

Butler County Community College

Independent Auditor's Reports and Financial Statements

June 30, 2023 and 2022



Butler County Community College

El Dorado, Kansas

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Butler County Community College

June 30, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
Butler County Community College
El Dorado, Kansas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the discretely presented component unit, and the fiduciary activities of Butler County Community College (College), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the fiduciary activities of the College, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Butler Community College Foundation, Inc. (Foundation), which represent 100% of the assets, net position, and revenues of the discretely presented component unit as of and for the years ended June 30, 2023 and 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

As discussed in *Notes 9 and 17* to the financial statements, during the year ended June 30, 2023, the College adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

As discussed in *Note 17* to the financial statements, the 2022 financial statements of the business-type activities have been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedules of revenues, expenses, encumbrances and changes in fund balance – budget and actual (Legal Basis), combining statements and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2024, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

FORVIS, LLP

Wichita, Kansas
February 8, 2024

Butler County Community College

Management's Discussion and Analysis

Years Ended June 30, 2023 and 2022

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 discretely presented 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*.

During 2022, the College adopted GASB Statement No. 87, *Leases* (GASB 87) to capitalize the future life of qualifying leases into the statement of net position as lease assets and lease liabilities. This GASB Statement is retroactively applied to 2021 and its beginning net position. As such, comparability between 2021 and 2020 has changed as a result of this retroactive application. A note has been added in the following MD&A comparative analyses from what was previously reported in prior years. Please refer to *Note 8* to the financial statements for additional information related to GASB 87 and the College's leases.

During 2023, the College adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) to capitalize the future life of qualifying technology based subscription arrangements into the statement of net position as subscription assets and liabilities. This GASB Statement is retroactively applied to 2022 and its beginning net position. As such, comparability between 2022 and 2021 has changed as a result of this retroactive application. A note has been added in the following MD&A comparative analyses from what was previously reported in prior years. Please refer to *Notes 9 and 17* to the financial statements for additional information related to GASB 96 and the College's subscription arrangements.

Financial statements for fiscal years 2023 and 2022 are presented; comparative data for fiscal years 2022 and 2021 are discussed. The emphasis of discussions concerning these statements will be for the current year data. There are three financial statements presented: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. Each one of these statements will be discussed.

Statements of Net Position

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

From the data presented, readers of the Statements of Net Position are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors, employees, and lending institutions. Finally, the Statements of Net Position provide a picture of the net position and the availability for use by the College.

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

Condensed Statements of Net Position (in thousands)

	2023	(Restated) 2022	2021*	2023 vs. 2022 Increase (Decrease)	2022 vs. 2021 Increase (Decrease)
Current assets	\$ 33,890	\$ 36,482	\$ 32,948	\$ (2,592)	\$ 3,534
Noncurrent assets	68,653	67,528	66,618	1,125	910
Deferred outflows	817	333	406	484	(73)
Total assets and deferred outflows of resources	103,360	104,343	99,972	(983)	4,371
Current liabilities	7,440	6,408	5,685	1,032	723
Noncurrent liabilities	18,090	19,642	19,942	(1,552)	(300)
Deferred inflows	3,399	3,795	2,538	(396)	1,257
Total liabilities and deferred inflows of resources	28,929	29,845	28,165	(916)	1,680
Net investment in capital assets	47,564	45,558	46,133	2,006	(575)
Unrestricted	26,866	28,940	25,674	(2,074)	3,266
Total net position	\$ 74,430	\$ 74,498	\$ 71,807	\$ (68)	\$ 2,691

* Fiscal year 2021 was not restated for the impact of the adoption of GASB 96

Comparative Analysis for Fiscal Years 2023 and 2022:

Changes to Total Assets and Deferred Outflows of Resources

The total assets of the College decreased by approximately \$983,000. This change is primarily attributed to the decrease in cash receipts of Federal funds related to the Higher Education Emergency Relief Fund (HEERF). The overall decrease in total assets was somewhat offset by new subscription arrangements, which increased by \$1,821,000.

Changes to Total Liabilities and Deferred Inflows of Resources

The total liabilities of the College for the year have decreased by approximately \$915,000. This change is primarily attributed to scheduled debt payments. This decrease in total liabilities was somewhat offset by new subscription liabilities, which increased by \$543,000.

Changes to Net Position

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

The Net Position category “Net investment in capital assets” reflects buildings, equipment and other capital and lease assets, net of depreciation and amortization and net of the liabilities associated with those assets. During fiscal 2023, the net investment in capital assets increased by approximately \$2,006,000. Along with the combination of a decrease in unrestricted net position of approximately \$2,074,000, overall net position of the College decreased approximately \$68,000.

Comparative Analysis for Fiscal Years 2022 and 2021:

Changes to Total Assets and Deferred Outflows of Resources

The total assets of the College increased by approximately \$4,5371,000. This change is primarily attributed to cash receipts of Federal funds related to the Higher Education Emergency Relief Fund (HEERF) and the adoption of GASB 96, which increased assets by \$3,125,000.

Changes to Total Liabilities and Deferred Inflows of Resources

The total liabilities of the College for the year have increased by approximately \$1,680,000. This change is primarily attributed to scheduled debt payments and changes in OPEB liabilities, but offset by the adoption of GASB 96, which increased liabilities by \$3,125,000.

Changes to Net Position

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

The Net Position category “Net investment in capital assets” reflects buildings, equipment and other capital and lease assets, net of depreciation and amortization and net of the liabilities associated with those assets. During fiscal 2023, the net investment in capital assets decreased by approximately \$575,000. Along with the combination of an increase in unrestricted net position of approximately \$3,266,000, overall net position of the College increased approximately \$2,691,000.

Statements of Revenues, Expenses and Changes in Net Position

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

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

State appropriations and tax revenues are necessary to maintain a balanced operation at the College. Since these revenues are not classified as operating, the College (like most public colleges and universities) experienced an operating loss. The College's operating loss under this method of presentation was approximately \$47,972,000 and \$56,143,000 in fiscal years 2023 and 2022, respectively.

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

	2023	(Restated) 2022	2021*	2023 vs. 2022 Increase (Decrease)	2022 vs. 2021 Increase (Decrease)
Operating revenue	\$ 24,353	\$ 24,311	\$ 23,375	\$ 42	\$ 936
Operating expenses	<u>72,393</u>	<u>77,763</u>	<u>66,450</u>	<u>(5,370)</u>	<u>11,313</u>
Operating loss	(48,040)	(53,452)	(43,075)	5,412	(10,377)
Nonoperating revenues (expenses)	<u>47,972</u>	<u>56,143</u>	<u>52,068</u>	<u>(8,171)</u>	<u>4,075</u>
Increase (decrease) in net position	(68)	2,691	8,993	(2,759)	(6,302)
Net position, beginning of year	<u>74,498</u>	<u>71,807</u>	<u>62,814</u>	<u>2,691</u>	<u>8,993</u>
Net position, end of year	<u><u>\$ 74,430</u></u>	<u><u>\$ 74,498</u></u>	<u><u>\$ 71,807</u></u>	<u><u>\$ (68)</u></u>	<u><u>\$ 2,691</u></u>

* Fiscal year 2021 was not restated for the impact of the adoption of GASB 96

Comparative Analysis for Fiscal Years 2023 and 2022:

Changes to Operating Revenue

The total operating revenues of the College increased by approximately \$42,000.

Changes to Operating Expenses

The total operating expenses of the College decreased by approximately \$5,370,000. This change is primarily attributed to student scholarships related to the Higher Education Emergency Relief Fund (HEERF), which decreased approximately \$6,549,000. This was partially offset by an increase in depreciation expenses related to new capital assets placed in service and amortization expense on subscription arrangements.

Changes to Nonoperating Revenues (Expenses)

The total nonoperating revenues (expenses) of the College decreased by approximately \$8,171,000. This change is primarily attributed to Federal funds related to the Higher Education Emergency Relief Fund (HEERF), which decreased approximately \$10,721,000. The College experienced increases in state appropriations and tax revenues totaling approximately \$2,984,000.

Comparative Analysis for Fiscal Years 2022 and 2021:

Changes to Operating Revenue

The total operating revenues of the College increased by approximately \$936,000. This change is primarily attributed to Federal grants, which increased approximately \$1,000,000.

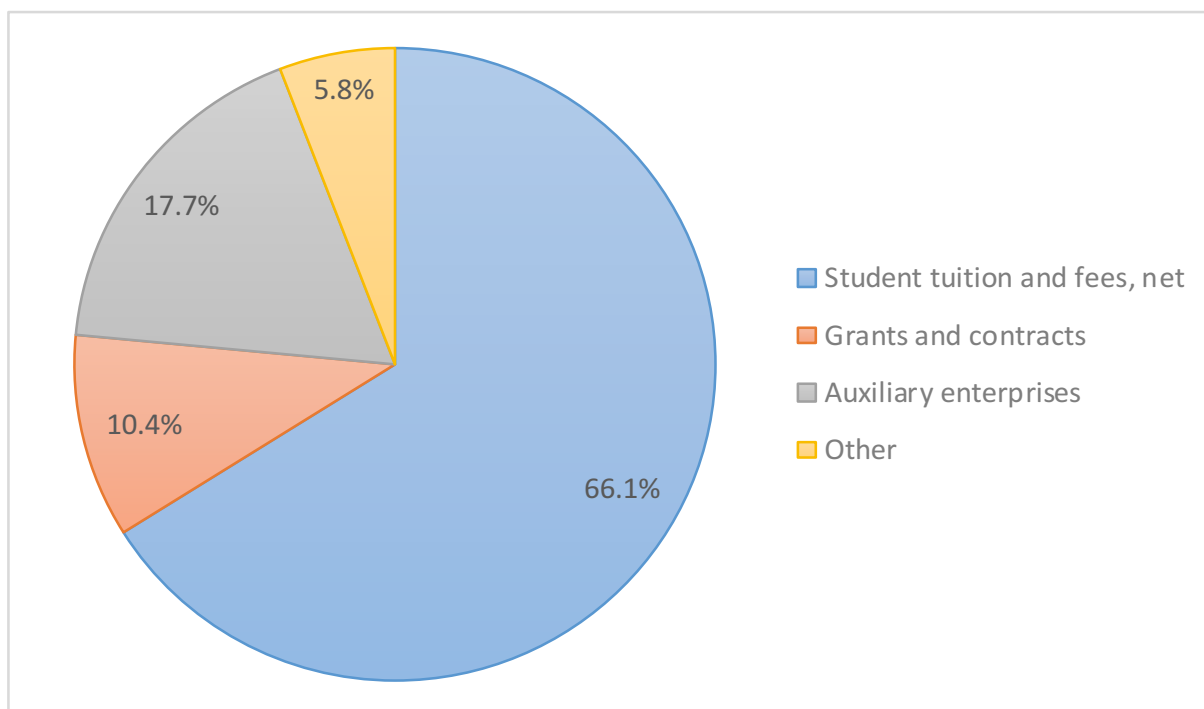
Changes to Operating Expenses

The total operating expenses of the College increased by approximately \$11,313,000. This change is primarily attributed to student scholarships related to the Higher Education Emergency Relief Fund (HEERF), which increased approximately \$3,900,000.

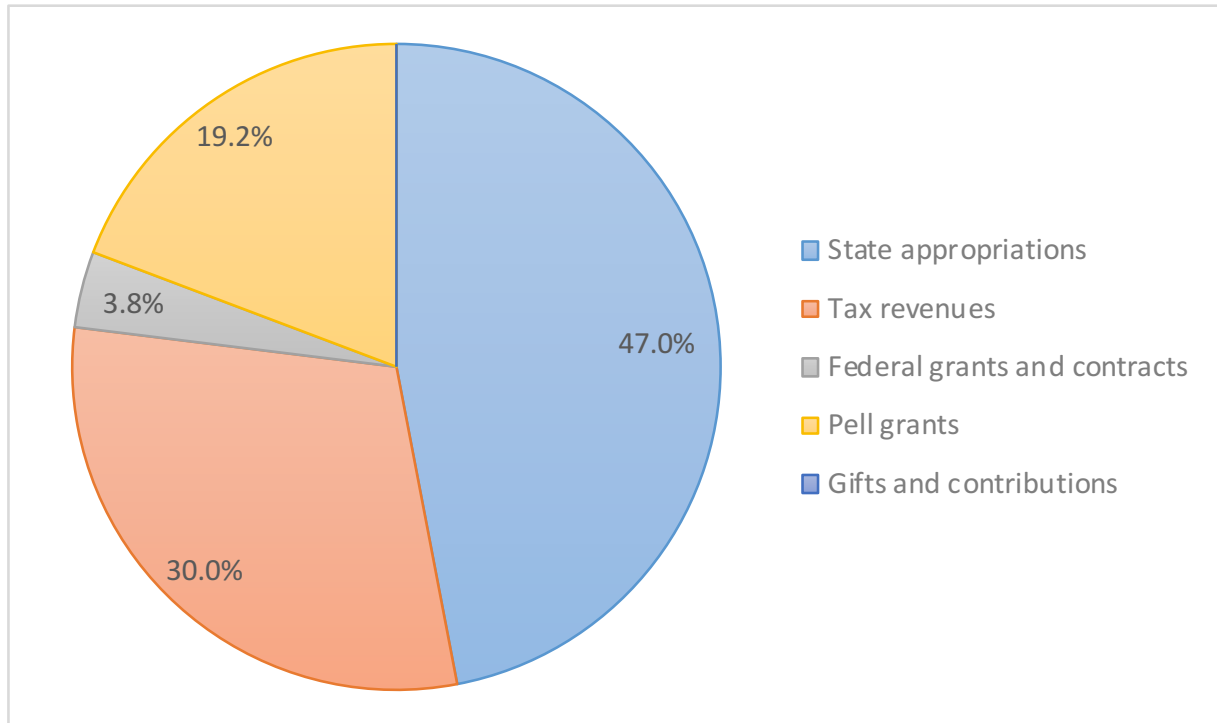
Changes to Nonoperating Revenues (Expenses)

The total nonoperating revenues (expenses) of the College increased by approximately \$4,075,000. This change is primarily attributed to Federal funds related to the Higher Education Emergency Relief Fund (HEERF), which increased approximately \$5,231,000. The gain on the sale of a building resulted in additional revenue totaling approximately \$1,478,000. The College experienced decreases in state appropriations and tax revenues totaling approximately \$1,998,000.

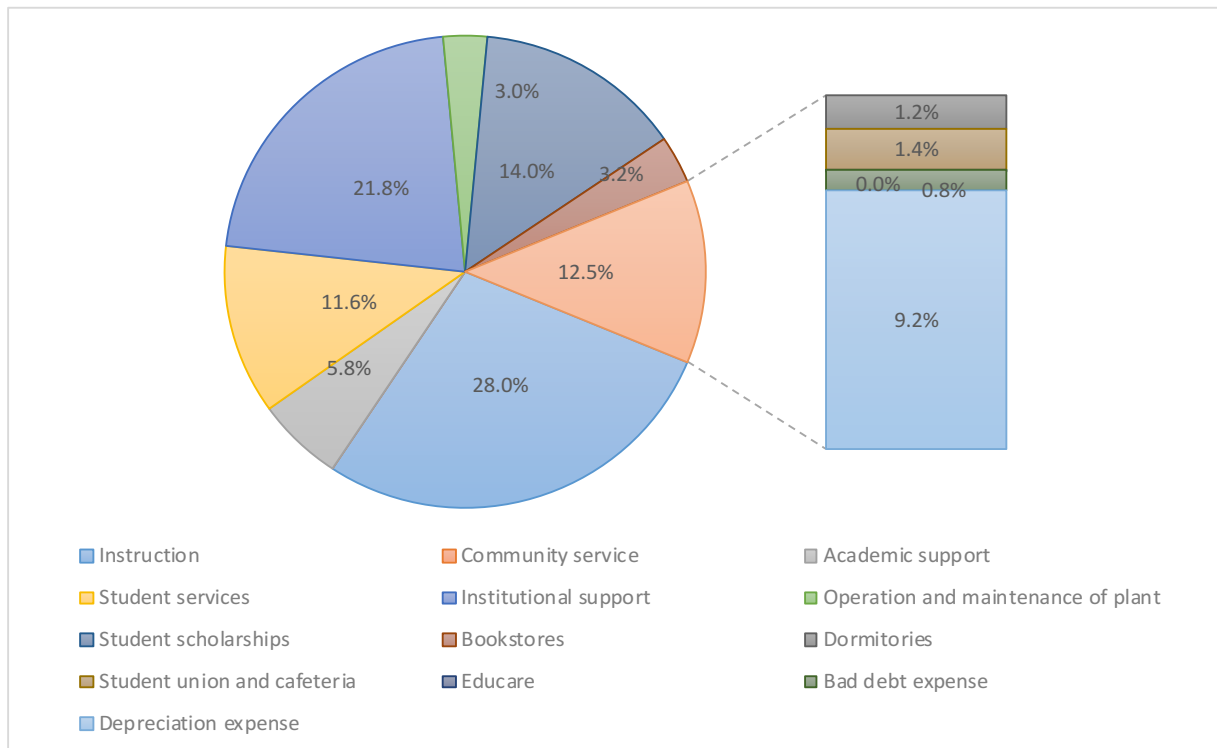
Operating Revenues by Source



Nonoperating Revenues by Major Source



Operating Expenses by Program



Operating Expenses	Percent of Total
Instruction	28.0%
Community service	0.0%
Academic support	5.9%
Student services	11.6%
Institutional support	21.8%
Operation and maintenance of plant	3.0%
Student scholarships	14.0%
Bookstores	3.2%
Dormitories	1.2%
Student union and cafeteria	1.4%
Educare	0.0%
Bad debt expense	0.7%
Depreciation expense	9.2%

Statements of Cash Flows

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

Condensed Statements of Cash Flows (in thousands)

	2023	(Restated) 2022	2021*
Cash flows from:			
Operating activities	\$ (37,394)	\$ (43,632)	\$ (36,049)
Noncapital financing activities	44,290	53,171	48,566
Capital financing activities	(9,581)	(5,314)	(7,336)
Investing activities	628	1	1,443
Net increase (decrease) in cash	(2,057)	4,226	6,624
Cash, beginning of year	33,117	28,892	22,268
Cash, end of year	<u>\$ 31,060</u>	<u>\$ 33,118</u>	<u>\$ 28,892</u>

* Fiscal year 2021 was not restated for the impact of the adoption of GASB 96

Significant sources of cash included local property taxes, the state operating grant and tuition and fees. 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 decreased by approximately \$2,199,000 for the fiscal year ended June 30, 2023, compared to an increase of \$4,226,000 for the fiscal year ended June 30, 2022.

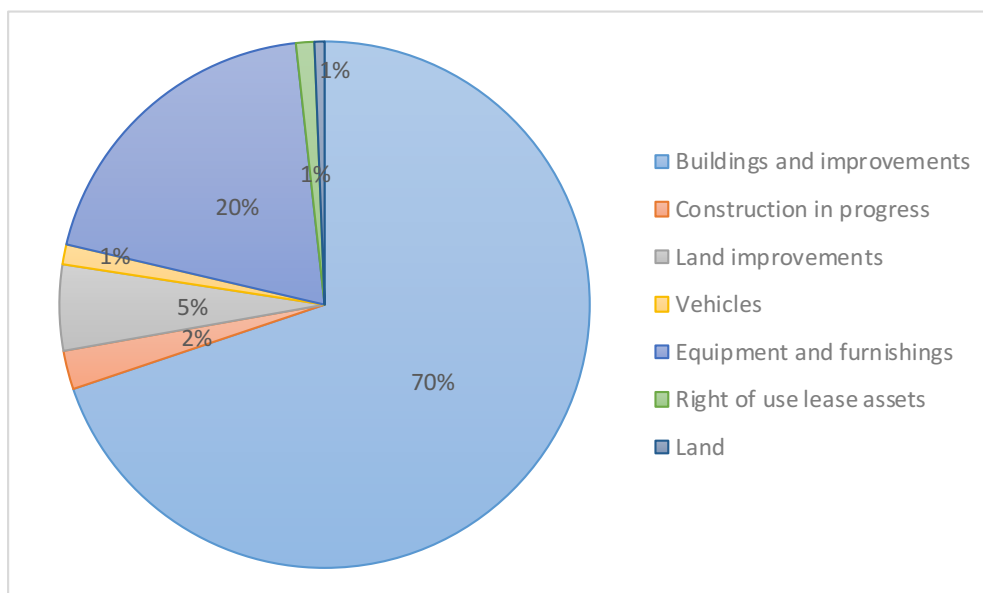
Capital, Lease, and SBITA Assets and Debt Administration

At the 2023 fiscal year-end, the College had approximately \$115,407,000 of capital assets, with accumulated depreciation and amortization of approximately \$57,371,000. Related depreciation charges of approximately \$4,845,000 were recognized in the fiscal year 2023. More detailed financial activity related to the changes in capital assets is presented in *Note 4*.

At the 2023 fiscal year-end, the College had approximately \$1,301,000 of lease assets, with accumulated amortization of approximately \$779,000. Related amortization charges of approximately \$303,000 were recognized in the fiscal year 2023. More detailed financial activity related to the changes in lease assets is presented in *Note 4*.

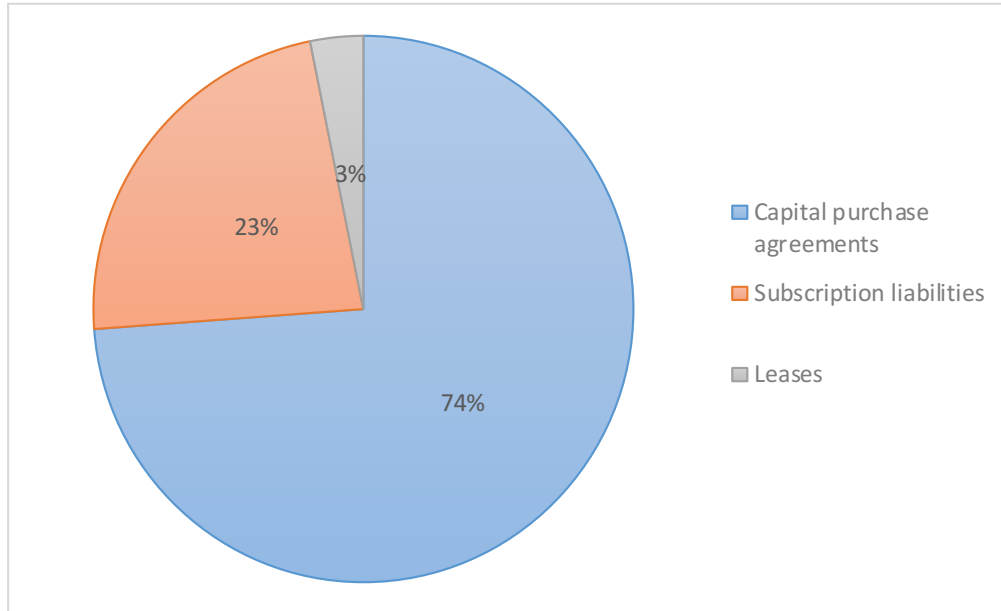
At the 2023 fiscal year-end, the College had approximately \$7,644,000 of subscription arrangements, with accumulated amortization of approximately \$2,697,000. Related amortization charges of approximately \$1,514,000 were recognized in the fiscal year 2023. More detailed financial activity related to the changes in SBITA assets is presented in *Note 4*.

Capital, Lease and SBITA Asset Categories



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

Categories of Debt



Economic Outlook

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

Butler County Community College

Statements of Net Position

June 30, 2023 and 2022

Assets and Deferred Outflows of Resources

	College		Foundation	
	2023	2022	2023	2022
	(Restated)			
Current Assets				
Cash and investments	\$ 31,060,301	\$ 33,117,154	\$ 4,027,928	\$ 3,723,721
Accounts receivable, net of allowance for doubtful accounts of \$7,454,210 in 2023 and \$6,906,391 in 2022	1,865,908	1,794,534	-	-
Receivables from federal and state governments	286,134	317,663	-	-
Current portion of pledges receivable	-	-	284,792	291,536
Prepaid expenses	324,697	659,104	-	-
Bookstore inventory	353,147	593,496	-	-
Total current assets	33,890,187	36,481,951	4,312,720	4,015,257
Noncurrent Assets				
Investments	2,985	728	14,065,870	12,768,624
Pledges receivable	-	-	448,860	516,311
Cash surrender value of life insurance	-	-	28,023	28,023
Investment in joint venture	5,144,835	5,144,835	-	-
Subscription arrangements, net of amortization	4,946,521	3,124,616	-	-
Right to use lease asset, net of amortization	522,414	742,659	-	-
Capital assets, net of accumulated depreciation				
Land and construction in progress	3,487,459	2,989,804	-	3,664,549
Other capital assets, net of accumulated depreciation	54,548,862	55,525,442	5,109,602	5,972
Total noncurrent assets	68,653,076	67,528,084	19,652,355	16,983,479
Deferred Outflows of Resources				
Deferred outflows - pensions	167,440	167,593	-	-
Deferred outflows - OPEB	649,082	165,680	-	-
Total deferred outflows of resources	816,522	333,273	-	-
Total assets and deferred outflows of resources	\$ 103,359,785	\$ 104,343,308	\$ 23,965,075	\$ 20,998,736

See Notes to Financial Statements

Liabilities and Deferred Inflows of Resources

	College		Foundation	
	2023	2022	2023	2022
	(Restated)			
Current Liabilities				
Accounts payable	\$ 1,777,449	\$ 1,520,426	\$ 77,345	\$ 52,006
Compensated absences payable	1,599,000	1,500,000	-	-
Accrued salaries	142,342	163,894	-	-
Deposits held in custody for others	105,611	90,719	-	-
Accrued interest payable	87,636	76,862	-	-
Unearned revenue	824,114	851,946	-	-
Current portion of subscription liabilities	1,499,599	798,362	-	-
Current portion of lease liability	246,217	269,820	-	-
Current portion of long-term debt	1,158,481	1,135,870	-	-
Total current liabilities	7,440,449	6,407,899	77,345	52,006
Noncurrent Liabilities				
Long-term debt	10,611,265	11,800,763	1,500,000	1,500,000
Subscription liabilities	2,167,801	2,326,254	-	-
Lease liabilities	257,627	493,465	-	-
Long-term compensated absences payable	782,414	823,655	-	-
Net pension liability	314,541	381,310	-	-
Total OPEB liability	3,956,569	3,816,848	-	-
Total noncurrent liabilities	18,090,217	19,642,295	1,500,000	1,500,000
Deferred Inflows of Resources				
Deferred inflows - pensions	197,084	262,344	-	-
Deferred inflows - OPEB	3,201,662	3,532,836	-	-
Total deferred inflows of resources	3,398,746	3,795,180	-	-
Total liabilities and deferred inflows of resources	28,929,412	29,845,374	1,577,345	1,552,006
Net Position				
Net investment in capital assets	47,564,266	45,557,987	-	-
Restricted - expendable				
For capital projects	-	-	586,696	456,552
For scholarships, instruction and other	-	-	1,879,018	1,812,806
For college support	-	-	843,688	1,273,590
For culinary arts building	-	-	5,035,376	2,792,408
Restricted - non-expendable				
For scholarships, instruction and other	-	-	11,786,405	11,273,835
For college support	-	-	1,648,207	1,331,766
Unrestricted	26,866,107	28,939,947	608,340	505,773
Total net position	74,430,373	74,497,934	22,387,730	19,446,730
Total liabilities, deferred inflows of resources and net position	\$ 103,359,785	\$ 104,343,308	\$ 23,965,075	\$ 20,998,736

Butler County Community College
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	College		Foundation	
	2023	2022	2023	2022
Operating Revenues	(Restated)			
Student tuition and fees, net of scholarship allowances of \$2,695,291 in 2023 and \$2,715,331 in 2022	\$ 16,075,945	\$ 16,145,490	\$ -	\$ -
Federal and state grants and contracts	2,539,578	2,663,612	-	-
Gifts and contributions	-	-	3,979,201	5,244,235
Auxiliary enterprises				
Bookstores, net of scholarship allowances of \$403,041 in 2023 and \$430,843 in 2022	2,403,918	2,561,813	-	-
Dormitories, net of scholarship allowances of \$204,195 in 2023 and \$225,366 in 2022	1,217,914	1,340,039	-	-
Student union and cafeteria, net of scholarship allowances of \$116,245 in 2023 and \$118,493 in 2022	693,340	704,566	-	-
Net investment return	-	-	1,173,709	(1,929,397)
Other	1,422,711	895,877	-	-
Total operating revenues	24,353,406	24,311,397	5,152,910	3,314,838
Operating Expenses				
Instruction	20,294,610	20,131,592	-	-
Community service	-	2,200	-	-
Academic support	4,227,222	4,270,115	592,002	342,992
Student services	8,400,399	7,947,858	-	-
Institutional support	15,768,374	14,885,332	503,084	448,047
Operation and maintenance of plant	2,139,544	3,278,828	-	-
Student scholarships	10,144,874	15,872,029	881,121	741,928
Fund raising	-	-	233,314	207,072
Auxiliary enterprises				
Bookstores	2,340,359	2,404,797	-	-
Dormitories	857,801	926,777	-	-
Student union and cafeteria	1,044,818	1,000,574	-	-
Educare	138	345	-	-
Bad debt expense	547,819	80,467	-	-
Depreciation and amortization expense	6,626,864	6,369,450	2,389	2,389
Total operating expenses	72,392,822	77,170,364	2,211,910	1,742,428
Operating Income (Loss)	(48,039,416)	(52,858,967)	2,941,000	1,572,410

Butler County Community College
Statements of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended June 30, 2023 and 2022

	College		Foundation	
	2023	2022	2023	2022
	(Restated)			
Nonoperating Revenues (Expenses)				
State appropriations	\$ 22,610,566	\$ 19,626,413	\$ -	\$ -
Tax revenues	14,417,584	14,535,296	-	-
Federal grants and contracts	1,834,868	12,599,645	-	-
Pell grants	9,248,927	8,739,506	-	-
Other	177,561	(432,043)	-	-
Gifts and contributions	-	-	-	-
Investment income	630,002	1,307	-	-
Interest on capital and lease asset-related liabilities	(307,382)	(406,024)	-	-
Gain (loss) on disposal of assets	(640,271)	1,478,171	-	-
Total nonoperating revenues (expenses)	47,971,855	56,142,271	-	-
Increase (Decrease) in Net Position	(67,561)	3,283,304	2,941,000	1,572,410
Net Position, Beginning of Year	74,497,934	71,214,630	19,446,730	17,874,320
Net Position, End of Year	<u>\$ 74,430,373</u>	<u>\$ 74,497,934</u>	<u>\$ 22,387,730</u>	<u>\$ 19,446,730</u>

Butler County Community College
Statements of Cash Flows – College
Years Ended June 30, 2023 and 2022

	2023	2022 (Restated)
Cash Flows from Operating Activities		
Tuition and fees	\$ 15,976,739	\$ 15,547,025
Grants and contracts	2,571,107	2,894,804
Payments to suppliers and employees	(51,535,057)	(51,725,212)
Payments for scholarships	(10,144,874)	(15,872,029)
Auxiliary enterprise charges		
Bookstores	2,403,918	2,561,813
Dormitories	1,217,914	1,340,039
Student union and cafeteria	693,340	704,566
Other	1,422,711	895,877
Net cash used in operating activities	<u>(37,394,202)</u>	<u>(43,653,117)</u>
Cash Flows from Noncapital Financing Activities		
Tax receipts	14,417,584	14,535,296
State appropriations	19,251,731	16,249,986
Federal grants	1,834,868	12,599,645
Pell	8,608,656	10,217,677
Other	177,561	(432,043)
Net cash provided by noncapital financing activities	<u>44,290,400</u>	<u>53,170,561</u>
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	(1,166,887)	(1,377,236)
Interest paid on long-term debt	(307,382)	(380,957)
Principal paid on subscription liability	(2,792,644)	(1,162,169)
Principal paid on lease liability	(307,479)	(270,809)
Interest paid on lease liability	-	(25,067)
Proceeds from sale of capital assets	1,775	1,896,087
Purchase of capital assets	(5,008,179)	(3,972,698)
Net cash used in capital and related financing activities	<u>(9,580,796)</u>	<u>(5,292,849)</u>
Cash Flows from Investing Activities		
Investment income	630,002	1,307
Proceeds from sales and maturities of investments	-	-
Purchases of investments	(2,257)	(259)
Net cash provided by investing activities	<u>627,745</u>	<u>1,048</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(2,056,853)</u>	<u>4,225,643</u>
Cash and Cash Equivalents, Beginning of Year	<u>33,117,154</u>	<u>28,891,511</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 31,060,301</u></u>	<u><u>\$ 33,117,154</u></u>

Butler County Community College
Statements of Cash Flows – College (Continued)
Years Ended June 30, 2023 and 2022

	2023	2022 (Restated)
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (48,039,416)	\$ (52,858,967)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	6,626,864	6,369,450
Gain on disposal of assets	640,271	(1,478,171)
State on-behalf payments for employee benefits	3,358,835	3,376,427
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable	(71,374)	(88,056)
Receivable from federal and state governments	31,529	231,192
Inventories	240,349	(62,875)
Prepaid expenses	334,407	611,202
Deferred outflows - pensions	(483,249)	73,604
Accounts payable and accrued expenses	318,896	1,154,566
Post retirement benefits	72,952	(1,706,639)
Unearned revenue	(27,832)	(510,409)
Deferred inflows - pensions	(65,260)	(20,806)
Deferred inflows - OPEB	(331,174)	1,277,733
Net cash used in operating activities	<u>\$ (37,394,202)</u>	<u>\$ (43,631,749)</u>
Noncash Investing, Capital and Financing Activities		
Proceeds and payment to escrow agent	\$ -	\$ 4,345,000
Construction in progress disposed of prior to being placed in service	-	383,918
Lease obligations incurred for lease assets	48,038	8,691
Assets acquired through subscription arrangements	3,335,428	-

Butler County Community College
Statements of Fiduciary Net Position
June 30, 2023 and 2022

	Custodial Funds	Custodial Funds
	2023	2022
Assets		
Cash and cash equivalents	\$ 340,084	\$ 625,962
Receivables	150,405	5,580
	<hr/>	<hr/>
Total assets	490,489	631,542
Liabilities		
Accounts payable	(5,288)	6,637
Accrued expenses	910	21,611
	<hr/>	<hr/>
Total liabilities	(4,378)	28,248
	<hr/>	<hr/>
Net Position		
Restricted for Student Accounts	321,586	446,897
Restricted for Grizzleybackers	173,281	156,397
	<hr/>	<hr/>
Total net position	\$ 494,867	\$ 603,294
	<hr/> <hr/>	<hr/> <hr/>

Butler County Community College
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2023 and 2022

	Custodial Funds	Custodial Funds
	2023	2022
Additions		
Fees	\$ 26,395	\$ 19,347
Sales	126,570	140,570
Rental income	-	-
Other	296,984	162,415
	<hr/>	<hr/>
Total additions	449,949	322,332
 Deductions		
Instruction	(218)	(150)
Academic	-	18
Operating expense	435,659	278,953
Scholarships	122,935	110,453
	<hr/>	<hr/>
Total deductions	558,376	389,274
 Change in Net Position	<hr/> (108,427) <hr/>	<hr/> (66,942) <hr/>
 Net Position, Beginning of Year	<hr/> 603,294 <hr/>	<hr/> 670,236 <hr/>
 Net Position, End of Period	<hr/> \$ 494,867 <hr/>	<hr/> \$ 603,294 <hr/>

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

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

Nature of Operations

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

Financial Reporting Entity

During 2013, the College implemented Governmental Accounting Standards Board GASB Statement No. 61, *Financial Reporting Entity: Omnibus* and in accordance with Governmental Accounting Standards Board Statement (GASB) No. 14, *The Financial Reporting Entity* (GASB 14) as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, 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.

As permitted by GASB Statement No. 34, the College has elected not to present a statement of cash flows for the Foundation in the basic financial statements of the College reporting entity.

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, however, the College did convert FASB information and terminology to GASB. 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.

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Joint Venture

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

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

During fiscal 2012, the College issued \$3 million of Certificates of Participation to fund its portion of construction (see *Note 7*). Concurrently, the College entered into a lease agreement with the Educational Facilities Authority for use of the stadium for a period of 10 years, through June 30, 2021. In addition to funds paid for construction, the lease requires the College to pay its portion of utilities, insurance and maintenance costs associated with the stadium, along with the City of El Dorado and USD 490, the other parties that will be jointly using the Sports Complex. The College's equity interest in the Educational Facilities Authority as of June 30, 2023 and 2022, was \$5,144,835, and consists of payments made for construction costs.

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

Basis of Accounting and Presentation

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

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Fiduciary Funds

Fiduciary funds are used to report activities whereby the College acts as a trustee or fiduciary to hold resources for the benefit of parties outside the College. The accrual basis of accounting is used for fiduciary funds and is similar to the accounting for business-type activities. The business-type activities 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 custodial funds.

Cash Equivalents, Investments and Investment Income

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

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

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

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

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

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable and Unearned Revenues

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of which reside in the State of Kansas.

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

Pledges Receivable – Foundation

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Unconditional promises to give, due in the next year, are recorded at their net realizable value.

Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value.

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

Inventories

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

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or at acquisition value at the date of donation in the case of gifts. For equipment purchased as a single asset, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. When multiple equipment items are purchased as an integrated system of assets, they are considered as a single asset when applying the above capitalization rules. Items purchased together, but that can function individually on a stand-alone basis, are considered on an item-by-item basis when applying the above thresholds. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Construction in progress includes assets that are capitalized but have not yet been placed in service and depreciation has not yet begun.

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

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at, and certain prepayments made before, the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease and SBITA Asset Impairment

The College evaluates capital, lease, and SBITA assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease or SBITA asset has occurred. If a capital, lease or SBITA asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation or amortization are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended June 30, 2023 and 2022.

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022, the County Treasurer had distributed to the College approximately 94% of taxes levied in the prior year.

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

Compensated Absences

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

Cost-Sharing Defined Benefit Pension Plan

The employer contributions for community colleges are funded by the State of Kansas (State) on behalf of these employers for active employees. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68. The State is treated as a nonemployer contributing entity in the Kansas Public Employees Retirement System (KPERS). Since these employers do not contribute directly to KPERS for active employees, there is no net pension liability or deferred inflows or outflows to report in their financial statements for active employees. See *Note 9* for disclosures regarding the State's portion of the College's total proportionate share of the collective net pension liability that is associated with the College. The College recognizes pension expense associated with the College as well as revenue in an amount equal to the State's total proportionate share of the collective pension expense associated with the College.

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

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Defined Benefit Other Postemployment Benefit Plan

As discussed in *Note 10* to the financial statements, in 2017, the College adopted Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Deferred Outflows of Resources/Deferred Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized until that time. Deferred outflows of resources represent the consumption of net assets that is applicable to a future period. The College has deferred outflows and deferred inflows for pensions and OPEB that qualify for reporting in this category. See *Notes 9 and 10* for more information on these deferred outflows and deferred inflows.

Net Position

Net position of the College is classified in four components.

Net investment in capital assets (including lease and subscription-based information technology arrangements assets) represents the College's total investment in capital, lease, and SBITA assets, net of accumulated depreciation and amortization and outstanding debt obligations related to those capital, lease, and SBITA assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this component.

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

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

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. At June 30, 2023 and 2022, the board of the Foundation designated \$558,179 and \$351,342, respectively, for operations, which are included in unrestricted net position.

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

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, and (3) most federal, state and local grants and contracts.

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

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

Scholarship Discounts and Allowances

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

Income Taxes

The College, as a political subdivision of the State of Kansas, is excluded from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

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

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

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

Budgetary Information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year ended June 30, 2023.

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.

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Note 2: Deposits, Investments and Investment Return

Deposits

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

The College's cash and investments at June 30, 2023 and 2022, consists of demand deposit accounts, money market savings accounts, and certificates of deposit. At June 30, 2023 and 2022, the carrying amount of the College's deposits were approximately \$31,060,000 and \$33,118,000, respectively, and the bank balances were \$28,103,000 and \$33,249,000, respectively. At June 30, 2023, approximately \$774,000 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. Cash held in the College's custodial fund totaled approximately \$340,000 and \$626,000 as of June 30, 2023 and 2022, respectively, and is included in balances above.

Investments – College

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

	2023	2022
U.S. Treasury Bonds	\$ 2,985	\$ 728

The U.S. Treasury Bonds mature in one to five years.

Investment Policies – Investing is performed in accordance with investment policies adopted by the College Board of Trustees and complying with state statutes as described in *Note 1*.

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

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

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

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

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

Investments – Foundation

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

	2023	2022
Money market accounts	\$ 4,015,368	\$ 3,716,048
Equities	8,363,121	7,765,482
Fixed income	4,255,316	3,657,805
Hedge funds	1,190,394	1,009,818
Commodities	257,039	335,519
	<u>\$ 18,081,238</u>	<u>\$ 16,484,672</u>

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

	2023	2022
Investment income	\$ 479,857	\$ 370,929
Net realized and unrealized gains (losses)	762,297	(2,225,382)
Investment fees	(68,445)	(74,944)
	<u>\$ 1,173,709</u>	<u>\$ (1,929,397)</u>

Note 3: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

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

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

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2023				
College				
Long-term investments				
U.S. Treasury Bonds	<u>\$ 2,985</u>	<u>\$ 2,985</u>	<u>\$ -</u>	<u>\$ -</u>
Foundation				
Short-term investments				
Money market accounts	<u>\$ 4,015,368</u>	<u>\$ 4,015,368</u>	<u>\$ -</u>	<u>\$ -</u>
Total short-term investments	<u>4,015,368</u>	<u>4,015,368</u>	<u>-</u>	<u>-</u>
Long-term investments				
Equities	8,363,121	8,363,121	-	-
Fixed income	4,255,316	4,255,316	-	-
Hedge funds	1,190,394	1,190,394	-	-
Commodities	<u>257,039</u>	<u>257,039</u>	<u>-</u>	<u>-</u>
Total long-term investments	<u>14,065,870</u>	<u>14,065,870</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 18,081,238</u>	<u>\$ 18,081,238</u>	<u>\$ -</u>	<u>\$ -</u>

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022				
College				
Long-term investments				
U.S. Treasury Bonds	\$ 728	\$ 728	\$ -	\$ -
Foundation				
Short-term investments				
Money market accounts	\$ 3,716,048	\$ 3,716,048	\$ -	\$ -
Total short-term investments	3,716,048	3,716,048	-	-
Long-term investments				
Equities	7,765,482	7,765,482	-	-
Fixed income	3,657,805	3,657,805	-	-
Hedge funds	1,009,818	1,009,818	-	-
Commodities	335,519	335,519	-	-
Total long-term investments	12,768,624	12,768,624	-	-
Total investments	\$ 16,484,672	\$ 16,484,672	\$ -	\$ -

On the statements of net position, cash and investments for the Foundation include \$12,560 and \$7,673 of cash at June 30, 2023 and 2022, respectively. Cash is excluded from the fair value measurement tables above.

Investments

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

Butler County Community College
Notes to Financial Statements
June 30, 2023 and 2022

Note 4: Capital, Lease, and SBITA Assets

Capital assets activity for the year ended June 30, 2023, was:

	Beginning Balance (Restated)	Additions	Disposals	Transfers	Ending Balance
College					
Capital assets not being depreciated:					
Land	\$ 712,907	\$ -	\$ -	\$ -	\$ 712,907
Construction in progress	2,276,897	2,792,407	-	(2,294,752)	2,774,552
Total capital assets not being depreciated	2,989,804	2,792,407	-	(2,294,752)	3,487,459
Capital assets being depreciated:					
Land improvements	6,126,526	108,005	82,775	-	6,151,756
Buildings and improvements	78,731,281	453,134	-	2,294,752	81,479,167
Vehicles	1,361,759	82,753	14,090	-	1,430,422
Equipment and furnishings	21,927,641	1,571,880	640,611	-	22,858,910
Total capital assets being depreciated	108,147,207	2,215,772	737,476	2,294,752	111,920,255
Less accumulated depreciation					
Land improvements	5,112,956	276,468	74,276	-	5,315,148
Building and improvements	31,496,767	3,457,974	-	-	34,954,741
Vehicles	1,118,464	118,874	14,090	-	1,223,248
Equipment and furnishings	14,893,578	991,742	7,064	-	15,878,256
Total accumulated depreciation	52,621,765	4,845,058	95,430	-	57,371,393
Total capital assets being depreciated, net	55,525,442	(2,629,286)	642,046	2,294,752	54,548,862
Net capital assets	<u>\$ 58,515,246</u>	<u>\$ 163,121</u>	<u>\$ 642,046</u>	<u>\$ -</u>	<u>\$ 58,036,321</u>

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Foundation					
Capital assets not being depreciated:					
Construction in progress	\$ 3,664,549	\$ 1,441,469	\$ -	\$ -	\$ 5,106,018
Capital assets being depreciated:					
Equipment, at cost	33,281	-	-	-	33,281
Accumulated depreciation	27,309	2,388	-	-	29,697
Total capital assets being depreciated	5,972	(2,388)	-	-	3,584
Net capital assets	\$ 3,670,521	\$ 1,439,081	\$ -	\$ -	\$ 5,109,602

Lease assets activity for the year ended June 30, 2023, was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
College					
Facilities	\$ 206,914	\$ -	\$ -	\$ -	\$ 206,914
Equipment	1,046,427	48,038	-	-	1,094,465
	1,253,341	48,038	-	-	1,301,379
Less accumulated amortization					
Facilities	126,395	44,747	-	-	171,142
Equipment	384,287	223,536	-	-	607,823
	510,682	268,283	-	-	778,965
Lease Assets, Net	\$ 742,659	\$ (220,245)	\$ -	\$ -	\$ 522,414

Subscription arrangement activity for the year ended June 30, 2023, was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
College					
Subscription arrangements	\$ 4,308,153	\$ 3,335,428	\$ -	\$ -	\$ 7,643,581
Less accumulated amortization	1,183,537	1,513,523	-	-	2,697,060
Subscription arrangements, Net	\$ 3,124,616	\$ 1,821,905	\$ -	\$ -	\$ 4,946,521

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Capital assets activity for the year ended June 30, 2022, was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
College					
Capital assets not being depreciated:					
Land	\$ 935,237	\$ -	\$ 222,330	\$ -	\$ 712,907
Construction in progress	17,097,299	2,298,530	383,918	(16,735,014)	2,276,897
	<u>18,032,536</u>	<u>2,298,530</u>	<u>606,248</u>	<u>(16,735,014)</u>	<u>2,989,804</u>
Total capital assets not being depreciated					
Capital assets being depreciated:					
Land improvements	6,114,776	11,750	-	-	6,126,526
Buildings and improvements	63,738,183	100,342	55,890	14,948,646	78,731,281
Vehicles	1,216,538	167,555	22,334	-	1,361,759
Equipment and furnishings	18,537,750	1,778,438	174,915	1,786,368	21,927,641
	<u>89,607,247</u>	<u>2,058,085</u>	<u>253,139</u>	<u>16,735,014</u>	<u>108,147,207</u>
Total capital assets being depreciated					
Less accumulated depreciation					
Land improvements	4,834,731	278,225	-	-	5,112,956
Building and improvements	28,649,095	2,864,860	17,188	-	31,496,767
Vehicles	1,035,569	98,542	15,647	-	1,118,464
Equipment and furnishings	13,277,274	1,641,023	24,719	-	14,893,578
	<u>47,796,669</u>	<u>4,882,650</u>	<u>57,554</u>	<u>-</u>	<u>52,621,765</u>
Total accumulated depreciation					
Total capital assets being depreciated, net	<u>41,810,578</u>	<u>(2,824,565)</u>	<u>195,585</u>	<u>16,735,014</u>	<u>55,525,442</u>
Net capital assets	<u>\$ 59,843,114</u>	<u>\$ (526,035)</u>	<u>\$ 801,833</u>	<u>\$ -</u>	<u>\$ 58,515,246</u>

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Foundation					
Capital assets not being depreciated:					
Construction in progress	\$ -	\$ 3,664,549	\$ -	\$ -	\$ 3,664,549
Capital assets being depreciated:					
Equipment, at cost	33,281	-	-	-	33,281
Accumulated depreciation	24,920	2,389	-	-	27,309
Total capital assets being depreciated	8,361	(2,389)	-	-	5,972
Net capital assets	\$ 8,361	\$ 3,662,160	\$ -	\$ -	\$ 3,670,521

Lease assets activity for the year ended June 30, 2022, was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
College					
Facilities	\$ 206,914	\$ -	\$ -	\$ -	\$ 206,914
Equipment	1,037,736	8,691	-	-	1,046,427
	1,244,650	8,691	-	-	1,253,341
Less accumulated amortization					
Facilities	79,970	46,425	-	-	126,395
Equipment	127,449	256,838	-	-	384,287
	207,419	303,263	-	-	510,682
Lease Assets, Net	\$ 1,037,231	\$ (294,572)	\$ -	\$ -	\$ 742,659

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Subscription arrangement activity for the year ended June 30, 2022, was:

	Beginning Balance (Restated)	Additions	Disposals	Transfers	Ending Balance (Restated)
College					
Subscription arrangements	\$ 4,308,153	\$ -	\$ -	\$ -	\$ 4,308,153
Less accumulated amortization	-	1,183,537	-	-	1,183,537
Subscription arrangements, Net	<u>\$ 4,308,153</u>	<u>\$ (1,183,537)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,124,616</u>

Note 5: Unearned Revenue

Unearned revenue at June 30 consists of the following:

	2023	2022
Prepaid tuition and fees	<u>\$ 824,114</u>	<u>\$ 851,946</u>

Note 6: Long-term Liabilities

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
College					
Purchase arrangements	\$ 12,936,633	\$ -	\$ 1,166,887	\$ 11,769,746	\$ 1,158,481
Subscription liabilities	3,124,616	3,335,428	2,792,644	3,667,400	1,499,599
Lease liability	763,285	48,038	307,479	503,844	246,217
	<u>16,824,534</u>	<u>3,383,466</u>	<u>4,267,010</u>	<u>15,940,990</u>	<u>2,904,297</u>
Other liabilities					
Compensated absences payable	2,323,655	1,656,759	1,599,000	2,381,414	1,599,000
	<u>\$ 19,148,189</u>	<u>\$ 5,040,225</u>	<u>\$ 5,866,010</u>	<u>\$ 18,322,404</u>	<u>\$ 4,503,297</u>
Foundation					
Loan payable	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Long-term liability activity for the year ended June 30, 2022, was as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Amounts Due Within One Year
College					
Purchase arrangements	\$ 13,668,869	\$ 4,531,096	\$ 5,263,332	\$ 12,936,633	\$ 1,135,870
General obligation bonds	645,000	-	645,000	-	-
Subscription liabilities	4,425,749	-	1,301,133	3,124,616	798,362
Lease liability	1,025,403	8,691	270,809	763,285	269,820
	<u>19,765,021</u>	<u>4,539,787</u>	<u>7,480,274</u>	<u>16,824,534</u>	<u>2,204,052</u>
Other liabilities					
Compensated absences payable	2,013,038	1,810,617	1,500,000	2,323,655	1,500,000
	<u>\$ 21,778,059</u>	<u>\$ 6,350,404</u>	<u>\$ 8,980,274</u>	<u>\$ 19,148,189</u>	<u>\$ 3,704,052</u>
Foundation					
Loan payable	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>

Additional information regarding purchase agreement obligations and general obligation bonds is included in *Note 7*.

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Note 7: Long-term Debt

Purchase agreements within long-term debt at June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Building purchase agreement with City of El Dorado in the original amount of \$1,841,739. The agreement requires monthly principal and interest payments at 3.45% of \$10,634 beginning July 2012 through June 2032, at which time the title to the property will pass to the College.	\$ 1,004,667	\$ 1,095,537
Series 2019 Certificates of Participation purchase agreement issued April 23, 2019, in the original amount of \$8,260,000. The agreement requires annual principal and interest payments at interest rates varying between 2% and 3.25% beginning June 1, 2020 through June 1, 2039.	6,970,000	7,310,000
Series 2021 Refunding Certificates of Participation purchase agreement issued August 3, 2021, in the original amount of \$4,345,000 for the purpose of refunding Series 2013 and 2013B Certificates of Participation maturing in years 2026 and 2029. Includes the bond premium of \$186,096. The agreement requires semiannual payments with an interest rate of 2.00% and annual principal payments with the final payment due October 1, 2028.	3,795,080	4,531,096
	11,769,747	12,936,633
Less: current portion	1,158,481	1,135,870
Long-term portion	<u>\$ 10,611,266</u>	<u>\$ 11,800,763</u>

Capital assets under purchase agreements at June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 113,942	\$ 113,942
Land improvements	2,080,312	2,080,312
Buildings	27,974,160	13,025,514
Equipment	2,014,015	2,014,015
Construction in progress	-	8,284,367
	32,182,429	25,518,150
Less accumulated depreciation	(11,861,726)	(9,658,184)
	<u>\$ 20,320,703</u>	<u>\$ 15,859,966</u>

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Future minimum payments on purchase agreements are as follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,158,481	\$ 302,263	\$ 1,460,744
2025	1,191,166	276,353	1,467,519
2026	1,218,929	247,990	1,466,919
2027	946,772	221,998	1,168,770
2028	969,695	198,274	1,167,969
2028-2032	3,119,623	695,318	3,814,941
2033-2037	2,470,000	317,681	2,787,681
2038-2042	695,081	17,550	712,631
	<u>\$ 11,769,747</u>	<u>\$ 2,277,427</u>	<u>\$ 14,047,174</u>

Certain outstanding notes of the College contain a provision that in an event of default, outstanding amounts become immediately due if the College is unable to make payment.

Note 8: Lease Liabilities

The College, as lessee, leases buildings and other equipment, the terms of which expire in various years through 2027. Payments are based on the lease agreements in each specific lease.

The following is a schedule by year of payments under the leases as of June 30, 2023:

Year Ending June 30	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 249,655	\$ 246,217	\$ 3,438
2025	153,719	151,914	1,805
2026	79,136	78,400	736
2027	22,312	22,044	268
2028	5,345	5,269	76
	<u>\$ 510,167</u>	<u>\$ 503,844</u>	<u>\$ 6,323</u>

Note 9: Subscription Obligations

The College has various subscription based information technology arrangements (SBITAs), the terms of which expire in various years through 2028. Subscription obligations are measured at the present value of subscription payments expected to be made during the subscription term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

There were no outflows of resources recognized in 2023 and 2022 for variable payments not previously included in the measurement of the subscription liability.

The College uses its internal borrowing rate of 2.45% which reflects the College's cost of debt, to calculate the present value and interest applied to each subscription obligation whenever a stated rate is unavailable. Interest recognized on these obligations for the years ended June 30, 2023 and 2022 was \$18,004 and \$2,815, respectively. Future payments on all subscription obligations at June 30, 2023, are as follows:

Year Ending June 30	Total to be Paid	Principal	Interest
2024	\$ 1,560,247	\$ 1,499,599	\$ 60,648
2025	1,040,638	997,972	42,666
2026	584,141	557,632	26,509
2027	521,693	508,290	13,403
2028	111,228	103,907	7,321
	<u>\$ 3,817,947</u>	<u>\$ 3,667,400</u>	<u>\$ 150,547</u>

Note 10: Defined Benefit Pension Plan and Employee Benefits

Plan Description

The College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Annual Comprehensive Financial Report which can be found on the KPERS' website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1.888.275.5737.

Benefits Provided

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

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

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

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

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

Contributions

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

With the exception of contributions made by the College directly to KPERS for KPERS retirees filling KPERS covered positions under K.S.A. 74-4937 (known as "working after retirement" employees), employer contributions for the College's active employees are funded by the State of Kansas on behalf of the employer. Therefore, the College is considered to be in a special funding situation as defined by GASB 68, *Accounting and Financial Reporting for Pensions*. State law provides that the contribution rates paid by the State on behalf of the College be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. The statutory contribution rate was 13.33% and 14.23% for the fiscal years ended June 30, 2023 and 2022, respectively.

For the years ended June 30, 2023 and 2022, the College recognized pension expense and revenue of \$3,358,835 and \$3,376,427, respectively, for support provided by the State in the form of non-employer contributions to KPERS on the College's behalf. Pension revenue is included in State Appropriations on the Statement of Revenues, Expenses, and Changes in Net Position. For the years ended June 30, 2023 and 2022, College contributions to the plan for "working after retirement" payments were \$58,889 and \$30,929 for the fiscal years ended June 30, 2023 and 2022, respectively.

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

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

At June 30, 2023 and 2022, the College reported a liability for its proportionate share of the KPERS' collective net pension liability that reflected a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the collective net pension liability, the related state support, and the total portion of the collective net pension liability that was associated with the College were as follows:

	2023	2022
College's proportionate share of the collective net pension liability	\$ 314,541	\$ 381,310
State's proportionate share of the collective net pension liability associated with the College	34,263,658	26,967,861
	<u>\$ 34,578,199</u>	<u>\$ 27,349,171</u>

The collective net pension liability was measured by KPERS as of June 2022 and 2021, respectively, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2021 and 2021, respectively, which was rolled forward to June 30, 2022 and 2021, respectively. The College's proportion of the collective net pension liability was first based on the ratio of the total actual contributions made for the College (including on behalf contributions from the State and contributions paid by the College) to KPERS, relative to the total employer and nonemployer contributions of the State/School subgroup within KPERS for the fiscal years ended June 30, 2022 and 2021, respectively. The resulting proportion was then allocated to the College based on the ratio of the College's actual contributions paid directly to KPERS for "working after retirement" employees relative to the total employer and nonemployer contributions of the College for the fiscal years ended June 30, 2022 and 2021, respectively. As of the measurement date of June 30, 2022 and 2021, respectively, the College's "working after retirement" contributions were .479% and .479%, respectively, of total contributions made for the College (including on-behalf contributions made by the State). The College's proportion of the collective net pension liability as of the measurement date of June 30, 2022 and 2021, was .0044% and .0068%, respectively.

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

At June 30, 2023 and 2022, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience net pension liability	\$ 6,972	\$ 137
Net difference between projected and actual earnings on pension plan investments	26,490	-
Changes in proportionate share	31,738	196,947
Changes in assumptions	48,351	-
College contributions subsequent to measurement date	53,889	-
	<u>\$ 167,440</u>	<u>\$ 197,084</u>

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience net pension liability	\$ 5,662	\$ 1,779
Net difference between projected and actual earnings on pension plan investments	-	94,061
Changes in proportionate share	76,114	166,504
Changes in assumptions	54,888	-
College contributions subsequent to measurement date	30,929	-
	<u>\$ 167,593</u>	<u>\$ 262,344</u>

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

At June 30, 2023 and 2022, the College reported \$53,889 and \$30,929, respectively, as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date that will be (was) recognized as a reduction of the net pension liability in the years ending June 30, 2024 and 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2023, related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Deferred Outflows (Inflows) of Resources
2024	\$ (51,284)
2025	(18,755)
2026	(10,181)
2027	(68)
2028	(3,245)
	<u>\$ (83,533)</u>

Actuarial Assumptions

The total pension liability for KPERS in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 12.00%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates for December 31, 2021 and 2020, were based on the RP-2014 Mortality tables, as appropriate with adjustments for mortality improvements based on Scale MP -2016.

The total pension liability for KPERS in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% to 11.75%, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Butler County Community College

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The actuarial assumptions used in the December 31, 2021, valuations were based on the results of an actuarial experience study for the three-year period ended December 31, 2020. The actuarial assumptions used in the December 31, 2020, valuations were based on the results of an actuarial experience study for the three-year period ended December 31, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2022 and 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Equities	24%	5.20%
Non-U.S. Equities	23%	6.40%
Private Equity	8%	9.50%
Private Real Estate	11%	4.45%
Yield Driven	8%	4.70%
Real Return	11%	3.25%
Fixed Income	11%	1.55%
Short Term Investments	4%	0.25%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for the year ended December 31, 2022, and 7.25% for the year ended December 31, 2021. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by KPERS' Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

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

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the College's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of the net pension liability	<u>\$ 444,666</u>	<u>\$ 314,541</u>	<u>\$ 205,794</u>

Pension Plan Fiduciary Net Position

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

Note 11: Postemployment Benefits Other Than Pension Plans

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

Plan Description

The College sponsors a single-employer defined benefit healthcare plan (Plan) that provides healthcare benefits, including medical, prescription drug, dental and vision benefits (OPEB) to eligible retirees and their dependents. Retiree health coverage is provided for under K.S.A. 12-5040. Retirees who retire under the Kansas Public Retirement System (KPERS) are eligible for benefits. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan provides healthcare and life insurance benefits for retirees and their dependents. Retirees and spouses have the same benefit as active employees. Retiree coverage terminates when the retiree becomes covered under another employer health plan or when the retiree reaches Medicare eligibility age which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age, or dies.

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Notes to Financial Statements

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The employees covered by the benefit terms at June 30, 2023 and 2022, are:

	2023	2022
Active: Professional employees	149	147
Active: Other employees	262	252
Current benefit recipients: Retirees and surviving spouses	25	26
Current benefit recipients: Covered spouses of retirees	7	7
	443	432

Total OPEB Liability and Actuarial Assumptions

The College's total OPEB liability of \$3,956,569 and \$3,816,848 was measured as of June 30, 2023 and 2022, for the years ended June 30, 2023 and 2022, respectively. The OPEB liability as of June 30, 2022, was determined by an actuarial valuation as of June 30, 2022. The OPEB liability as of June 30, 2022, was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022.

The total OPEB liability in the June 30, 2023, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	4.00%
Salary increases	2.50%, average, including inflation
Actuarial cost method	Entry age – level percent-of-pay
Health care cost trend rates	7.00% decreasing to 4.5%

The total OPEB liability in the June 30, 2021, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	3.90%
Salary increases	2.50%, average, including inflation
Actuarial cost method	Entry age – level percent-of-pay
Health care cost trend rates	6.50% decreasing to 4.5%

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

For June 30, 2022, mortality rates were based on the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted General Mortality Tables using Scale MP-2021 Full Generational Improvement. For June 30, 2022, mortality rates were based on the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted General Mortality Tables using Scale MP-2021 Full Generational Improvement.

The actuarial assumptions used in the June, 2023 and June 30, 2021, actuarial valuations were based on the results of an actuarial experience study conducted by evaluating the group plan experience from the College using historical data.

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

	2023	2022
Balance, beginning of year	\$ 3,816,848	\$ 5,459,395
Changes for the year		
Service cost	193,226	306,540
Interest cost	148,635	111,712
Changes in benefit terms	(260,498)	-
Differences between actual and expected experience	(101,347)	(42,247)
Changes in assumptions and inputs	557,568	(1,657,872)
Employer benefit payments	(397,863)	(360,680)
Net changes	139,721	(1,642,547)
Balance, end of year	\$ 3,956,569	\$ 3,816,848

Changes in assumptions reflect a change in the discount rate from 3.9% at the beginning of the year to 4.0% at the end of the year.

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

The total OPEB liability of the College has been calculated using a discount rate of 4.0%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
Total OPEB liability	\$ 4,286,184	\$ 3,956,569	\$ 3,654,926

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

The total OPEB liability of the College has been calculated using health care cost trend rates of 7.00% - 4.50%. The following presents the total OPEB liability using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1% Decrease (6.00%-3.50%)	Health Care Cost Trend Rate (7.00%-4.50%)	1% Increase (8.00%-5.50%)
Total OPEB liability	\$ 3,542,273	\$ 3,956,569	\$ 4,445,275

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

For the years ended June 30, 2023 and 2022, the College recognized OPEB expense of (\$276,962) and \$14,275, respectively. At June 30, 2023 and 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 837,409
Changes in assumptions	649,082	2,364,253
	<u>\$ 649,082</u>	<u>\$ 3,201,662</u>
	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 848,766
Changes in assumptions	165,680	2,684,070
	<u>\$ 165,680</u>	<u>\$ 3,532,836</u>

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Notes to Financial Statements

June 30, 2023 and 2022

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

Year ending June 30	
2024	\$ (358,355)
2025	(358,355)
2026	(358,355)
2027	(358,355)
2028	(358,355)
Thereafter	<u>(760,805)</u>
	<u><u>\$ (2,552,580)</u></u>

Note 12: Pledges Receivable – Foundation

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

	<u>2023</u>	<u>2022</u>
Total pledges receivable	\$ 809,425	\$ 886,725
Less unamortized discount	(53,273)	(56,378)
Less allowance for uncollectible pledges	<u>(22,500)</u>	<u>(22,500)</u>
Net pledges receivable	733,652	807,847
Less pledges receivable, current portion	<u>(284,792)</u>	<u>(291,536)</u>
Pledges receivable, long-term	<u><u>\$ 448,860</u></u>	<u><u>\$ 516,311</u></u>
Amounts due in:		
Less than one year	\$ 307,292	\$ 314,036
One to five years	388,324	481,381
Five to ten years	<u>113,809</u>	<u>91,308</u>
	<u><u>\$ 809,425</u></u>	<u><u>\$ 886,725</u></u>

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

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

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

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Note 13: Endowments – Foundation

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

The Board of the Foundation has interpreted the *State of Kansas Prudent Management of Institutional Funds Act* (SPMIFA), subject to expressed intent of the donor, as allowing appropriation for expenditure or accumulation so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. As a result of this interpretation, the Foundation classifies as restricted net position – non-expendable (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 restricted net position – non-expendable is classified as restricted net position – expendable in accordance with the direction of the donor. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters

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

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

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 restricted net position – expendable in the current year and released to unrestricted net position in the next fiscal year.

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

Strategies Employed for Achieving Objectives

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

The composition of net assets by type of endowment fund at June 30, 2023 and 2022, was:

2023				
	Without Donor Restriction	With Donor Restrictions		Total
		Purpose Restrictions	For Perpetuity	
Donor restricted endowment funds	\$ -	\$ 2,722,706	\$ 13,434,612	\$ 16,157,318
Board designated endowment funds	49,941	-	-	49,941
	<u>\$ 49,941</u>	<u>\$ 2,722,706</u>	<u>\$ 13,434,612</u>	<u>\$ 16,207,259</u>
2022				
	Without Donor Restriction	With Donor Restrictions		Total
		Purpose Restrictions	For Perpetuity	
Donor restricted endowment funds	\$ -	\$ 3,086,396	\$ 12,605,601	\$ 15,691,997
Board designated endowment funds	49,941	-	-	49,941
	<u>\$ 49,941</u>	<u>\$ 3,086,396</u>	<u>\$ 12,605,601</u>	<u>\$ 15,741,938</u>

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Changes in endowment net position for the years ended June 30, 2023 and 2022, were:

2023				
	Without Donor Restriction	With Donor Restrictions		Total
		Purpose Restrictions	For Perpetuity	
Net position, beginning of year	\$ 49,941	\$ 3,086,396	\$ 12,605,601	\$ 15,741,938
Contributions	-	533,774	409,444	943,218
Investment return	-	1,133,848	-	1,133,848
Other income	-	5,800	-	5,800
Changes in donor restrictions	-	(419,567)	419,567	-
Appropriation of endowment assets for expenditure	-	(1,617,545)	-	(1,617,545)
Net position, end of year	<u>\$ 49,941</u>	<u>\$ 2,722,706</u>	<u>\$ 13,434,612</u>	<u>\$ 16,207,259</u>

2022				
	Without Donor Restriction	With Donor Restrictions		Total
		Purpose Restrictions	For Perpetuity	
Net position, beginning of year	\$ 49,941	\$ 5,752,583	\$ 11,270,748	\$ 17,073,272
Contributions	-	568,952	1,210,841	1,779,793
Investment return	-	(1,931,144)	-	(1,931,144)
Other income	-	7,347	-	7,347
Changes in donor restrictions	-	(124,012)	124,012	-
Appropriation of endowment assets for expenditure	-	(1,187,330)	-	(1,187,330)
Net position, end of year	<u>\$ 49,941</u>	<u>\$ 3,086,396</u>	<u>\$ 12,605,601</u>	<u>\$ 15,741,938</u>

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Note 14: Employee Health Claims

Fulltime employees of the College and their dependents are eligible to participate in the College's employee health insurance plan. Fulltime employees are defined as those working more than 30 hours per week. Beginning in 2022, the College is self-insured for health claims of participating employees and dependents up to an annual amount of \$50,000 per claim. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount.

A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the College's estimate will change by a material amount in the near term.

Activity in the College's accrued employee health claims liability during 2023 and 2022 is summarized as follows:

	2023	2022
Balance, beginning of year	\$ 505,694	\$ -
Current year claims incurred	3,316,954	3,460,359
Claims and expenses paid	<u>3,270,602</u>	<u>2,954,665</u>
Balance, end of year	<u><u>\$ 552,046</u></u>	<u><u>\$ 505,694</u></u>

The accrued employee health claims liability is recorded in the accounts payable line item on the Statement of Net Position.

Note 15: Commitments and Contingencies

Government Grants

The College participates in a number of federal and state assisted grant programs that are subject to financial and compliance audits by the grantor agencies or their designees. Accordingly, the College's compliance with applicable grant requirements and any disallowed costs resulting from such audits, if any, could become a liability of the College. It is management's opinion that any such disallowed costs will not have a material effect on the financial statements of the College at June 30, 2023 and 2022.

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Litigation

The College is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. The College evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the statements of net position, change in net position and cash flows of the College. Events could occur that would change this estimate materially in the near term.

Note 16: 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 other than employee health. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The College self-insures employee health. Claims are administered by BlueCross BlueShield of Kansas.

Note 17: Restatement and Adoption of Governmental Accounting Boards Statement

Effect of Adopting GASB 96

In 2023, the College adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at, and certain prepayments made before, the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset. Because of this implementation, financial statements as of and for the year ended June 30, 2022, were required to be retroactively restated.

Butler County Community College

Notes to Financial Statements

June 30, 2023 and 2022

Effect of Correcting Depreciation

Since 2018, the College miscalculated depreciation on capital assets. During 2023, the College retroactively recalculated depreciation expense. The changes to financial statements items are as follows.

	Previously Reported	Effect of Adopting GASB 96	Effect of Correcting Depreciation	Restated
Statement of Net Position				
Subscription arrangements, net of amortization	\$ -	\$ 3,124,616	\$ -	\$ 3,124,616
Other capital assets, net of accumulated depreciation	56,794,604	-	(1,269,162)	55,525,442
Total noncurrent assets	65,672,630	3,124,616	(1,269,162)	67,528,084
Total assets and deferred outflows of resources	102,487,854	3,124,616	(1,269,162)	104,343,308
Current portion of subscription liabilities	-	798,362	-	798,362
Total current liabilities	5,609,537	798,362	-	6,407,899
Subscription liabilities - long-term	-	2,326,254	-	2,326,254
Total noncurrent liabilities	17,316,041	2,326,254	-	19,642,295
Total liabilities and deferred inflows of resources	26,720,758	3,124,616	-	29,845,374
Net investment in capital assets	46,133,170	693,979	(1,269,162)	45,557,987
Total net position	75,767,096	-	(1,269,162)	74,497,934
Statement of Revenues, Expenses and Changes in Net Position				
Operation and maintenance of plant	4,462,365	(1,183,537)	-	3,278,828
Depreciation and amortization expense	4,508,848	1,183,537	677,065	6,369,450
Total operating expenses	76,493,299	-	677,065	77,170,364
Operating income (loss)	(52,181,902)	-	(677,065)	(52,858,967)
Increase in net position	3,960,369	-	(677,065)	3,283,304
Net position, beginning of year	71,806,727	-	(592,097)	71,214,630
Net position, end of year	75,767,096	-	(1,269,162)	74,497,934
Statement of Cash flows				
Payments to suppliers and employees	(52,887,381)	1,162,169	-	(51,725,212)
Net cash used in operating activities	(44,815,286)	1,162,169	-	(43,653,117)
Principal paid on subscription liability	-	(1,162,169)	-	(1,162,169)
Net cash used in capital and related financing activities	(4,130,680)	(1,162,169)	-	(5,292,849)
Operating loss	(52,181,902)	-	(677,065)	(52,858,967)
Depreciation and amortization expense	4,508,848	1,183,537	677,065	6,369,450
Net cash used in operating activities	(44,815,286)	1,183,537	-	(43,631,749)

Required Supplementary Information

Butler County Community College

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

Kansas Public Employees Retirement System

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
College's proportion of the collective net pension liability	0.00440%	0.00677%	0.00596%	0.00747%	0.00970%	0.01287%	0.00599%	0.00941%	0.00000%	0.00000%
College's proportionate share of the collective net pension liability	\$ 314,541	\$ 381,310	\$ 445,402	\$ 482,815	\$ 632,843	\$ 865,336	\$ 402,608	\$ 651,561	\$ -	\$ -
State's proportionate share of the collective net pension liability associated with the College	34,263,658	26,967,861	38,911,658	34,125,561	34,890,866	36,340,102	37,535,499	36,857,961	36,994,461	39,917,397
Total	\$ 34,578,199	\$ 27,349,171	\$ 39,357,060	\$ 34,608,376	\$ 35,523,709	\$ 37,205,438	\$ 37,938,107	\$ 37,509,522	\$ 36,994,461	\$ 39,917,397
College's covered payroll	\$ 25,984,131	\$ 24,807,587	\$ 26,504,353	\$ 25,819,381	\$ 25,463,314	\$ 23,705,497	\$ 23,494,662	\$ 25,142,766	\$ 25,666,659	\$ 23,666,659
College's proportionate share of the collective net pension liability as a percentage of its covered payroll	1.21%	1.54%	1.68%	1.87%	2.49%	3.65%	1.71%	2.59%	0.00%	0.00%
Plan (KPERS) fiduciary net position as a percentage of the total pension liability	69.75%	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%

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

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

Butler County Community College

Schedule of College Pension Contributions

Kansas Public Employees Retirement System

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 53,890	\$ 30,929	\$ 38,085	\$ 42,479	\$ 79,384	\$ 54,580	\$ 65,450	\$ 28,086	\$ -	\$ -
Contributions in relation to the contractually required contribution	(53,890)	(30,929)	(38,085)	(42,479)	(79,384)	(54,580)	(65,450)	(28,086)	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 27,280,805	\$ 25,984,131	\$ 24,807,587	\$ 26,504,353	\$ 25,819,381	\$ 25,463,314	\$ 23,705,497	\$ 23,494,662	\$ 25,142,766	\$ 25,142,766
Contributions as a percentage of covered payroll	0.20%	0.12%	0.15%	0.16%	0.31%	0.27%	0.13%	0.00%	0.00%	0.00%

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

Notes to Schedule:

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

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

Butler County Community College

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

Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 193,226	\$ 306,540	\$ 494,615	\$ 495,041	\$ 463,315	\$ 475,446	\$ 515,495
Interest	148,635	111,712	173,511	203,812	230,734	256,197	205,376
Changes of benefit terms	(260,498)	-	(272,095)	-	-	(512,110)	-
Differences between actual and expected experience	(101,347)	(42,247)	(124,865)	(668,941)	(130,023)	(224,110)	-
Changes in assumptions or other inputs	557,568	(1,657,872)	(789,706)	220,907	(437,504)	(145,740)	(387,184)
Employer contributions (benefit payments)	(397,863)	(360,680)	(401,866)	(339,425)	(373,463)	(388,186)	(341,687)
Net change in total OPEB liability	139,721	(1,642,547)	(920,406)	(88,606)	(246,941)	(538,503)	(8,000)
Total OPEB liability - beginning	3,816,848	5,459,395	6,379,801	6,468,407	6,715,348	7,253,851	7,261,851
Total OPEB liability - ending	<u>\$ 3,956,569</u>	<u>\$ 3,816,848</u>	<u>\$ 5,459,395</u>	<u>\$ 6,379,801</u>	<u>\$ 6,468,407</u>	<u>\$ 6,715,348</u>	<u>\$ 7,253,851</u>
Covered employee payroll	\$ 22,916,501	\$ 20,726,004	\$ 20,726,004	\$ 20,679,413	\$ 20,679,413	\$ 18,911,458	\$ 18,911,458
Contributions as a percentage of covered employee payroll	17.27%	18.42%	26.34%	30.85%	31.28%	35.51%	38.36%

Notes to Schedule:

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

Changes of assumptions.

- Retirement and turnover assumptions were updated to reflect the latest statistics from KPERS. In particular, retirement probabilities were lowered at various ages
- The assumed mortality was updated to reflect the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted General Mortality Tables using Scale MP-2021 Full Generational Improvement
- The discount rate changed from 3.9% to 4.0%

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

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

Supplementary Information

Butler County Community College
Schedule of Revenues, Expenses, Encumbrances
and Changes in Fund Balances – Budget and Actual
General Fund
(Legal Basis)
Year Ended June 30, 2023

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2022	<u>\$ 22,882,714</u>	<u>\$ 22,968,546</u>	<u>\$ (85,832)</u>
Revenue and Transfers			
Local property taxes	14,285,323	17,583,737	(3,298,414)
Federal grants	-	-	-
State appropriations	14,265,276	14,265,276	-
Student tuition and fees	12,875,537	13,584,110	(708,573)
Investment income	627,560	-	627,560
Cancellation of prior year encumbrances	50,918	-	50,918
Other	2,560,055	3,129,996	(569,941)
Transfers among funds - additions	<u>1,076,099</u>	<u>-</u>	<u>1,076,099</u>
Total revenue and transfers	<u>45,740,768</u>	<u>48,563,119</u>	<u>(2,822,351)</u>
Expenditures, Encumbrances and Transfers			
Instruction	13,400,544	17,300,269	3,899,725
Academic support	2,471,082	3,229,997	758,915
Student services	6,524,671	8,165,908	1,641,237
Institutional support	10,464,171	11,553,571	1,089,400
Operation and maintenance of plant	5,747,523	9,000,000	3,252,477
Student scholarships	2,886,606	4,030,794	1,144,188
Transfers among funds - deductions	<u>6,433,533</u>	<u>5,400,000</u>	<u>(1,033,533)</u>
Total education and general	<u>47,928,130</u>	<u>58,680,539</u>	<u>10,752,409</u>
Total expenditures, encumbrances and transfers	<u>47,928,130</u>	<u>58,680,539</u>	<u>10,752,409</u>
Revenue and Transfers Over (Under)			
Expenditures and Encumbrances	<u>(2,187,362)</u>	<u>(10,117,420)</u>	<u>7,930,058</u>
Fund Balance, Legal, June 30, 2023	<u><u>\$ 20,695,352</u></u>	<u><u>\$ 12,851,126</u></u>	<u><u>\$ 7,844,226</u></u>

Butler County Community College
Schedule of Revenues, Expenses, Encumbrances
and Changes in Fund Balances – Budget and Actual
Postsecondary Technical Education Fund
(Legal Basis)
Year Ended June 30, 2023

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2022	<u>\$ 470,730</u>	<u>\$ 610,560</u>	<u>\$ (139,830)</u>
Revenue and Transfers			
State appropriations	4,986,455	5,348,260	(361,805)
Student tuition and fees	5,717,908	7,000,000	(1,282,092)
Cancellation of prior year encumbrances	12,674	-	12,674
Other	62,244	3,400,000	(3,337,756)
Transfers among funds - additions	<u>4,266,143</u>	<u>2,000,000</u>	<u>2,266,143</u>
Total revenue and transfers	<u>15,045,424</u>	<u>17,748,260</u>	<u>(2,702,836)</u>
Expenditures, Encumbrances and Transfers			
Instruction	5,679,015	6,592,663	913,648
Academic support	1,478,538	1,745,734	267,196
Student services	1,471,410	1,778,197	306,787
Institutional support	3,858,711	4,912,394	1,053,683
Operation and maintenance of plant	1,159,513	1,276,111	116,598
Student scholarships	555,849	703,253	147,404
Transfers among funds - reductions	<u>812,910</u>	<u>1,300,000</u>	<u>487,090</u>
Total expenditures, encumbrances and transfers	<u>15,015,946</u>	<u>18,308,352</u>	<u>3,292,406</u>
Revenue and Transfers Over (Under)			
Expenditures and Encumbrances	<u>29,478</u>	<u>(560,092)</u>	<u>589,570</u>
Fund Balance, Legal, June 30, 2023	<u><u>\$ 500,208</u></u>	<u><u>\$ 50,468</u></u>	<u><u>\$ 449,740</u></u>

Butler County Community College
Schedule of Revenues, Expenses, Encumbrances
and Changes in Fund Balances – Budget and Actual
Adult Basic Education Fund
(Legal Basis)
Year Ended June 30, 2023

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenue and Transfers			
Federal grants	240,200	210,000	30,200
State appropriations	78,191	85,000	(6,809)
Other	2,572	236,882	(234,310)
Transfers among funds - additions	<u>156,982</u>	<u>-</u>	<u>156,982</u>
Total revenue and transfers	<u>477,945</u>	<u>531,882</u>	<u>(53,937)</u>
Expenditures and Encumbrances			
Instruction	<u>469,980</u>	<u>531,882</u>	<u>61,902</u>
Revenue and Transfers Over (Under)			
Expenditures and Encumbrances	<u>7,965</u>	<u>-</u>	<u>7,965</u>
Fund Balance, Legal, June 30, 2023	<u><u>\$ 7,965</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,965</u></u>

Butler County Community College
Schedule of Revenues, Expenses, Encumbrances
and Changes in Fund Balances – Budget and Actual
Adult Supplementary Education Fund
(Legal Basis)
Year Ended June 30, 2023

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2022	\$ -	\$ -	\$ -
Revenue and Transfers			
Other	311,810	500,000	(188,190)
Transfers among funds - additions	24,061	-	24,061
Total revenue and transfers	335,871	500,000	(164,129)
Expenditures and Encumbrances			
Instruction	335,871	500,000	164,129
Revenue and Transfers Over (Under)			
Expenditures and Encumbrances	-	-	-
Fund Balance, Legal, June 30, 2023	\$ -	\$ -	\$ -

Butler County Community College
Schedule of Revenues, Expenses, Encumbrances
and Changes in Fund Balances – Budget and Actual
Motorcycle Driver Safety Fund
(Legal Basis)
Year Ended June 30, 2023

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2022	\$ -	\$ -	\$ -
Revenue and Transfers			
State appropriations	6,316	10,000	(3,684)
Expenditures and Encumbrances			
Institutional	6,316	10,000	3,684
Revenue and Transfers Over (Under)			
Expenditures and Encumbrances	-	-	-
Fund Balance, Legal, June 30, 2023	\$ -	\$ -	\$ -

Butler County Community College
Schedule of Revenues, Expenses, Encumbrances
and Changes in Fund Balances – Budget and Actual
Capital Outlay
(Legal Basis)
Year Ended June 30, 2023

	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2022	<u>\$ 1,331,035</u>	<u>\$ 1,331,035</u>	<u>\$ -</u>
Revenue and Transfers			
Local property taxes	<u>132,260</u>	<u>-</u>	<u>132,260</u>
Expenditures and Encumbrances			
Operation and maintenance of plant	<u>1,023,784</u>	<u>1,331,035</u>	<u>307,251</u>
Total expenditures and encumbrances	<u>1,023,784</u>	<u>1,331,035</u>	<u>307,251</u>
Revenue and Transfers Over (Under)			
Expenditures and Encumbrances	<u>(891,524)</u>	<u>(1,331,035)</u>	<u>439,511</u>
Fund Balance, Legal, June 30, 2023	<u><u>\$ 439,511</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 439,511</u></u>

Butler County Community College
Schedule of Revenues, Expenses, Encumbrances
and Changes in Fund Balances – Budget and Actual
Auxiliary Enterprises
(Legal Basis)
Year Ended June 30, 2023

	Student Union and Dormitory		
	Actual	Original and Final Budget	Variance With Final Budget Positive (Negative)
Fund Balance, Legal, July 1, 2022	\$ 4,601,296	\$ 4,630,627	\$ (29,331)
Revenue and Transfers			
Student sources	242,700	265,000	(22,300)
Bookstore sales, dorm rental, meal tickets, gate receipts and concessions	4,261,418	6,165,000	(1,903,582)
Cancellation of prior year encumbrances	15,598	-	15,598
Other	64,132	70,000	(5,868)
Transfers among funds - additions	279,616	-	279,616
Total revenue and transfers	4,863,464	6,500,000	(1,636,536)
Expenditures, Encumbrances and Transfers			
Education and general			
Cost of books, supplies and meals sold	2,478,619	4,014,179	1,535,560
Salaries	786,734	1,294,898	508,164
Operating expense	681,358	937,175	255,817
Equipment	344,843	253,748	(91,095)
Transfers among funds - deductions	574,741	-	(574,741)
Total expenditures, encumbrances and transfers	4,866,295	6,500,000	1,633,705
Revenue and Transfers Over (Under)			
Expenditures and Encumbrances	(2,831)	-	(2,831)
Fund Balance, Legal, June 30, 2023	\$ 4,598,465	\$ 4,630,627	\$ (32,162)

Butler County Community College
Combining Statement of Fiduciary Net Position
June 30, 2023 and 2022

2023			
	Student Accounts	Grizzlybackers	Totals
Assets			
Cash, including investments	\$ 310,251	\$ 29,833	\$ 340,084
Receivables	14,985	135,420	150,405
Total assets	325,236	165,253	490,489
Liabilities			
Accounts payable	3,650	(8,938)	(5,288)
Accrued expenses	-	910	910
Total liabilities	3,650	(8,028)	(4,378)
Net Position			
Restricted	<u>\$ 321,586</u>	<u>\$ 173,281</u>	<u>\$ 494,867</u>

2022			
	Student Accounts	Grizzlybackers	Totals
Assets			
Cash, including investments	\$ 448,746	\$ 177,216	\$ 625,962
Receivables	-	5,580	5,580
Total assets	448,746	182,796	631,542
Liabilities			
Accounts payable	1,849	4,788	6,637
Accrued expenses	-	21,611	21,611
Total liabilities	1,849	26,399	28,248
Net Position			
Restricted	<u>\$ 446,897</u>	<u>\$ 156,397</u>	<u>\$ 603,294</u>

Butler County Community College
Combining Statement of Changes in Fiduciary Net Position
Years Ended June 30, 2023 and 2022

2023			
	Student Accounts	Grizzlybackers	Total
Additions			
Fees	\$ 26,395	\$ -	\$ 26,395
Sales	-	126,570	126,570
Rental income	-	-	-
Other	146,449	150,535	296,984
Total additions	172,844	277,105	449,949
Deductions			
Instruction	(218)	-	(218)
Academic	-	-	-
Operating expenses	298,373	137,286	435,659
Scholarships	-	122,935	122,935
Total deductions	298,155	260,221	558,376
Change in Net Position	(125,311)	16,884	(108,427)
Net Position, Beginning of Year	446,897	156,397	603,294
Net Position, End of Period	<u>\$ 321,586</u>	<u>\$ 173,281</u>	<u>\$ 494,867</u>
2022			
	Student Accounts	Grizzlybackers	Total
Additions			
Fees	\$ 19,347	\$ -	\$ 19,347
Sales	-	140,570	140,570
Rental income	-	-	-
Other	140,896	21,519	162,415
Total additions	160,243	162,089	322,332
Deductions			
Instruction	(150)	-	(150)
Academic	18	-	18
Operating expenses	143,538	135,415	278,953
Scholarships	-	110,453	110,453
Total deductions	143,406	245,868	389,274
Change in Net Position	16,837	(83,779)	(66,942)
Net Position, Beginning of Year	430,060	240,176	670,236
Net Position, End of Period	<u>\$ 446,897</u>	<u>\$ 156,397</u>	<u>\$ 603,294</u>

Butler County Community College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Direct Programs:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ -	\$ 229,060
Federal Work-study Program	84.033	N/A	-	143,621
Federal Pell Grant Program	84.063	N/A	-	9,248,927
Federal Direct Student Loans	84.268	N/A	-	8,859,582
Total Student Financial Assistance Cluster			-	18,481,190
COVID-19 - Education Stabilization Fund				
COVID-19 Higher Education Emergency Relief Fund - Student Aid	84.425E	N/A	-	28,236
COVID-19 Higher Education Emergency Relief Fund - Institutional Aid	84.425F	N/A	-	1,993,718
Passed Through Kansas Board of Regents:				
COVID-19 Governor's Emergency Education Relief Fund	84.425C	S425C210046/2023	-	21,901
Total Education Stabilization Fund			-	2,043,855
Passed Through Kansas Board of Regents:				
Career and Technical Education - Basic Grants to States	84.048	V048A180016	-	194,300
Adult Education - Basic	84.002	V002A180016	-	232,471
Total Department of Education			-	20,951,816
Total Federal Expenditures			\$ -	\$ 20,951,816

Butler County Community College
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets or cash flows of the College.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

The College has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Funds – Not Subject to Compliance

The College has certain federal student loan funds not subject to continuing compliance requirements, such as the Federal Direct Student Loans. Since the College does not administer the program, the outstanding loan balances have not been included in the Schedule. New loans made during the year under this program are included in the Schedule.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Butler County Community College
El Dorado, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities, the discretely presented component unit and the fiduciary activities, of Butler County Community College (College), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 8, 2024, which contains an emphasis of matter paragraph regarding the implementation of a new accounting standard and a correction of an error. Our report also includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Butler Community College Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component unit.

Report on Internal Control over Financial Reporting

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

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

Board of Trustees
Butler County Community College
(Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Management's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

Purpose of this Report

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

FORVIS, LLP

Wichita, Kansas
February 8, 2024



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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
Butler County Community College
El Dorado, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Butler County Community College (the College) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2023. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The College is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The College's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

FORVIS, LLP

Wichita, Kansas
February 8, 2024

Butler County Community College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:
Significant deficiency(ies) identified? ☐ Yes ☒ None reported
Material weakness(es) identified? ☒ Yes ☐ No

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal awards programs:
Significant deficiency(ies) identified? ☐ Yes ☒ None reported
Material weakness(es) identified? ☐ Yes ☒ No

5. Type of auditor's report issued on compliance for major federal program:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☒ Yes ☐ No

Butler County Community College
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

7. Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
Student Financial Assistance Cluster	
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
COVID-19 Education Stabilization Fund	
84.425C	COVID-19 Education Stabilization Fund - Governor's Emergency Education Relief Fund
84.425E	COVID-19 Higher Education Emergency Relief Fund - Student Aid
84.425F	COVID-19 Higher Education Emergency Relief Fund - Institutional Aid

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

Butler County Community College
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Section II – Financial Statement Findings

Reference Number	Finding
2023-001	<p>Criteria – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – Since 2018 all capital assets were being depreciated using half-year metrics.</p> <p>Cause – The College uses an Excel spreadsheet to track capital asset additions, disposals and depreciation. In the first year of addition, capital assets are depreciated using a half-year calculation. In subsequent years, the spreadsheet was not manually updated to use a full year calculation.</p> <p>Effect – An entry was proposed and recorded to increase the accumulated depreciation and depreciation expense related to capital assets. The 2022 financial statements were restated to correct this error as well and for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America (GAAP).</p> <p>Recommendation – Management should continue to provide training for staff in order for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America (GAAP).</p> <p>Views of Responsible Officials – Continued training for financial reporting.</p>

Butler County Community College

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2023-002	<p><u>U.S. Department of Education</u> Education Stabilization Fund, Higher Education Emergency Relief Fund (HEERF) - Institutional Portion #84.425F and Student Portion #84.425E Award Year - Funding period May 5, 2020 to June 30, 2023</p> <p>Criteria or Specific Requirement – Under the <i>CARES Act</i> 18004(e) and the CRRSAA 314(e), there are three components to reporting HEERF, public reporting on student aid portion, public reporting on the institutional portion, and annual reporting. The public reporting on student aid requires institutions to publicly post certain information, including four items defined by the U.S. Department of Education (ED) as key items, on their website as soon as possible but no later than 30 days after the publication of the notice or 30 days after the ED first obligated funds. The report must be updated no later than 10 days after the end of each calendar quarter. The public reporting on institutional aid requires institutions to publicly post the HEERF institutional reporting form on the institution's primary website no later than 10 days after the end of each calendar quarter with the exception of the first report, which was due October 30, 2020, and the report covering the first quarter of 2021, which was due July 10, 2021.</p> <p>Condition – The College did not post the quarterly institutional aid HEERF reports to the website on a timely basis.</p> <p>Questioned Costs – None noted</p> <p>Context – Out of a population of four reports (two quarterly public reports for institutional aid and two quarterly public reports for student aid), we noted the College did not publicly post four reports timely. Four quarterly reports under the HEERF institutional portion were posted late.</p> <p>Effect – The College was not in compliance with the reporting requirements of the Education Stabilization Fund program.</p> <p>Cause – Turnover in the accounting department in the Spring of 2022. The timeliness requirement for these reports was not discovered until January 2023 and could not be corrected in time for the June 30, 2023.</p> <p>Identification as a Repeat Finding – 2022-001</p> <p>Recommendation – We recommend that management review this area and establish procedures to ensure required reports are completed timely.</p> <p>Views of Responsible Officials – Management concurs with the findings and recommendations. See separate report for planned corrective actions.</p>

Butler County Community College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

Reference Number	Finding
2022-001	<p><u>U.S. Department of Education</u> Education Stabilization Fund, Higher Education Emergency Relief Fund (HEERF) - Institutional Portion #84.425F and Student Portion #84.425E Award Year - Funding period May 5, 2020 to June 30, 2023</p> <p>Finding – The College did not post two of the four quarterly institutional aid HEERF reports to the website on a timely basis.</p> <p>Status – Not resolved. See 2023-002</p>