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

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

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

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

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

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

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2012.

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

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

Reclassifications – Certain balances in the financial statements for the year ended June 30, 2011 have been reclassified to be consistent with classifications adopted for the year ended June 30, 2012.

### 2. CASH AND INVESTMENTS

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

The College's cash and investments at June 30, 2012 and 2011 consisted of demand deposit accounts, money market savings accounts, certificates of deposits, and investments in US Treasury Bills and the Kansas State Treasurer's Municipal Investment Pool. At year-end, the carrying amount of the College's deposits was \$16,133,123 with the bank balances of such accounts being \$16,180,292. Of the bank balances, \$2,250,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by the College's custodial bank in joint custody in the name of the College and its bank.

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

**2. CASH AND INVESTMENTS (CONTINUED)**

Investments – At June 30, 2012 and 2011 the College had the following investments:

Investment Type	2012		2011	
	Fair Value/ Carrying Amount	Weighted Average Months to Maturity	Fair Value/ Carrying Amount	Weighted Average Months to Maturity
US Treasury Bills	\$ 1,998,810	2.48	\$ --	--
Money Market	2,000,000	1.34	--	--
Municipal Investment Pool - 90 days	--	--	2,000,000	.80
Municipal Investment Pool - 180 days	--	--	1,000,000	.82
Municipal Investment Pool - 90 days	--	--	2,000,000	1.07
Money Market – held in trust	<u>2,224,465</u>	N/A	<u>176,857</u>	N/A
<b>Total</b>	<b><u>\$ 6,223,275</u></b>		<b><u>\$ 5,176,857</u></b>	

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

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

The Kansas Municipal Investment Pool is managed by the Kansas State Treasurer under the oversight of the Pooled Money Investment Board. The Pooled Money Investment Board is comprised of five members, four being appointed by the Governor of the State of Kansas, subject to confirmation by the State Senate, and the fifth member is the State Treasurer. Investments by the State Treasurer of pooled moneys are limited to those investments defined by State statute and each participant’s fair value of their position in the pool is the same as their value of the pool shares. The College had deposits with the Kansas Municipal Investment Pool at June 30, 2012 and 2011 of \$0 and \$5,000,000, respectively. The deposits with the Kansas Municipal Investment Pool are not subject to custodial credit risk.

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

**2. CASH AND INVESTMENTS (CONTINUED)**

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

	<u>2012</u>	<u>2011</u>
Money market funds	\$ 1,350,585	\$ 1,742,105
Equity investments	4,894,473	4,960,887
Federal government obligations	30,173	20,903
Corporate bonds	<u>2,301,734</u>	<u>2,125,125</u>
	<u>\$ 8,576,965</u>	<u>\$ 8,849,020</u>

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

	<u>2012</u>	<u>2011</u>
Investment income	\$ 150,157	\$ 150,607
Net realized and unrealized gains (losses)	<u>(90,509)</u>	<u>1,018,312</u>
	<u>\$ 59,648</u>	<u>\$ 1,168,919</u>

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

**3. CAPITAL ASSETS**

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

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

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

**3. CAPITAL ASSETS (CONTINUED)**

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

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

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

**4. UNEARNED REVENUE**

At June 30 unearned revenue consists of the following:

	<u>2012</u>	<u>2011</u>
Prepaid tuition and fees	\$ 1,095,855	\$ 1,028,894

**5. LONG-TERM LIABILITIES**

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

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

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

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

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

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

**6. LONG-TERM DEBT**

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

	<u>2012</u>	<u>2011</u>
<i>April 4, 2003 real estate lease agreement</i> in the original amount of \$2,492,117 and amendments effective July 1, 2005 in the original amount of \$1,795,016. The lease requires monthly principal and interest payments at 6% of \$37,546 beginning July 1, 2005 through July 1, 2018 at which time the title to the property will pass to the College.	\$ 2,265,521	\$ 2,570,155
<i>Series 2008 Refunding Certificates of Participation</i> lease purchase agreement issued April 15, 2008 in the original amount of \$1,875,000 for the purpose of refunding series 1998 certificates maturing in years 2008 to 2012 inclusive. The lease required semiannual payments with an interest rate of 2.869% and annual principal payments with the final payment due September 1, 2012.	410,000	805,000
<i>Series 2008 B Certificate of Participation</i> lease purchase agreement issued June 5, 2008 in the original amount of \$2,230,000. The lease requires semiannual payments of interest with an interest rate of 3.98% and annual principal payments with the final payment due June 1, 2016.	1,205,000	1,475,000
<i>Series 2009 Certificate of Participation</i> lease purchase agreement issued December 10, 2009 in the original amount of \$1,337,380. The lease requires semiannual payments of interest with an interest rate of 3.5% and annual principal payments with the final payment due February 1, 2016.	906,962	1,124,038
Kansas Board of Regents Post Secondary Educational Institution Infrastructure Finance Program loan agreement effective March 2008. The loan provides for funding up to \$2,222,707 for infrastructure improvements at the College, bears interest at 0.00%, and requires principal payments annually beginning December 1, 2008 of \$277,838. The loan is secured by state appropriations received from the State of Kansas.	1,111,355	1,389,193

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

**6. LONG-TERM DEBT (CONTINUED)**

	<u>2012</u>	<u>2011</u>
<i>Student Union and Dormitory System Refunding Revenue Bonds, Series 2005</i> , issued April 12, 2005 in the original amount of \$3,395,000. The interest rates on the bonds range from 3.40% to 4.65%. Beginning on September 1, 2010 the principal is to be paid in varying amounts on an annual basis through the year 2026.	\$ 3,200,000	\$ 3,345,000
Kansas Board of Regents Post Secondary Education Institution Infrastructure Finance Program loan agreement effective March 2009. The loan provides for funding up to \$1,451,923 for infrastructure improvements at the College, bears interest at 0.00%, and requires principal payments annually beginning December 1, 2009 of \$181,490. The loan is secured by state appropriations received from the State of Kansas.	899,411	1,080,901
<i>November 7, 2011 equipment capital lease agreement</i> in the original amount of \$1,547,642. The lease requires annual principal and interest payments at 2.61% of \$309,528 beginning January 2012 through January 2016 at which time the title to the property will pass to the College.	1,160,494	--
<i>Stadium Certificates of Participation lease purchase agreement issued April 3, 2012</i> 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.	<u>3,000,000</u>	<u>--</u>
Total	14,158,743	11,789,287
Less: current portion	<u>2,832,504</u>	<u>1,791,037</u>
Long-term portion	<u>\$ 11,326,239</u>	<u>\$ 9,998,250</u>
Capital assets under capital leases at June 30 are as follows:		
Land	\$ 113,942	\$ 113,942
Land improvements	2,148,090	2,148,090
Buildings	10,348,983	10,967,270
Equipment	3,134,453	3,388,767
Financing costs	<u>37,266</u>	<u>37,266</u>
	15,782,734	16,655,335
Less accumulated depreciation	<u>(5,180,241)</u>	<u>(6,095,518)</u>
	<u>\$ 10,602,493</u>	<u>\$ 10,559,817</u>

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

**6. LONG-TERM DEBT (CONTINUED)**

Future minimum lease payments are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,677,504	\$ 324,366	\$ 3,001,870
2014	2,158,683	253,198	2,411,881
2015	2,201,355	190,003	2,391,358
2016	2,100,602	124,766	2,225,368
2017	834,353	61,251	895,604
2018 – 2020	986,246	42,658	1,028,904
	<u>\$ 10,958,743</u>	<u>\$ 996,242</u>	<u>\$ 11,954,985</u>

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

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

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

At June 30, 2012 and 2011, the College was in compliance with all reserve requirements of the revenue bond resolution.

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

**6. LONG-TERM DEBT (CONTINUED)**

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

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 155,000	\$ 135,435	\$ 290,435
2014	160,000	129,488	289,488
2015	160,000	123,207	283,207
2016	170,000	116,523	286,523
2017	180,000	109,302	289,302
2018 - 2022	1,045,000	420,931	1,465,931
2023 - 2027	<u>1,330,000</u>	<u>258,690</u>	<u>1,588,690</u>
	<u>\$ 3,200,000</u>	<u>\$ 1,293,576</u>	<u>\$ 4,493,576</u>

In prior years, the College defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly the trust account assets and the liability for the defeased bonds are not included in the financial statements of the reporting entity. At June 30, 2012, bonds totaling \$414,214 are considered defeased.

**7. DEFINED BENEFIT PENSION PLAN**

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

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERs member-employee contribution rates. Effective July 1, 2009, KPERs has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERs member-employee contribution rate at 4% of covered compensation for Tier 1 members and at 6% of covered compensation for Tier 2 members. Member-employees' contributions are withheld by their employer and paid to KPERs according to the provisions of Section 414(h) of the Internal Revenue Code.

The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. State law sets a limitation on annual increases in the contribution rates. The State of Kansas contributions rates for the period April 1, 2012 to June 30, 2012, July 1, 2011 to March 31, 2012, and July 1, 2010 to June 30, 2011, were 8.77%, 9.77%, and 9.17%, respectively, of covered payroll. Kansas' contributions to KPERs

## BUTLER COUNTY COMMUNITY COLLEGE

### NOTES TO FINANCIAL STATEMENTS

#### 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

on-behalf of the College's employees for the years ending June 30, 2012, 2011, and 2010 were \$2,171,995, \$1,973,785, and \$1,706,974, respectively, equal to the statutory required contributions for each year as set forth by the legislature. These on-behalf payments have been recorded as both revenues and expenses in the statements of revenues, expenses, and changes in net assets.

#### 8. SEGMENT INFORMATION

The *Series 2000 Student Union and Dormitory System Improvement Bonds* were issued to provide funding of the costs of constructing, acquiring, equipping and furnishing improvements to the College's student union and dormitory system or any building constituting a part thereof. Investors in the *Series 2000 Student Union and Dormitory System Improvement Bonds* and *Student Union and Dormitory System Refunding Revenue Bonds, Series 2005* bonds rely solely on the revenue generated from the operation of the system for repayment. As of June 30, 2012 and 2011, \$3,200,000 and \$3,345,000 is outstanding on these bonds. Total principal and interest remaining on the bonds as of June 30, 2012 and 2011 is \$4,493,576 and \$4,679,455, payable through September 2029. Principal of \$145,000 and \$50,000 was paid on the bonds for the years ended June 30, 2012 and 2011. Interest of \$140,876 and \$145,150 was paid on the bonds for the years ended June 30, 2012 and 2011. Revenues generated from the system are disclosed on the following table. See also Note 6 for other Series 2005 bond resolutions requirements.

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

**8. SEGMENT INFORMATION (CONTINUED)**

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

	<u>2012</u>	<u>2011</u>
<u>Condensed statement of net assets</u>		
Assets:		
Current assets	\$ 5,104,272	\$ 4,617,528
Noncurrent assets	348,609	350,325
Capital assets	<u>8,236,321</u>	<u>8,360,748</u>
Total assets	<u>13,689,202</u>	<u>13,328,601</u>
Liabilities:		
Current liabilities	923,600	446,638
Long-term liabilities	<u>3,045,000</u>	<u>3,200,000</u>
Total liabilities	<u>3,968,600</u>	<u>3,646,638</u>
Net assets:		
Invested in capital assets, net of related debt	5,003,029	4,950,382
Restricted	302,036	301,883
Unrestricted	<u>4,415,537</u>	<u>4,429,698</u>
Total net assets	<u>\$ 9,720,602</u>	<u>\$ 9,681,963</u>
<u>Condensed statement of revenues, expenses and changes in net assets</u>		
Operating revenues	\$ 7,586,167	\$ 7,502,493
Operating expenses	(6,664,937)	(5,860,640)
Depreciation expense	<u>(405,313)</u>	<u>(395,147)</u>
Net operating income	515,917	1,246,706
Nonoperating revenues/expenses:		
Interest expense	(140,422)	(145,758)
Disposal of capital assets	(856)	--
Transfers	<u>(336,000)</u>	<u>(336,000)</u>
Change in net assets	38,639	764,948
Net assets at beginning of year	<u>9,681,963</u>	<u>8,917,015</u>
Net assets at end of year	<u>\$ 9,720,602</u>	<u>\$ 9,681,963</u>
<u>Condensed statement of cash flows</u>		
Net cash flows provided by:		
Operating activities	\$ 1,416,070	\$ 1,137,875
Capital and related financing	<u>(601,107)</u>	<u>(506,124)</u>
Net change in cash and cash equivalents	814,963	631,751
Cash and cash equivalents at beginning of year	<u>3,692,780</u>	<u>3,061,029</u>
Cash and cash equivalents at end of year	<u>\$ 4,507,743</u>	<u>\$ 3,692,780</u>

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

**9. PLEDGES RECEIVABLE – FOUNDATION**

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

	<u>2012</u>	<u>2011</u>
Total pledges receivable	\$ 3,726,808	\$ 1,348,735
Less: unamortized discount	(348,157)	(75,596)
Less: allowance for unconditional pledges	<u>(158,500)</u>	<u>(55,000)</u>
Net pledges receivable	3,220,151	1,218,139
Less: pledges receivable, current portion	<u>(688,176)</u>	<u>(467,802)</u>
Pledges receivable, long-term	<u>\$ 2,531,975</u>	<u>\$ 750,337</u>
Amounts due in:		
Less than one year	\$ 846,676	\$ 522,802
One to five years	2,060,748	772,199
Five to ten years	<u>819,384</u>	<u>53,734</u>
	<u>\$ 3,726,808</u>	<u>\$ 1,348,735</u>

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

**10. RELATED PARTIES**

In 2006, the College signed an agreement with the Foundation committing the College to provide advances to fund the preliminary phases of a fundraising campaign. The total advances commitment was initially \$179,200 and increased to \$342,878 during subsequent years. At June 30, 2012 and 2011, balances of \$0 and \$117,878 were due from the Foundation, respectively. There is no interest charged on these advances.

The Foundation has also conducted campaigns to raise money to support the construction of facilities for the College. Prior to the year ended June 30, 2012, pledges made by the Foundation to the College were made unconditionally and were recognized at the time the commitment was made. Unconditional pledges payable recognized in the financial statements have been discounted using a 2.5% discount rate. During the year ended June 30, 2012, 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, 2012 has been made on a conditional basis, it has not been recognized in the financial statements as of June 30, 2012.

The balance of the unconditional pledges payable to the College at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Champions Training Center		
Original building	\$ --	\$ 15,000
Phase 3	<u>--</u>	<u>62,774</u>
	<u>\$ --</u>	<u>\$ 77,774</u>

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

**10. RELATED PARTIES (CONTINUED)**

The balance of the conditional pledges made to the College as June 30, 2012 and 2011 which are not recognized on the financial statements are as follows:

	<u>2012</u>	<u>2011</u>
Champions Training Center	\$ 5,000	\$ --
Stadium Project	<u>3,258,000</u>	<u>--</u>
	<u>\$ 3,263,000</u>	<u>\$ --</u>

Future payments of conditional pledges made to the College at June 30, 2012 are anticipated as follows for the years ending June 30:

2013	\$ 655,000
2014	600,000
2015	560,000
2016	460,000
2017	280,000
Thereafter	<u>708,000</u>
	<u>\$ 3,263,000</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 assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

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

1. The duration and preservation of the endowment fund;
2. The purpose of the institution and the endowment fund;
3. General economic conditions;

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

**11. ENDOWMENTS (CONTINUED)**

4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the institution; and
7. The investment policy of the institution

**Return Objectives and Risk Parameters**

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

**Spending Policy**

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

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

**Strategies Employed for Achieving Objectives**

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

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

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

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

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

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

**11. ENDOWMENTS (CONTINUED)**

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

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ (26,638)	\$ --	\$ 6,362,976	\$ 6,336,338
Investment income (loss)	--	695,296	--	695,296
Changes in donor restrictions	--	--	6,266	6,266
Contributions	--	--	103,193	103,193
Transfer of temporary restricted investments	61,638	(61,638)	--	--
Appropriation of endowment assets for expenditure	--	(633,658)	--	(633,658)
Net assets, end of year	<u>\$ 35,000</u>	<u>\$ --</u>	<u>\$ 6,472,435</u>	<u>\$ 6,507,435</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 affect on the financial statements of the College at June 30, 2012 and 2011.

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

**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.

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

#### Plan Description

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

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

#### Funding Policy

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

#### Plan Report

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

#### Annual OPEB Cost

The College's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, using the projected unit credit actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following tables show the components of the primary government OPEB cost for 2012:

Normal cost	\$ 466,556
Amortization of actuarial accrued liability	297,824
Annual required contribution	764,380
Interest on net OPEB obligation	72,306
Adjustment to the ARC	(91,884)
Annual OPEB cost	744,802
Less: Employer contributions	(91,352)
Less: Implicit subsidy	(43,000)
Increase in net OPEB obligation	610,450
Net OPEB obligation – beginning of year	1,807,654
Net OPEB obligation – end of year	<u>\$ 2,418,104</u>

**BUTLER COUNTY COMMUNITY COLLEGE**

NOTES TO FINANCIAL STATEMENTS

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

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

Fiscal Year	Annual OPEB Cost	Percentage Contributed	End of Year Net OPEB Obligation
2010	\$ 708,780	15%	\$ 1,187,115
2011	\$ 754,490	18%	\$ 1,807,654
2012	\$ 744,802	18%	\$ 2,418,104

Actuarial Methods and Assumptions

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

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

Funded Status and Funding Progress

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

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

## BUTLER COUNTY COMMUNITY COLLEGE

### NOTES TO FINANCIAL STATEMENTS

#### 15. PENDING GOVERNMENTAL ACCOUNTING STANDARDS

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

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

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. This statement incorporates the applicable guidance previously presented in various FASB and AICPA pronouncements issued prior to November 30, 1989. The goal is to reduce complexity in locating and using authoritative literature needed to prepare financial reports. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2013.

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Also, this statement provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows and inflows of resources, such as changes in determination of the major fund calculations and limiting the use of the term deferred in the

## BUTLER COUNTY COMMUNITY COLLEGE

### NOTES TO FINANCIAL STATEMENTS

#### 15. PENDING GOVERNMENTAL ACCOUNTING STANDARDS (CONTINUED)

financial statement presentations. The provisions of this statement are effective for financial statements for the College's fiscal year ending June 30, 2014.

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

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

#### 16. SUBSEQUENT EVENTS

In fiscal 2012, the College entered into a lease agreement with the City of El Dorado, Kansas, for the use of space at a fire station. The lease commences July 1, 2012, or as soon thereafter as the project is completed. The lease has annual principal and interest payments of \$128,000, with an initial term of ten years.

Subsequent to year end, the College issued Refunding Certificates of Participation Series 2012B in the amount of \$2,000,000. This series refunds the Certificates of Participation Series 2008B and Certificates of Participation Series 2009. Payments commence in January of 2013 and extend through July of 2016.

**BUTLER COUNTY COMMUNITY COLLEGE**

**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2012

Schedule of Funding Progress for OPEB

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

SUPPLEMENTARY FINANCIAL INFORMATION

**BUTLER COMMUNITY COLLEGE**

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

Year ended June 30, 2012

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2011	\$ 8,604,830	\$ 8,688,447	\$ (83,617)
Revenue and transfers:			
Local property taxes	12,058,649	12,556,644	(497,995)
State appropriations	10,578,130	10,571,392	6,738
Student tuition and fees	14,949,174	16,500,000	(1,550,826)
Investment income	9,586	40,000	(30,414)
Cancellation of prior year encumbrances	177,354	--	177,354
Other	1,216,724	5,486,068	(4,269,344)
Transfers among funds - additions	<u>1,525,002</u>	<u>--</u>	<u>1,525,002</u>
Total revenue and transfers	<u>40,514,619</u>	<u>45,154,104</u>	<u>(4,639,485)</u>
Expenditures, encumbrances and transfers:			
Education and general:			
Instruction	10,961,857	12,015,890	1,054,033
Academic support	2,283,546	3,209,871	926,325
Student services	4,852,000	5,445,687	593,687
Institutional support	9,021,450	13,514,468	4,493,018
Operation and maintenance of plant	2,486,859	4,234,558	1,747,699
Student scholarships	2,655,722	3,061,205	405,483
Transfers among funds - deductions	<u>8,379,130</u>	<u>5,801,285</u>	<u>(2,577,845)</u>
Total education and general	40,640,564	47,282,964	6,642,400
Total expenditures, encumbrances and transfers	<u>40,640,564</u>	<u>47,282,964</u>	<u>6,642,400</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>(125,945)</u>	<u>(2,128,860)</u>	<u>2,002,915</u>
Fund balance, legal, June 30, 2012	<u>\$ 8,478,885</u>	<u>\$ 6,559,587</u>	<u>\$ 1,919,298</u>

**BUTLER COMMUNITY COLLEGE**

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

Year ended June 30, 2012

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2011	\$ 1,730,982	\$ 1,726,567	\$ 4,415
Revenue and transfers:			
State appropriations	3,365,361	3,365,230	131
Student tuition and fees	4,718,148	6,060,000	(1,341,852)
Cancellation of prior year encumbrances	8,888	--	8,888
Other	70,130	--	70,130
Transfers among funds - additions	<u>5,800,000</u>	<u>5,801,285</u>	<u>(1,285)</u>
Total revenue	<u>13,962,527</u>	<u>15,226,515</u>	<u>(1,263,988)</u>
Expenditures, encumbrances and transfers:			
Instruction	5,865,578	7,726,515	1,860,937
Academic support	1,482,195	7,043,333	5,561,138
Student services	1,089,546	456,667	(632,879)
Institutional support	3,829,109	--	(3,829,109)
Operation and maintenance of plant	1,244,808	--	(1,244,808)
Student scholarships	278,597	--	(278,597)
Transfer among funds - reductions	<u>598,872</u>	<u>--</u>	<u>(598,872)</u>
Total expenditures, encumbrances and transfers	<u>14,388,705</u>	<u>15,226,515</u>	<u>837,810</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>(426,178)</u>	<u>--</u>	<u>(426,178)</u>
Fund balance, legal, June 30, 2012	<u>\$ 1,304,804</u>	<u>\$ 1,726,567</u>	<u>\$ (421,763)</u>

**BUTLER COMMUNITY COLLEGE**

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

Year ended June 30, 2012

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2011	\$ 13,844	\$ 13,842	\$ 2
Revenue and transfers:			
Federal grants	84,042	83,000	1,042
State appropriations	60,190	45,000	15,190
Student tuition and fees	3,443	3,000	443
Other	177	167,343	(167,166)
Transfers among funds - additions	<u>97,524</u>	<u>--</u>	<u>97,524</u>
Total revenue and transfers	<u>245,376</u>	<u>298,343</u>	<u>(52,967)</u>
Expenditures and encumbrances:			
Instruction	<u>258,818</u>	<u>307,571</u>	<u>48,753</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>(13,442)</u>	<u>(9,228)</u>	<u>(4,214)</u>
Fund balance, legal, June 30, 2012	<u>\$ 402</u>	<u>\$ 4,614</u>	<u>\$ (4,212)</u>

**BUTLER COMMUNITY COLLEGE**

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

Year ended June 30, 2012

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2011	\$ 18,551	\$ 18,551	\$ -
Revenue and transfers:			
Student tuition and fees	11,124	14,000	(2,876)
Other	--	108,178	(108,178)
Transfers among funds - additions	<u>69,240</u>	<u>--</u>	<u>69,240</u>
Total revenue and transfers	80,364	122,178	(41,814)
Expenditures and encumbrances:			
Instruction	<u>78,330</u>	<u>122,178</u>	<u>43,848</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>2,034</u>	<u>-</u>	<u>2,034</u>
Fund balance, legal, June 30, 2012	<u>\$ 20,585</u>	<u>\$ 18,551</u>	<u>\$ 2,034</u>

**BUTLER COMMUNITY COLLEGE**

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

Year ended June 30, 2012

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
Fund balance, legal, July 1, 2011	\$ -	\$ -	\$ -
Revenue and transfers:			
State appropriations	<u>28,261</u>	<u>45,000</u>	<u>(16,739)</u>
Expenditures and encumbrances:			
Instruction	<u>28,261</u>	<u>45,000</u>	<u>16,739</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, legal, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Year ended June 30, 2012

	Student Union and Dormitory			Educare Center			Parking			Total		
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
			With Final			With Final			With Final			With Final
			Original			Original			Original			Original
	and Final	Budget		and Final	Budget		and Final	Budget		and Final	Budget	
		(Negative)			(Negative)			(Negative)			(Negative)	
Fund balance, legal, July 1, 2011	\$ 3,006,874	\$ 2,995,780	\$ 11,094	\$ -	\$ -	\$ -	\$ 101,114	\$ 101,115	\$ (1)	\$ 3,107,988	\$ 3,096,895	\$ 11,093
Revenue and transfers:												
Federal grants	-	-	-	-	24,000	(24,000)	-	-	-	-	24,000	(24,000)
Student sources	186,078	360,000	(173,922)	-	-	-	54,749	155,279	(100,530)	240,827	515,279	(274,452)
Bookstore sales, dorm rental, meal tickets, gate receipts and concessions	7,151,342	8,270,543	(1,119,201)	-	573,146	(573,146)	-	-	-	7,151,342	8,843,689	(1,692,347)
Child care services	-	-	-	521,221	-	521,221	-	-	-	521,221	-	521,221
Cancellation of prior year encumbrances	75,335	-	75,335	-	-	-	122	-	122	75,457	-	75,457
Other	-	123,800	(123,800)	-	150,000	(150,000)	3,740	20,000	(16,260)	3,740	293,800	(290,060)
Transfers among funds - additions	117,629	-	117,629	-	-	-	-	-	-	117,629	-	117,629
Total revenue and transfers	<u>7,530,384</u>	<u>8,754,343</u>	<u>(1,223,959)</u>	<u>521,221</u>	<u>747,146</u>	<u>(225,925)</u>	<u>58,611</u>	<u>175,279</u>	<u>(116,668)</u>	<u>8,110,216</u>	<u>9,676,768</u>	<u>(1,566,552)</u>
Expenditures, encumbrances and transfers:												
Education and general:												
Cost of books, supplies, and meals	4,546,577	5,193,955	647,378	70,210	-	(70,210)	-	-	-	4,616,787	5,193,955	577,168
Salaries	873,603	906,402	32,799	433,900	632,248	198,348	-	-	-	1,307,503	1,538,650	231,147
Operating expense	601,045	1,218,306	617,261	16,644	92,480	75,836	-	-	-	617,689	1,310,786	693,097
Equipment	-	-	-	467	-	(467)	-	10,000	10,000	467	10,000	9,533
Expended for plant facilities	276,164	494,900	218,736	-	22,418	22,418	64,084	266,394	202,310	340,248	783,712	443,464
Transfers among funds - deductions	772,994	655,365	(117,629)	-	-	-	-	-	-	772,994	655,365	(117,629)
Total expenditures, encumbrances and transfers	<u>7,070,383</u>	<u>8,468,928</u>	<u>1,398,545</u>	<u>521,221</u>	<u>747,146</u>	<u>225,925</u>	<u>64,084</u>	<u>276,394</u>	<u>212,310</u>	<u>7,655,688</u>	<u>9,492,468</u>	<u>1,836,780</u>
Revenue and transfers over (under) expenditures and encumbrances	<u>460,001</u>	<u>285,415</u>	<u>174,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,473)</u>	<u>(101,115)</u>	<u>95,642</u>	<u>454,528</u>	<u>184,300</u>	<u>270,228</u>
Fund balance, legal, June 30, 2012	<u>\$ 3,466,875</u>	<u>\$ 3,281,195</u>	<u>\$ 185,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,641</u>	<u>\$ -</u>	<u>\$ 95,641</u>	<u>\$ 3,562,516</u>	<u>\$ 3,281,195</u>	<u>\$ 281,321</u>

**BUTLER COUNTY COMMUNITY COLLEGE**

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

Year ended June 30, 2012

	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2012</b>
<b>Assets</b>				
Cash	\$ 156,031	\$ 574,582	\$ 503,730	\$ 226,883
Accounts receivable	6,929	11,114	6,929	11,114
Due from other governments	-	12,211	-	12,211
<b>Total assets</b>	<b>\$ 162,960</b>	<b>\$ 597,907</b>	<b>\$ 510,659</b>	<b>\$ 250,208</b>
<b>Liabilities</b>				
Accrued liabilities	\$ 6,016	\$ 8,853	\$ 6,016	\$ 8,853
Due to other governments	156,944	86,940	2,529	241,355
<b>Total liabilities</b>	<b>\$ 162,960</b>	<b>\$ 95,793</b>	<b>\$ 8,545</b>	<b>\$ 250,208</b>

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

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Board of Trustees  
**Butler County Community College**  
El Dorado, Kansas

We have audited the financial statements of the business-type activities and aggregate remaining fund information of Butler County Community College (College) as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 30, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Butler Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

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

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

November 30, 2012  
Wichita, Kansas

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

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Board of Trustees  
**Butler County Community College**  
El Dorado, Kansas

Compliance

We have audited the compliance of Butler County Community College (College) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2012. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## Internal Control Over Compliance

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

*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.

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

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

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

November 30, 2012  
Wichita, Kansas

BUTLER COUNTY COMMUNITY COLLEGE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2012

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SECTION I – SUMMARY OF AUDITORS’ RESULTS

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FINANCIAL STATEMENTS

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

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

FEDERAL AWARDS

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>	<u>OPINION</u>
	Student Financial Aid Cluster:	Unqualified
84.007	Federal Supplemental Educational Opportunity Grant	
84.033	Federal Work-Study Program	
84.063	Federal Pell Grant Program	
84.268	Federal Direct Student Loans	
84.375	Federal Academic Competiveness Grant	
84.031A	Title III Part A Programs – Strengthening Institutions	Unqualified

BUTLER COUNTY COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

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SECTION I – SUMMARY OF AUDITORS’ RESULTS (Continued)

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

Auditee qualified as low-risk auditee?        yes   X   no

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SECTION II – FINANCIAL STATEMENT FINDINGS

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No matters were reported.

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SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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No matters were reported.

BUTLER COUNTY COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

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

Summary Schedule of Prior Audit Findings

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

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

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

Finding Number	Finding	Corrective Action	Status
2011-1	Supporting documentation did not contain evidence that the College performed verification procedures to ensure that contractors were not suspended or debarred from receiving Federal Funds.	Butler has implemented procedures to ensure that each contractor/vendor was not suspended or debarred from receiving Federal funding. This was accomplished by requiring vendors supplying goods or services which will be funded with Federal funds and which will equal or exceed \$25,000 to agree to submit certification that they are not subject to Debarment or Suspension before goods or services can be ordered. The certification along with the purchase order will be submitted to the accounts payable office. Accounts payable staff will confirm by checking the Excluded Parties List System web site that vendors are not suspended or debarred prior to generating a purchase order to order goods and/or services. A screen print of the query page showing that vendor is not under Federal suspension and debarment and executed certification will be attached to the purchase order.	Completed.

BUTLER COUNTY COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA #</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Award Funds Expended</u>
<b><u>U. S. Department of Education:</u></b>			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		122,481 <sup>2</sup>
Federal Work-Study Program	84.033		167,908 <sup>1</sup>
Federal Pell Grant Program	84.063		13,974,506 <sup>4</sup>
Federal Direct Student Loans	84.268		21,640,907 <sup>5</sup>
Academic Competitiveness Grants	84.375		(1,314) <sup>3</sup>
Title III Part A Programs-Strengthening Institutions	84.031A		460,381
TRIO-Student Support Services	84.042A		257,101
Congressionally Directed Grants	84.116Z		100,960
Child Care Access Means Parents in School	84.335		39,259
Indirect Programs:			
Passed through Kansas Board of Regents:			
Adult Education – Basic Grants to States	84.002	3042-3000	84,042
Career and Technical Education – Basic Grants to States	84.048	3051-3004	223,924
State Fiscal Stabilization Fund (SFSF) - Education State Grants, ARRA	84.394A	3441-3441	119,773
Rigorous Program of Study Grant	84.051	3397-3397	<u>17,707</u>
Total U.S. Department of Education			<u>37,207,635</u>

BUTLER COUNTY COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA #</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Award Funds Expended</u>
<b><u>U.S. Department of Labor:</u></b>			
Passed through Workforce Alliance H-1B Job Training Grants	17.268	Not available	287
Passed through Kansas Board of Regents: Accelerating Opportunity Grant	17.unknown	2525-2524	<u>1,095</u>
Total U.S. Department of Labor			<u>1,382</u>
<b><u>National Science Foundation:</u></b>			
Passed through El Comino Community College Education and Human Resources	47.076	6418	<u>20,819</u>
Total National Science Foundation			<u>20,819</u>
Total Federal Expenditures			<u>\$ 37,229,836</u>

<sup>1</sup> Combined Federal and institutional dollars for wages paid to students eligible for Federal Work Study Program total \$222,621.

<sup>2</sup> Grants to students total \$107,214. Administrative allowance on Title IV programs claimed of \$15,707. Match of other institutional resources designated – non-federal share \$35,738 (institutional scholarships). Return of 2010-2011 SEOG funds total \$440.

<sup>3</sup> Return of ACG funds from prior year awards.

<sup>4</sup> Includes Pell awards for 2009-10 terms of \$(264), and 2010-2011 of \$61,485.

<sup>5</sup> Includes loans totaling \$1,406,534 for 2010-2011 terms.

BUTLER COUNTY COMMUNITY COLLEGE

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

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Note 1. Basis of Presentation

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