

**FLINT HILLS  
TECHNICAL COLLEGE**

Emporia, Kansas

Financial Statements and  
Independent Auditors' Report with  
Supplemental Information and  
Federal Compliance Section

For the Year Ended June 30, 2010

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

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## **Management's Discussion and Analysis**

### **Introduction:**

The following discussion and analysis of the financial performance and activity of Flint Hills Technical College (the College) is to provide an introduction to and an understanding of the basic financial statements of the College for the year ended June 30, 2010 with selected comparative information for the year ending June 30, 2009. This discussion focuses on the current activities, resulting changes, and currently known facts. This discussion should be read in conjunction with the College's basic financial statements and the footnotes to those financial statements. The College is solely responsible for the completeness of this information. A separate audit is issued for the Flint Hills Technical College Foundation and is available for review at 3301 W. 18<sup>th</sup> Ave, Emporia, KS 66801.

### **Using the Annual Report:**

GASB 34 required a change in the way financial information is presented for state and local governments. GASB 35 merely amends GASB 34 and makes it apply to public colleges and universities. The purpose of GASB 34/35 is to make the financial statement presentation of public entities more closely resemble or emulate that of non-public for-profit enterprises. The hope is that it will "enhance the understandability of the general purpose external financial reports." One way the new model will enhance understandability is by bringing the activities under one consolidated total known as the Government-Wide Financial Statements. The annual financial report will include the basic financial statements and required supplementary information.

#### Basic financial statements are comprised of two parts:

1. Basic Financial Statements – These include Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Cash Flows. These statements present the results on a single measurement focus and basis of accounting.
2. The Notes to the Basic Financial Statements are an integral and essential portion of the financial statements.

#### Required Supplementary Information:

M D & A - This is information that is required by standards to be presented but is not part of the basic financial statements.

The purpose for conversion to the GASB 34/35 model is usability and understandability.

### **Highlights to the Financial Statements:**

At year end, Flint Hills Technical College's unrestricted net assets totaled \$1,823,092.71. These unrestricted net assets may be used to meet the College's ongoing obligations. Over all the College showed an increase to

unrestricted net assets by \$69,523. The College experienced record enrollment for Fiscal Year 2010. This expansion of credit hours generated a substantial revenue increase to Student Tuition and Fees. Understandably with the record enrollment, the College's total Operating Expenses showed a significant increase as well.

### **Combined Statement of Net Assets**

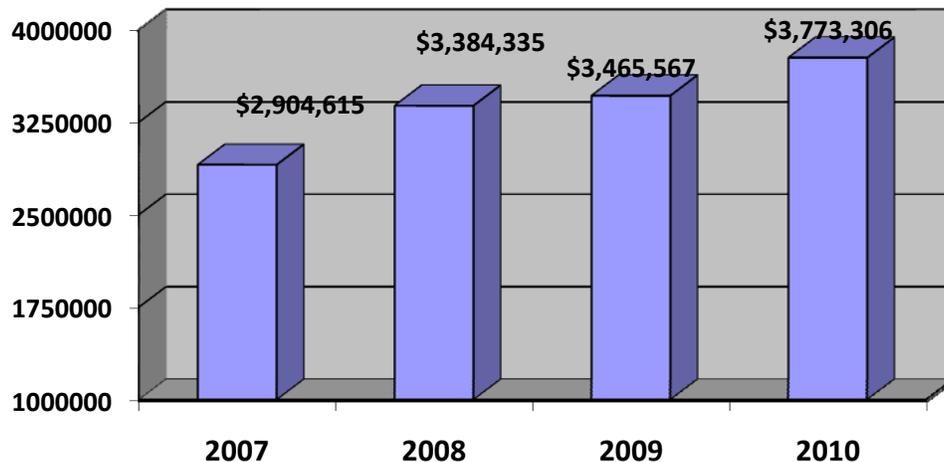
The combined statements of net assets present the assets, liabilities, and net assets at June 30, 2010 broken out by each fund of the College. The purpose of the combined statements of net assets is to present the financial condition of the College.

The assets and liabilities are categorized between current and noncurrent. The difference is that current assets and current liabilities become payable within the normal 12 month accounting cycle, whereas noncurrent assets and liabilities become payable after 12 months.

### **Comparison of Assets – Fiscal Year 2007 to 2010**

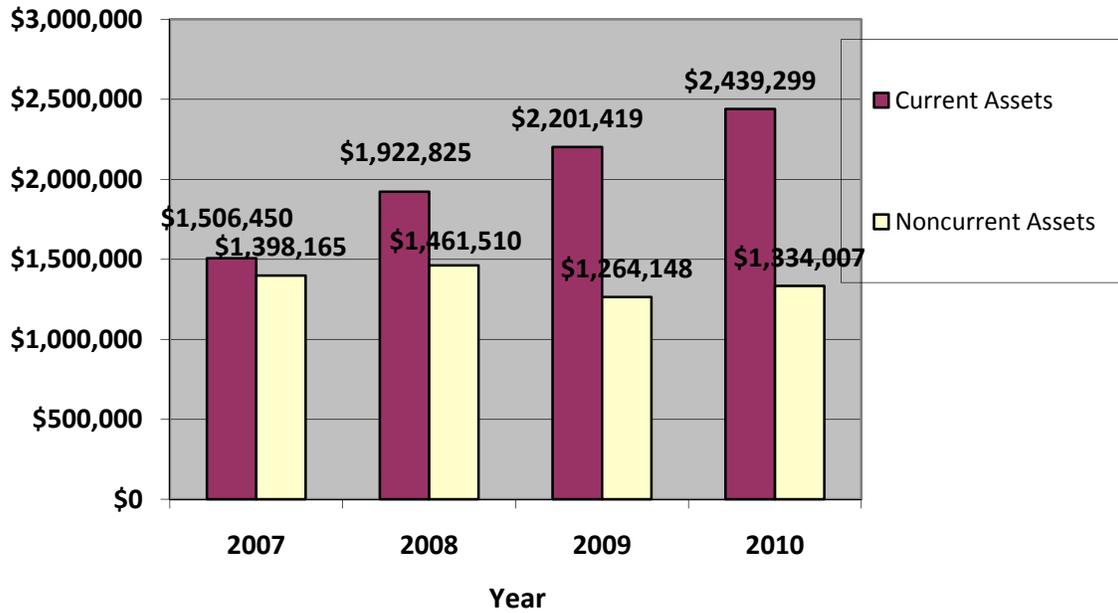
The College's total Liabilities and Net Assets increased during the current fiscal year by 8.8%. The increase to total assets is largely due to the increase to Cash and Cash Equivalents. However, the total Liabilities increased significantly from the prior fiscal year.

#### **Total Liabilities and Net Assets for 2010 compared to 2007, 2008, and 2009:**



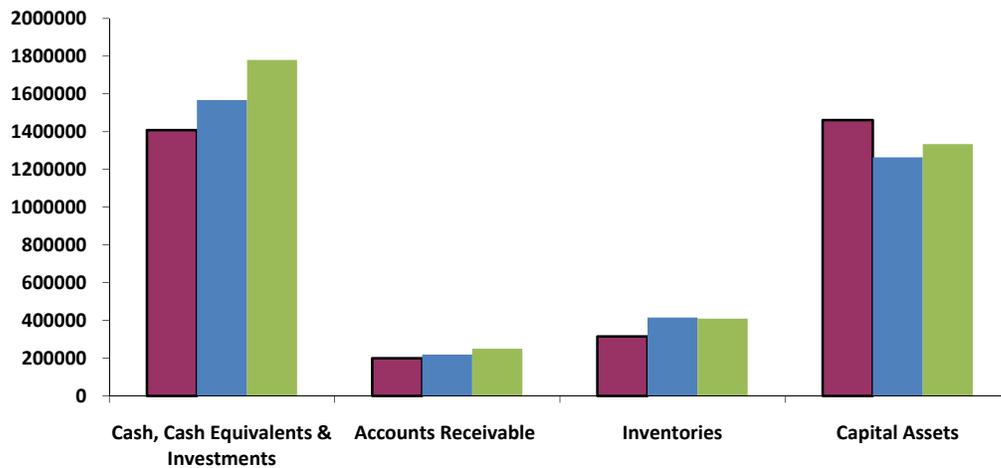
The College's current assets consist primarily of cash, accounts receivables, and inventories. Noncurrent assets consist of capital assets and accumulated depreciation. Total breakdown of assets between current and noncurrent classification is as follows:

### Total Assets



Of the \$3,773,305.64 in total assets, approximately 47% are in cash and cash equivalents and investments. Capital assets represent 35% of total assets. Total accounts receivables increased by \$31,715 in Fiscal Year 2010.

### 2008, 2009 and 2010 Total Assets by Type



**Comparison of Liabilities – Fiscal Year 2009 to 2010**

The College's current liabilities consist primarily of accounts payable, accrued wages and payroll tax liabilities, compensated absences and deferred revenue.

**Combined Statements of Revenues, Expenses and Changes in Net Assets**

The combined statements of revenues, expenses, and changes in net assets present the College's financial results for the fiscal year ending June 30, 2010 broken out by fund. The statements include the College's revenue and expenses, both operating and non-operating.

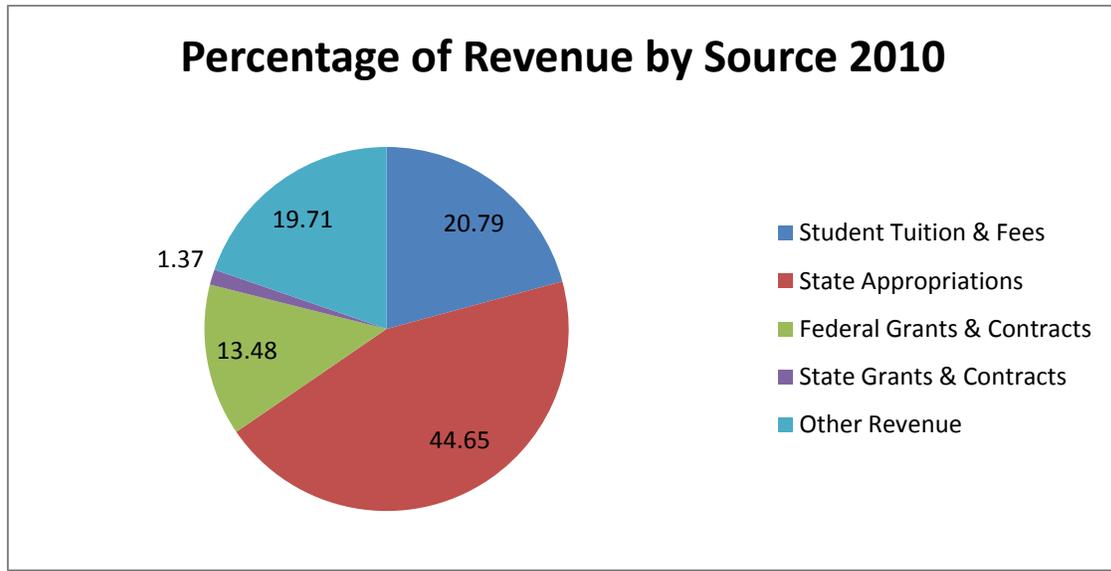
Operating revenues and expenses are those for which the College directly exchanges goods and services. Non-operating revenues and expenses are those that exclude specific goods and services. Examples of non-operating revenues would be postsecondary aid revenue, interest income, and mil levy receipts.

**Results of Operations Fiscal Year 2010**

**Revenue**

Flint Hills Technical College receives revenue from four major sources: the State of Kansas; students, in the form of tuition and fees; Federal Government; and through auxiliary enterprises. For the second year, the amount of state appropriation dollars received was reduced due to the economy. Further reductions to state aid over the next couple of years are likely to occur. The increase in student enrollment, and an increase to the College's tuition rate, has helped maintain the lost of state dollars.

<b><u>Revenue</u></b>	<b>2009</b>	<b>% Total 2009</b>	<b>2010</b>	<b>% Total 2010</b>
Student Tuition & Fees	\$1,133,255	20.68%	\$1,254,865	20.79%
State Appropriations	\$2,812,465	51.32%	\$2,693,458	44.65%
Federal Grants & Contracts	\$336,016	6.13%	\$813,465	13.48%
State Grants & Contracts	\$67,491	1.23%	\$82,413	1.37%
Other Revenue	\$1,131,369	20.64%	\$1,188,835	19.71%
Total Revenue	\$5,480,596		\$6,033,036	

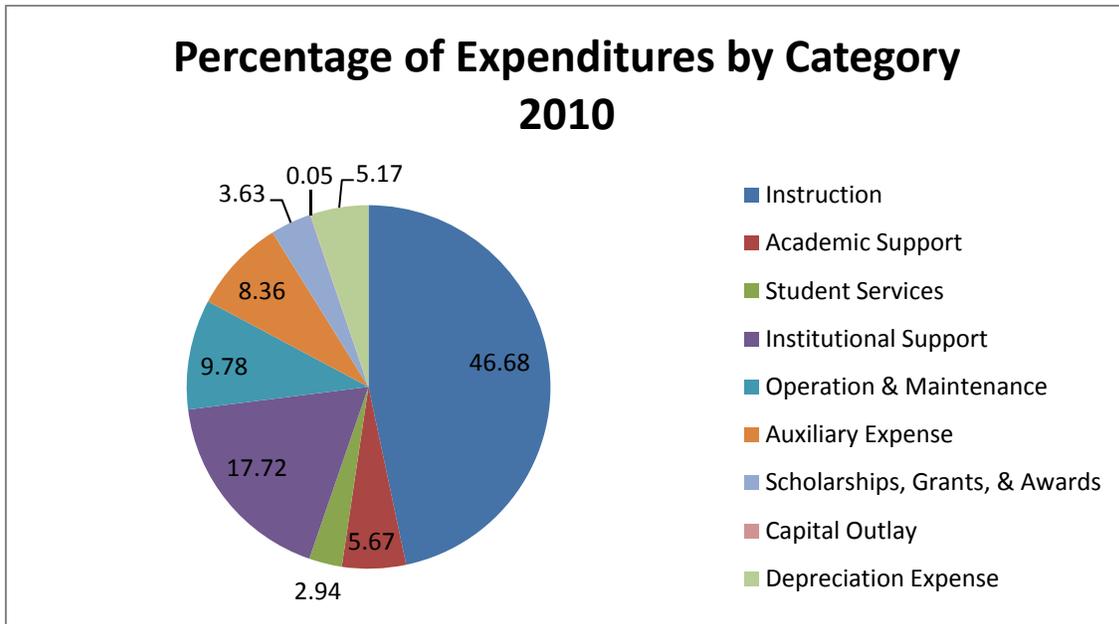


### **Expenditures**

Components of expenses:

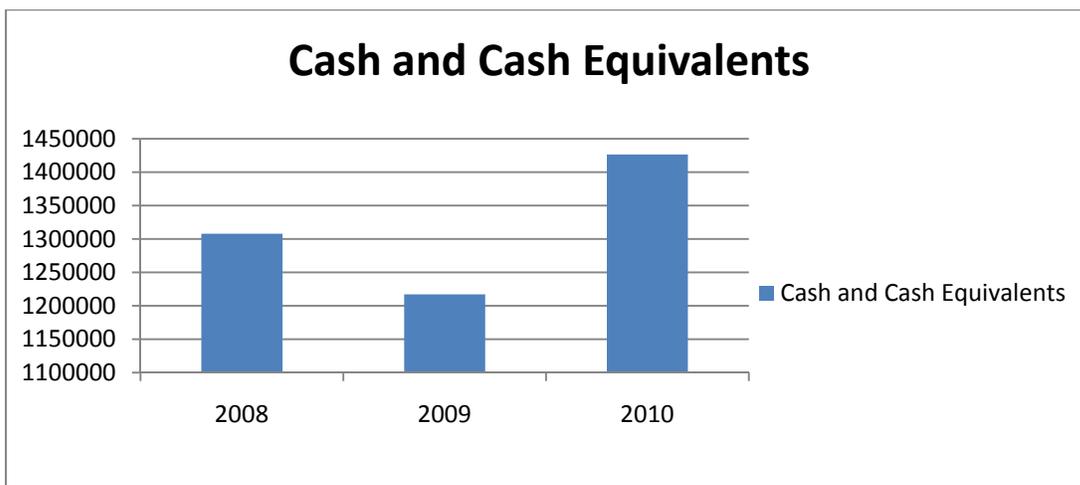
Flint Hills Technical College incurs expenses of nine types. They are: Instruction, Academic Support, Student Services, Institutional Support, Operations and Maintenance, Scholarships and awards, Auxiliary Enterprises, Depreciation and Capital Outlay.

<b><u>Detail of Education &amp; General Expenditures</u></b>	<b>2009</b>	<b>% Total 2009</b>	<b>2010</b>	<b>% Total 2010</b>
Instruction	\$3,080,329	51.92%	\$2,788,685	46.68%
Academic Support	\$310,959	5.24%	\$338,841	5.67%
Student Services	\$154,819	2.61%	\$175,678	2.94%
Institutional Support	\$987,146	16.64%	\$1,058,308	17.72%
Operation and Maintenance	\$400,880	6.76%	\$584,346	9.78%
Auxiliary Expense	\$433,298	7.30%	\$499,112	8.36%
Scholarships, Grants & Awards	\$152,495	2.57%	\$217,038	3.63%
Capital Outlay	\$152,167	2.56%	\$2,998	.05%
Depreciation Expense	\$261,280	4.40%	\$308,507	5.17%
<b>Total Expenditures</b>	<b>\$5,933,375</b>		<b>\$5,973,513</b>	



### **Statement of Cash Flows**

The statement of cash flows present information about cash receipts and cash payments during the year. It helps assess the College's ability to generate net cash flows and to meet its obligations as they come due. The largest sources of cash from operating activities were student tuition and fees, federal financial aid and sales and services of auxiliary enterprises. Major uses of cash were payments made to employees and vendors.



### **Summary of Overall Performance**

Considering the large reduction to state appropriations, we are pleased to show that Flint Hills Technical College's financial condition improved this fiscal year. This improvement is due to a record number of credit hours and management of expenses.

### **Economic Outlook**

Flint Hills Technical College showed an increase to cash reserves and continued enrollment growth in FY2010. The next two or more fiscal years will challenge the college due to projected reductions in state appropriations and an anticipated change to the state appropriations formula. The college continues to make adjustments in expenses and seeks to increase existing revenue sources to deal with the future state appropriation reductions.

### **Request for Information**

This discussion and analysis is designed to provide a general overview of Flint Hills Technical College's finances. Questions concerning any of the information provided in this audit report should be addressed to the Director of Accounting, Flint Hills Technical College, 3301 W 18<sup>th</sup> St., Emporia, KS 66801.

**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Flint Hills Technical College  
Emporia, Kansas

We have audited the accompanying statement of net assets of Flint Hills Technical College, Emporia, Kansas, as of June 30, 2010, and the related statement of revenues, expenses, and changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the guidance in the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flint Hills Technical College as of June 30, 2010, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress and budgetary comparison information on pages i through vii, 19, and 24 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Trustees  
Flint Hills Technical College  
Emporia, Kansas

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules as listed in the table of contents on pages 20 through 23 and page 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Flint Hills Technical College. The supplemental schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

P.O. Box 779  
Chanute, Kansas 66720  
(620) 431-6342  
December 10, 2010

**FLINT HILLS TECHNICAL COLLEGE**Emporia, Kansas  
Statement of Net Assets  
June 30, 2010

	Primary Institution	Component Unit - Foundation
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,426,474.84	\$ 50,244.44
Investments	352,985.41	975,363.20
Accounts Receivable, Net	250,588.49	241,232.50
Inventories	409,250.13	-
Total Current Assets	<u>2,439,298.87</u>	<u>1,266,840.14</u>
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation	<u>1,334,006.77</u>	-
Total Noncurrent Assets	<u>1,334,006.77</u>	-
TOTAL ASSETS	<u>\$ 3,773,305.64</u>	<u>\$ 1,266,840.14</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 199,229.61	\$ 18,896.42
Accrued Wages	235,544.05	-
Compensated Absences	132,138.97	-
Prepaid Enrollment	24,254.00	-
Deposits Held in Custody for Others	25,039.53	-
Total Current Liabilities	<u>616,206.16</u>	<u>18,896.42</u>
TOTAL LIABILITIES	<u>616,206.16</u>	<u>18,896.42</u>
NET ASSETS		
Investment in Capital Assets, Net of Related Debt	1,334,006.77	-
Restricted Net Assets - Expendable	-	312,846.06
Restricted Net Assets - Nonexpendable	-	778,105.86
Unrestricted	<u>1,823,092.71</u>	<u>156,991.80</u>
TOTAL NET ASSETS	<u>3,157,099.48</u>	<u>1,247,943.72</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,773,305.64</u>	<u>\$ 1,266,840.14</u>

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

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Year Ended June 30, 2010

	Primary Institution	Component Unit - Foundation
<b>REVENUES</b>		
Operating Revenues		
Student Tuition and Fees, (net of scholarship discounts and allowances of \$771,542.59)	\$ 1,254,864.50	\$ -
Federal Grants and Contracts	813,465.34	-
State Grants and Contracts	82,413.00	-
Charges for Services	376,649.79	-
Activity Fund Revenue	28,270.98	-
Miscellaneous Operating Income	64,708.99	3,509.26
Total Operating Revenues	<u>2,620,372.60</u>	<u>3,509.26</u>
<b>EXPENSES</b>		
Operating Expenses		
Educational and General		
Instruction	2,788,685.01	103,979.28
Academic Support	338,841.38	-
Student Services	175,678.31	-
Institutional Support	1,058,307.71	191,571.45
Operation and Maintenance	584,345.54	-
Auxiliary Expense	499,112.31	-
Scholarships, Grants and Awards	217,037.71	36,516.56
Capital Outlay	2,997.62	-
Depreciation Expense	308,507.00	-
Total Operating Expenses	<u>5,973,512.59</u>	<u>332,067.29</u>
Operating Income (Loss)	<u>(3,353,139.99)</u>	<u>(328,558.03)</u>
Nonoperating Revenues (Expenses)		
State Appropriations	2,693,457.51	-
County Appropriations	99,344.00	-
Federal Pell Grants	615,921.87	-
Gifts and Contributions	38,800.00	558,567.61
Investment Income	17,199.62	20,781.26
Unrealized Gain (Loss) on Investments	-	92,816.17
Gain (Loss) on Sale of Assets	(42,059.59)	-
Net Operating Revenues (Expenses)	3,422,663.41	672,165.04
Increase (Decrease) in Net Assets	<u>69,523.42</u>	<u>343,607.01</u>
Net Assets - Beginning of Year, As Reported	2,999,119.86	904,336.71
Prior Period Adjustment (See Note 17)	88,456.20	-
Net Assets - Beginning of Year, As Restated	<u>3,087,576.06</u>	<u>904,336.71</u>
Net Assets - End of Year	<u>\$ 3,157,099.48</u>	<u>\$ 1,247,943.72</u>

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

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

## Statement of Cash Flows

For the Year Ended June 30, 2010

	Primary Institution	Component Unit - Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student Tuition and Fees	\$ 1,222,980.12	\$ -
Federal Grants and Contracts	813,465.34	-
State Grants and Contracts	82,413.00	-
Sales and Services of Auxiliary Enterprises	376,649.79	-
Activity Fund Revenues	28,270.98	-
Miscellaneous Income	64,708.99	3,509.26
Payments on Behalf of Employees	(3,509,019.16)	-
Payments for Supplies and Materials	(219,622.14)	-
Payments for Other Expenses	(1,780,175.40)	(281,703.80)
Net cash provided by (used in) operating activities	<u>(2,920,328.48)</u>	<u>(278,194.54)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	2,693,457.51	-
County Appropriations	99,344.00	-
Federal Pell Grants	615,921.87	-
Gifts and Contributions	38,800.00	289,868.04
Net cash provided by (used in) noncapital financing activities	<u>3,447,523.38</u>	<u>289,868.04</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Payments for Purchase of Capital Assets	(331,969.61)	-
Net cash provided by (used in) capital financing activities	<u>(331,969.61)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Earned on Investments	17,199.62	20,781.26
Purchase of Investments	(2,985.41)	(372.65)
Net cash provided by (used in) investing activities	<u>14,214.21</u>	<u>20,408.61</u>
Net Increase (Decrease) in Cash and Cash Equivalents	209,439.50	32,082.11
Cash and Cash Equivalents, Beginning of Year	<u>1,217,035.34</u>	<u>18,162.33</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,426,474.84</u>	<u>\$ 50,244.44</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (3,353,139.99)	\$ (328,558.03)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation Expense	308,507.00	-
Non cash In-Kind Expense	-	31,467.07
(Increase) Decrease in Receivables	(31,715.30)	-
(Increase) Decrease in Inventory	6,260.40	-
Increase (Decrease) in Accounts Payable	104,787.58	18,896.42
Increase (Decrease) in Accrued Wages	71,975.50	-
Increase (Decrease) in Compensated Absences	(7,874.82)	-
Increase (Decrease) in Prepaid Tuition	(169.08)	-
Increase (Decrease) in Deposits Held for Others	(18,959.77)	-
Net cash provided by (used in) operating activities	<u>\$ (2,920,328.48)</u>	<u>\$ (278,194.54)</u>

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

# FLINT HILLS TECHNICAL COLLEGE

Emporia, Kansas

Notes to the Financial Statements  
For the Year Ended June 30, 2010

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Flint Hills Technical College is an institution of higher education under the authority of the Kansas Board of Regents. The College is governed by seven members consisting of designees from each of the following entities: Emporia Unified School District #253 Board of Education, Emporia Chamber of Commerce, Emporia State University, Emporia City Commission, Lyon County Commission, Regional Development Association of East Central Kansas, and an at-large member from the Flint Hills Technical College's territory appointed by the Governing Body.

The financial statements of Flint Hills Technical College, Emporia, Kansas, have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the College's accounting policies follow.

### Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, consist of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

### Component Units

The component unit section of the financial statements includes the financial data of the discretely presented component unit, the Flint Hills Technical College Foundation. The component unit is reported separately to emphasize that it is legally separate from the College. The economic resources received or held by the component unit are held almost entirely for the direct benefit of the College. The Flint Hills Technical College Foundation was formed to promote and foster the educational purposes of the College, and to create a fund to be used for any program, project or enterprise undertaken in the interest of the College. The Foundation acts largely as a fundraising organization, soliciting, receiving, managing and disbursing contributions on behalf of the College. Most of the contributions received are designated by the donors to be used for specific purposes or by specific departments. In these instances, the Foundation serves essentially as a conduit. Contributions that are not designated are used where the need is considered greatest, as determined by the Foundation board of directors. The Foundation can sue and be sued, and can buy, sell, or lease real property. The Foundation's financial statements should be included with the College's financial statements. Separate audited financial statements are prepared and are available at the Foundation, and can be requested from the College's controller. The Foundation is considered a component unit.

The College's component unit is a private not-for-profit organization that reports under FASB standards. 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 component unit's financial information in the College's financial report for these differences. The component unit's financial data has, however, been aggregated into like categories for presentation purposes.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Financial Statement Presentation

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required.

Basis of Accounting

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

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Investments

The College accounts for its investments at fair value in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

Accounts Receivable and Deferred Revenue

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Kansas. Accounts receivable also includes amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grant and contracts.

Inventories

Inventories consist of books and supplies held for resale in the bookstore, the cost of the annual construction house which is held for resale, and land inventory, and are valued at cost, using the first-in, first-out method (FIFO).

Noncurrent Cash and Cash Equivalents

Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of net assets.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Capital Assets

Capital assets are stated at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$500.00 or more, and an estimated useful life of greater than one year. Renovations to building, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is provided on straight-line method over the estimated useful lives of the respective classes of property. Estimated useful lives are as follows:

Building Improvements	15 Years
Vehicles	5-10 Years
Equipment, including computers	2-30 Years
Library Collections	3-10 Years

Accounts Receivable and Allowance for Doubtful Accounts

The College regularly extends unsecured credit to various students. The College uses the allowance method to account for uncollectible accounts receivable.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statement of net assets, and a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net assets.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; or (3) other liabilities that although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Net Assets

The College's net assets are classified as follows:

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

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

Restricted Net Assets – Nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in 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 invested for the purpose of producing present and future income, which may either be expended or added to principal.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Net Assets (Continued)

Unrestricted Net Assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used 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.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Income Taxes

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

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 of services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most Federal, state and local grants and contracts, and Federal appropriations.

*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 and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge and the 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.

Accounting 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 and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Pension Plan

Substantially all full-time College employees are members of the State of Kansas Public Employees Retirement System which is a multi-employer state-wide pension plan. The College's policy is to fund all pension costs accrued; such costs to be funded are actuarially determined annually by the State.

2. **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Compliance with Kansas Statutes

Supplemental Schedules 4 and 5 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Schedules 4 and 5 the College was in apparent compliance with Kansas cash basis laws. As shown in Schedule 4, the College was in apparent violation of K.S.A. 79-2934, as the College has obligated expenditures in excess of budgetary limits in the General Fund.

In apparent violation of K.S.A. 71-211, the College is not following a standardized and uniform chart of accounts that is compatible with revenue and expenditure system developed by NACUBO, the National Association of College and University Business Officers.

Management is aware of no other statutory violations for the period covered by the audit.

3. **DEPOSITS AND INVESTMENTS**

Deposits and Investments - Primary Institution

As of June 30, 2010, the College had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Investment Pool	\$352,985.41	AAAf / S1+

K.S.A 9-1401 establishes the depositories which may be used by the College. The statute requires banks eligible to hold the College's funds have a main branch or branch bank in the county in which the College is located, or in an adjoining county if such institution has been designated as an official depository, and the bank provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The College has no other policies that would further limit interest rate risk.

K.S.A 12-1675 limits the College's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The College has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the Government may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

### 3. **DEPOSITS AND INVESTMENTS** (Continued)

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes require the College's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at June 30, 2010.

*Deposits:* At year-end, the College's carrying amount of deposits was \$1,426,474.84 and the bank balance was \$1,555,673.64. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$254,238.47 was covered by FDIC insurance, and \$1,304,435.17 was collateralized with pledged securities held by the pledging financial institutions' agents in the College's name.

*Custodial credit risk – investments.* For an investment, that is the risk that, in the event of the failure of the issuer or counterparty, the Government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

At June 30, 2010 the Government had invested \$352,985.41 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities of up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

#### Deposits – Component Unit

At year-end the carrying amount of the Foundation's deposits was \$50,244.44. The balance was held in one investment company money market account resulting in a concentration of credit risk. The money market account balance was \$38,907.00. Of the money market account balance \$38,907.00 was covered by SPIC insurance.

#### Investment Policy – Component Unit

The Primary objective of the Foundation's investment policy is to provide for long-term growth of principal and income within reasonable risk on continuing and consistent basis. Emphasis shall be on maintaining growth of assets, net of inflation and fees. Over a period of time, the minimum goal for the total return of the fund should be the current rate of inflation plus 3 to 7%.

The investment objective requires a disciplined and consistent management philosophy. The objectives do not call for a philosophy which represents extreme positions or opportunistic styles. The portfolio shall be diversified with both fixed income and equity holdings. The purpose of such diversification is to provide reasonable assurance that not single security or class of securities will have a disproportionate impact of the total portfolio.

Investments are made under the direction of the Board of Directors. Equity investments and other investments are recorded at fair values subject to comments on Investments under the summary of accounting policies.

**3. DEPOSITS AND INVESTMENTS** (Continued)

Investment Policy – Component Unit

Investments at June 30, 2010, are comprised of the following:

	<u>COST</u>	<u>FAIR VALUE</u>
Mutual Funds	\$ 1,116,573.98	\$ 975,363.20

**4. FAIR VALUE MEASUREMENTS**

The Foundation uses fair value measurement to record fair value adjustment to certain assets and liabilities. Fair Value Measurements (FAS 157) requires classification of assets and liabilities into three levels based on the method used to value the assets or liabilities. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Foundation's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk of liquidity associated with the underlying investment. For example, U.S. government securities are generally high quality and liquid; however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market. The following table sets forth carrying amounts and estimated fair value for financial instruments at June 30, 2010:

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
Publicly Traded Equities	\$ 975,363.20	\$ --	\$ --	\$ 975,363.20

**5. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2010, consisted of the following:

Student Accounts	\$ 248,989.40
Federal – Workstudy	1,349.09
Federal - SEOG	<u>250.00</u>
Total Current Accounts Receivable	<u>\$ 250,588.49</u>

The College uses the allowance method to account for uncollectible accounts receivable. Accounts receivable are presented net of an allowance for uncollectible accounts of \$94,071.71 at June 30, 2010.

**6. INVENTORIES**

Inventories consisted of the following at June 30, 2010:

Book Store Inventory	\$ 184,850.15
Lots Held for Resale	92,750.00
House in Progress Held for Resale	<u>131,649.98</u>
Total Inventory	<u>\$ 409,250.13</u>

**7. CAPITAL ASSETS**

Primary Institution:

Following are the changes in capital assets for the year ended June 30, 2010

	Balance 06/30/2009	Prior Period Adjustments	Additions/ Transfers	Retirements/ Transfers	Balance 06/30/2010
Capital assets not being depreciated					
Construction in Progress	\$ -	\$ -	\$ 141,502.28	\$ -	\$ 141,502.28
Capital assets					
Leasehold Improvements	41,211.30	-	-	-	41,211.30
Equipment	3,088,800.10	158,018.42	120,905.11	(155,353.17)	3,212,370.46
Vehicles	21,319.00	-	-	-	21,319.00
Library Collection	88,821.00	-	-	-	88,821.00
Total Capital Assets	<u>\$ 3,240,151.40</u>	<u>\$ 158,018.42</u>	<u>\$ 120,905.11</u>	<u>\$ (155,353.17)</u>	<u>\$ 3,505,224.04</u>
Accumulated Depreciation					
Leasehold Improvements	\$ (1,976,003.85)	\$ (69,562.22)	\$ (238,944.78)	\$ 113,293.58	\$ (2,171,217.27)
Total Accumulated Depreciation	<u>\$ (1,976,003.85)</u>	<u>\$ (69,562.22)</u>	<u>\$ (238,944.78)</u>	<u>\$ 113,293.58</u>	<u>\$ (2,171,217.27)</u>
Total Net Capital Assets	<u>\$ 1,264,147.55</u>	<u>\$ 88,456.20</u>	<u>\$ (118,039.67)</u>	<u>\$ (42,059.59)</u>	<u>\$ 1,334,006.77</u>

Component Unit:

Following are the changes in capital assets for the year ended June 30, 2010:

	Balance 06/30/2009	Additions	Retirements	Balance 06/30/2010
Property and Equipment				
Equipment	4,888.29	-	-	4,888.29
Total Other Capital Assets	<u>\$ 4,888.29</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,888.29</u>
Accumulated Depreciation				
Equipment	\$ 4,888.29	\$ -	\$ -	\$ 4,888.29
Total Accumulated Depreciation	<u>\$ 4,888.29</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,888.29</u>
Total Net Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**8. OPERATING LEASE AGREEMENTS**

The College has entered into various rental agreements for the rental of office equipment and space. Total rent payments made under these agreements during the year ended June 30, 2010, was \$42,066.76. Future minimum rental payments are as follows:

Year Ended June 30	Amount
2011	\$ 31,586.76
2012	23,737.84
2013	585.00

**9. DEFINED BENEFIT PENSION PLAN**

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

*Funding Policy.* K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. State law sets a limitation on annual increases in the contribution rates. The State of Kansas contributed 8.57% of covered payroll. These contributions requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for school municipality employees for the years ending June 30, 2010, 2009, and 2008 were \$248,468,186, \$242,277,363, and \$220,815,154, respectively, equal to the statutory required contributions for each year. During the year ended June 30, 2010, payments made by the State of Kansas to KPERS on behalf of the College totaled \$207,985.51.

**10. OTHER POST EMPLOYMENT BENEFITS**

*Early Retirement Benefits:* The College has adopted a policy providing early retirement health care benefit options. Eligible employees are defined as:

- currently a full time employee (contracted six hours or more per day),
- a minimum of 60 years of age prior to September 1 of the calendar year in which early retirement is requested, or who are eligible for KPERS early retirement without the reduction in benefits,
- not older than 64 years of age as of September 1 of the calendar year in which early retirement is requested, and
- at the time of request has 15 years of service with the College.

The following is a schedule of benefits paid and payable for eligible employees which have taken early retirement as of June 30, 2010:

<u>Paid or Payable</u>	<u>Year Ended June 30<sup>th</sup></u>	<u>Amount</u>
Paid	2010	\$ 27,407.60
Payable	2011	19,776.42
Payable	2012	90,876.42
Payable	2013	7,859.46
Payable	2014	7,859.46
Payable	2015	3,929.73

*Other Post Employment Benefits:* As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

**10. OTHER POST EMPLOYMENT BENEFITS** (Continued)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

During fiscal year 2010, the College implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes the following measurement and recognition disclosures:

Plan description: The College sponsors a single-employer other post-employment benefit plan that provides medical, dental, and prescription drug benefits to qualifying retirees and their dependents. Employees, who qualify for pension benefits under the Kansas Public Employee Retirement System (KPERs) and are enrolled in the College’s insurance benefits during the benefit plan year prior to retirement, are eligible for benefits. Under KPERs, a participant must be at least age 55 with at least 10 years of service or meet Rule of 85 (age + service >= 85) at any age to be eligible. Also, a retiring employee who waives continuing participation in the College’s health plan at the time of retirement is not eligible to participate at a later date. Employees who qualify for a total disability benefit under the KPERs Disability Benefits Program are eligible for benefits until they qualify for Medicare. Spouses may continue coverage upon retiree death or attainment of Medicare eligibility age under Cobra for up to 36 months not to exceed the spouse’s own age 65.

Funding policy: The College establishes and amends contribution requirements. The current funding policy of the College is to fund benefits on a pay-as-you-go basis. This arrangement does not qualify as other post employment benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 45 for current GASB reporting. Retirees, who either meet the Rule of 85 or are age 55 with 15 years of service upon retirement, pay no premiums for medical coverage.

Annual OPEB cost and net OPEB obligation: The College’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities or funding excess) over a period not to exceed thirty years. The following table shows the components of the College’s annual OPEB obligation.

Normal Cost	\$ 359,631.00
Amortization Payment	<u>59,315.00</u>
Annual Required Contribution	418,946.00
Net Contributions Made	<u>- -</u>
Increase in net OPEB Obligation	418,946.00
Net OPEB Obligation – July 1, 2009	--
Net OPEB Obligation – June 30, 2010	<u>\$ 418,946.00</u>

**10. OTHER POST EMPLOYMENT BENEFITS (Continued)**

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 follows. This is the transition year of GASB Statement No. 45.

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2010	\$418,946.00	0.00%	\$418,946.00

Funded Status and Funding Progress: As of July 1, 2009, the most recent actuarial valuation, the plan was zero percent funded. The College’s actuarial accrued liability for benefits was \$1,626,054 and the actuarial value of assets is zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,626,054. The results of the July 1, 2009 valuation were rolled forward to June 30, 2010. The actuarial accrued liability for benefits was \$1,626,054, and the actuarial value of assets is none, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,626,054 as of June 30, 2010.

Actuarial Methods and Assumptions: Actuarial valuations for an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the College’s actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk, and changes in marital status, could result in actual costs being greater or less than estimated. The required schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the initial actuarial valuation for the Plan as of July 1, 2009, the Entry Age Actuarial Cost Method and the Level Percentage of Payroll Amortization Method was used. The actuarial assumptions included an 2% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on Plan assets and on the College’s own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 12% initially, reduced by decrements to an ultimate rate of 12% after seven years. The actuarial value of assets will be determined using fair value. The UAAL will be amortized over a 30 year open period in level dollar amounts.

## **11. COMPENSATED ABSENCES**

### Chargeable Leave

The College's policies regarding professional leave and absences permit employees to accumulate a maximum of 9 to 108 days of chargeable leave depending on the number of days worked per year. Personnel retiring or resigning from the College with ten years or more of service in the College will be compensated for unused accumulated chargeable leave at the rate of .4 times the current substitute rate per day up to a maximum of 90 days.

### Vacation

Unclassified twelve-month employees after two months of service shall accrue two workdays per month to a maximum of 20 days for year to year accumulation. Administrators may accumulate a maximum of 40 days vacation leave. Classified employees after two months of service shall accrue vacation time equal to 10 days per year, after 10 years of service, vacation will accrued equal to 15 days per year with a maximum of 30 days vacation leave depending upon the years of service. Policies permit payment of vacation pay upon termination of employment if sufficient notice of termination is given.

### Compensatory Time

The College will pay overtime or allow compensatory time off for hourly and classified employees according to the Fair Labor Standards Act. The maximum compensatory time which may be accrued by and affected employee may accumulate a maximum of 3 days, and faculty members may accumulate a maximum of 6 days. Payment for accrued compensatory time upon termination of employment shall be the calculated at the employee's final regular rate received by the employee.

The College accrues a liability for compensated absences which meet the following criteria:

1. The College's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the College has accrued a liability for all vacation, and compensatory time, however, chargeable time was accrued for those employees with more than 10 years of services, all others with chargeable time were not recorded, inasmuch as the amount cannot be reasonably estimated because the rights do not vest until after 10 years of service.

## **12. CONTINGENT LIABILITIES**

In the normal course of operations, the College receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

## **13. RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employee; employees' health and life; and natural disasters. The College manages these risks of loss through the purchase of insurance policies.

**14. CONCENTRATION OF RISK**

96.30% of the Foundation's monies are invested in mutual funds in the stock market of this amount 25.79% are invested in bonds and fixed income investments and 65.61% are invested in growth and income equity investments. The effect in the future on the Foundation's equity portfolio is unknown and is subject to market economic conditions.

**15. RELATED PARTY TRANSACTIONS**

The Foundation was formed to promote and foster the educational purposes of the Flint Hills Technical College, and to create a fund to be used for any program, project, or enterprise undertaken in the interest of the College. The Foundation acts largely as a fund raising organization, soliciting, receiving, managing and disbursing contributions on behalf of the College. Most of the contributions received are designated by the donors to be used for specific purposes or by specific departments. In these instances, the Foundation serves essentially as a conduit. Contributions that are not designated are used where the need is considered greatest, as determined by the Foundation's board of directors. The Foundation disbursed to the College for the year ended June 30, 2010, \$36,516.56 for scholarships and reimbursed the College for \$51,896.67 in administrative support. The Foundation disbursed on behalf of the College through its activity funds for the year ended June 30, 2010, \$191,571.45. The College disbursed on behalf of the Foundation donated services and facilities for the year ended June 30, 2010, \$9,639.22.

**16. SUBSEQUENT EVENTS**

The College evaluated events and transactions occurring subsequent to June 30, 2010 through December 10, 2010, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

**17. PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2010 the College took a complete inventory of their capital assets. After completion of the inventory it was determined that some of the assets had not been capitalized in the previous year's financial statements. The effects on the financial statements are as follows:

Beginning net assets have been restated as follows:

Net Assets, Beginning of the Year, As Reported	\$	2,999,119.86
Additional Capital Assets		158,018.42
Accumulated Depreciation		<u>(69,562.22)</u>
Net Assets, Beginning of the Year, As Restated	\$	<u>3,087,576.06</u>

**FLINT HILLS TECHNICAL COLLEGE**  
EMPORIA, KANSAS

**REQUIRED SUPPLEMENTAL INFORMATION**  
For the Year Ended June 30, 2010

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Schedule of Funding Progress

For the Year Ended June 30, 2010

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 follows. This is the transition year of GASB Statement No. 45.

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2010	\$418,946.00	0.00%	\$418,946.00

**FLINT HILLS TECHNICAL COLLEGE**  
EMPORIA, KANSAS

**SUPPLEMENTAL INFORMATION**  
For the Year Ended June 30, 2010

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Combining Schedule of Net Assets - Primary Institution  
June 30, 2010

	GENERAL	ADULT EDUCATION	LITERACY PROGRAM	FEDERAL FINANCIAL AID	JONES EDUCATION CENTER
<b>ASSETS</b>					
Current Assets					
Cash and Cash Equivalents	\$ 1,340,476.84	\$ 72,845.20	\$ 3,623.77	\$ (250.00)	\$ (35,731.01)
Investments	352,985.41	-	-	-	-
Receivables - Federal	1,349.09	-	-	250.00	-
Receivables - Other Receivables	248,989.40	-	-	-	-
Inventories	409,250.13	-	-	-	-
Total Current Assets	2,353,050.87	72,845.20	3,623.77	(0.00)	(35,731.01)
Noncurrent Assets					
Capital Assets	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-
Total Noncurrent Assets	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,353,050.87</b>	<b>\$ 72,845.20</b>	<b>\$ 3,623.77</b>	<b>\$ (0.00)</b>	<b>\$ (35,731.01)</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	\$ 124,733.91	\$ 7,524.43	\$ -	\$ -	\$ 66,971.27
Accrued Wages	235,544.05	-	-	-	-
Compensated Absences	132,138.97	-	-	-	-
Prepaid Tuition	24,254.00	-	-	-	-
Deposits Held in Custody for Others	-	-	-	-	-
Total Current Liabilities	516,670.93	7,524.43	-	-	66,971.27
<b>TOTAL LIABILITIES</b>	<b>516,670.93</b>	<b>7,524.43</b>	<b>-</b>	<b>-</b>	<b>66,971.27</b>
<b>NET ASSETS</b>					
Investment in capital assets, net of related debt	-	-	-	-	-
Unrestricted	1,836,379.94	65,320.77	3,623.77	-	(102,702.28)
<b>TOTAL NET ASSETS</b>	<b>1,836,379.94</b>	<b>65,320.77</b>	<b>3,623.77</b>	<b>-</b>	<b>(102,702.28)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,353,050.87</b>	<b>\$ 72,845.20</b>	<b>\$ 3,623.77</b>	<b>\$ -</b>	<b>\$ (35,731.01)</b>

Schedule 2 (Continued)

**FLINT HILLS TECHNICAL COLLEGE**  
 Emporia, Kansas  
 Combining Schedule of Net Assets - Primary Institution  
 June 30, 2010

	FHTC ACCREDITATION	SCHOOL ACTIVITY FUNDS	FHTC AGENCY	INVESTMENT IN PLANT	TOTALS - PRIMARY INSTITUTION
<b>ASSETS</b>					
Current Assets					
Cash and Cash Equivalents	\$ 19,443.01	\$ 1,027.50	\$ 25,039.53	\$ -	\$ 1,426,474.84
Investments	-	-	-	-	352,985.41
Receivables - Federal	-	-	-	-	1,599.09
Receivables - Other Receivables	-	-	-	-	248,989.40
Inventories	-	-	-	-	409,250.13
Total Current Assets	19,443.01	1,027.50	25,039.53	-	2,439,298.87
Noncurrent Assets					
Capital Assets	-	-	-	3,505,224.04	3,505,224.04
Accumulated Depreciation	-	-	-	(2,171,217.27)	(2,171,217.27)
Total Noncurrent Assets	-	-	-	1,334,006.77	1,334,006.77
<b>TOTAL ASSETS</b>	<b>\$ 19,443.01</b>	<b>\$ 1,027.50</b>	<b>\$ 25,039.53</b>	<b>\$ 1,334,006.77</b>	<b>\$ 3,773,305.64</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 199,229.61
Accrued Wages	-	-	-	-	235,544.05
Compensated Absences	-	-	-	-	132,138.97
Prepaid Tuition	-	-	-	-	24,254.00
Deposits Held in Custody for Others	-	-	25,039.53	-	25,039.53
Total Current Liabilities	-	-	25,039.53	-	616,206.16
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>25,039.53</b>	<b>-</b>	<b>616,206.16</b>
<b>NET ASSETS</b>					
Investment in capital assets, net of related debt	-	-	-	1,334,006.77	1,334,006.77
Unrestricted	19,443.01	1,027.50	-	-	1,823,092.71
<b>TOTAL NET ASSETS</b>	<b>19,443.01</b>	<b>1,027.50</b>	<b>-</b>	<b>1,334,006.77</b>	<b>3,157,099.48</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,443.01</b>	<b>\$ 1,027.50</b>	<b>\$ 25,039.53</b>	<b>\$ 1,334,006.77</b>	<b>\$ 3,773,305.64</b>

**Schedule 3**

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Combining Schedule of Revenues, Expenses, and Changes in Net Assets - Primary Institution  
For the Year Ended June 30, 2010

	GENERAL	ADULT EDUCATION	LITERACY PROGRAM	FEDERAL FINANCIAL AID	JONES EDUCATION CENTER
<b>REVENUES</b>					
Operating Revenues					
Student Tuition and Fees	\$ 2,020,393.18	\$ 2,752.09	\$ 3,261.82	\$ -	\$ -
Federal Grants and Contracts	370,181.17	72,145.00	-	371,139.17	-
State Grants and Contracts	-	82,413.00	-	-	-
Charges for Services	376,649.79	-	-	-	-
Activity Fund Revenue	-	-	-	-	-
Miscellaneous Income	63,149.99	1,559.00	-	-	-
Total Operating Revenues	<u>2,830,374.13</u>	<u>158,869.09</u>	<u>3,261.82</u>	<u>371,139.17</u>	<u>-</u>
<b>EXPENSES</b>					
Operating Expenses					
Instruction	2,490,162.29	240,379.14	1,767.49	-	28,006.44
Academic Support	338,841.38	-	-	-	-
Student Services	175,678.31	-	-	-	-
Institutional Support	1,048,152.10	1,898.11	-	-	-
Operation and Maintenance	574,567.70	9,777.84	-	-	-
Auxiliary Expense	499,112.31	-	-	-	-
Scholarships	-	-	-	988,580.30	-
Capital Outlay	221,471.39	-	-	-	113,495.84
Depreciation Expense	-	-	-	-	-
Total Operating Expenses	<u>5,347,985.48</u>	<u>252,055.09</u>	<u>1,767.49</u>	<u>988,580.30</u>	<u>141,502.28</u>
Operating Income (Loss)	<u>(2,517,611.35)</u>	<u>(93,186.00)</u>	<u>1,494.33</u>	<u>(617,441.13)</u>	<u>(141,502.28)</u>
<b>Nonoperating Revenues (Expenses)</b>					
State Appropriations	2,693,457.51	-	-	-	-
County Appropriations	-	99,344.00	-	-	-
Federal Pell Grant	-	-	-	615,921.87	-
Interest Income	17,199.62	-	-	-	-
Gifts and Contributions	-	-	-	-	38,800.00
Gain (Loss) on Sale of Assets	-	-	-	-	-
Operating Transfers To (From)	-	12,000.00	(12,000.00)	-	-
Increase (Decrease) in Net Assets	193,045.78	18,158.00	(10,505.67)	(1,519.26)	(102,702.28)
Net Assets - Beginning of Year	1,643,334.16	47,162.77	14,129.44	1,519.26	-
Net Assets - End of Year	<u>\$ 1,836,379.94</u>	<u>\$ 65,320.77</u>	<u>\$ 3,623.77</u>	<u>\$ -</u>	<u>\$ (102,702.28)</u>

**Schedule 3 (Continued)**

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Combining Schedule of Revenues, Expenses, and Changes in Net Assets - Primary Institution  
For the Year Ended June 30, 2010

	FHTC ACCREDITATION	SCHOOL ACTIVITY FUNDS	INVESTMENT IN PLANT	ELIMINATING INTER-COMPANY SCHOLARSHIPS	TOTALS - PRIMARY INSTITUTION
<b>REVENUES</b>					
Operating Revenues					
Student Tuition and Fees	\$ -	\$ -	\$ -	(771,542.59)	\$ 1,254,864.50
Federal Grants and Contracts	-	-	-	-	813,465.34
State Grants and Contracts	-	-	-	-	82,413.00
Charges for Services	-	-	-	-	376,649.79
Activity Fund Revenue	-	28,270.98	-	-	28,270.98
Miscellaneous Income	-	-	-	-	64,708.99
Total Operating Revenues	-	28,270.98	-	(771,542.59)	2,620,372.60
<b>EXPENSES</b>					
Operating Expenses					
Instruction	-	28,369.65	-	-	2,788,685.01
Academic Support	-	-	-	-	338,841.38
Student Services	-	-	-	-	175,678.31
Institutional Support	8,257.50	-	-	-	1,058,307.71
Operation and Maintenance	-	-	-	-	584,345.54
Auxiliary Expense	-	-	-	-	499,112.31
Scholarships	-	-	-	(771,542.59)	217,037.71
Capital Outlay	-	-	(331,969.61)	-	2,997.62
Depreciation Expense	-	-	308,507.00	-	308,507.00
Total Operating Expenses	8,257.50	28,369.65	(23,462.61)	(771,542.59)	5,973,512.59
Operating Income (Loss)	(8,257.50)	(98.67)	23,462.61	-	(3,353,139.99)
Nonoperating Revenues (Expenses)					
State Appropriations	-	-	-	-	2,693,457.51
County Appropriations	-	-	-	-	99,344.00
Federal Pell Grant	-	-	-	-	615,921.87
Interest Income	-	-	-	-	17,199.62
Gifts and Contributions	-	-	-	-	38,800.00
Gain (Loss) on Sale of Assets	-	-	(42,059.59)	-	(42,059.59)
Operating Transfers To (From)	-	-	-	-	-
Increase (Decrease) in Net Assets	(8,257.50)	(98.67)	(18,596.98)	-	69,523.42
Net Assets - Beginning of Year	27,700.51	1,126.17	1,352,603.75	-	3,087,576.06
Net Assets - End of Year	\$ 19,443.01	\$ 1,027.50	\$ 1,334,006.77	\$ -	\$ 3,157,099.48

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Schedule of Revenues, Expenditures, and  
Changes in Unencumbered Cash – Budget and Actual

For the Year Ended June 30, 2010

Schedules 4 to 5 are prepared in accordance with Kansas cash basis laws (Statutory Basis), which differs from generally accepted accounting principles (GAAP Basis). Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving the cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund in which the cash is transferred. Expenditures include cash disbursements, transfers, accounts payable and encumbrances – that is, commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Schedule of Revenues, Expenditures, and Changes  
in Unencumbered Cash - Budget and Actual

Current Funds - Unrestricted

General Fund (Budget Basis)

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	Prior Year Budget Basis	Current Year				Variance Over (Under)
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Budget	
<b>REVENUES</b>						
Student Tuition and Fees						
Postsecondary Tuition	\$ 959,990.96	\$ 1,204,723.48	\$ (44,110.39)	\$ 1,160,613.09	\$ 842,960.00	\$ 317,653.09
Secondary Tuition	269,520.44	283,705.00	-	283,705.00	330,578.00	(46,873.00)
Student Fees	347,125.31	492,525.83	-	492,525.83	279,600.00	212,925.83
Continuing Education	27,293.92	31,372.62	-	31,372.62	20,600.00	10,772.62
Customized Training	12,231.00	8,066.25	-	8,066.25	17,300.00	(9,233.75)
Total Student Tuition and Fees	1,616,161.63	2,020,393.18	(44,110.39)	1,976,282.79	1,491,038.00	485,244.79
Federal Sources						
Federal Grants	170,820.57	232,322.12	12,191.14	244,513.26	158,848.00	85,665.26
Federal Grants - ARRA	-	137,859.05	-	137,859.05	-	137,859.05
Total Federal Sources	170,820.57	370,181.17	12,191.14	382,372.31	158,848.00	223,524.31
State Sources						
State Operating Grant	2,473,803.00	2,353,276.00	-	2,353,276.00	2,583,607.00	(230,331.00)
Other State Sources	134,032.00	340,181.51	(207,985.51)	132,196.00	140,037.00	(7,841.00)
Total State Sources	2,607,835.00	2,693,457.51	(207,985.51)	2,485,472.00	2,723,644.00	(238,172.00)
Charges for Services						
Cafeteria	48,811.13	51,907.50	-	51,907.50	40,000.00	11,907.50
Bookstore	246,100.29	292,028.31	-	292,028.31	177,000.00	115,028.31
Tech Service Income	-	32,713.98	-	32,713.98	-	32,713.98
Total Charges for Services	294,911.42	376,649.79	-	376,649.79	217,000.00	159,649.79
Other Sources						
Interest Income	22,004.50	17,199.62	-	17,199.62	62,000.00	(44,800.38)
Sale of House	158,443.38	(13,188.75)	161,007.61	147,818.86	-	147,818.86
Donations	24,720.00	-	-	-	-	-
Miscellaneous	122,219.50	76,338.74	55.00	76,393.74	256,474.00	(180,080.26)
Total Other Sources	327,387.38	80,349.61	161,062.61	241,412.22	318,474.00	(77,061.78)
<b>TOTAL REVENUES</b>	5,017,116.00	5,541,031.26	(78,842.15)	5,462,189.11	4,909,004.00	553,185.11

**Schedule 4 (Continued)**

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Schedule of Revenues, Expenditures, and Changes  
in Unencumbered Cash - Budget and Actual

Current Funds - Unrestricted

General Fund (Budget Basis)

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	Prior Year Budget Basis	Current Year				Variance Over (Under)
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Budget	
<b>EXPENDITURES</b>						
Education and General						
Instruction	\$ 2,108,742.04	\$ 2,490,162.29	\$ (200,110.69)	\$ 2,290,051.60	\$ 3,121,417.00	\$ (831,365.40)
Academic Support	310,959.38	338,841.38	-	338,841.38	502,020.00	(163,178.62)
Student Services	155,894.45	175,678.31	-	175,678.31	8,250.00	167,428.31
Institutional Support	982,878.25	1,048,152.10	-	1,048,152.10	208,000.00	840,152.10
Operation and Maintenance	402,472.71	574,567.70	-	574,567.70	523,182.00	51,385.70
Auxiliary Expenses	516,217.35	499,112.31	43,128.72	542,241.03	328,135.00	214,106.03
Capital Outlay	399,612.01	221,471.39	111,618.49	333,089.88	218,000.00	115,089.88
<b>TOTAL EXPENDITURES</b>	<b>4,876,776.19</b>	<b>5,347,985.48</b>	<b>(45,363.48)</b>	<b>5,302,622.00</b>	<b>4,909,004.00</b>	<b>393,618.00</b>
Excess of Revenues Over (Under) Expenditures	140,339.81	193,045.78	(33,478.67)	159,567.11	-	159,567.11
Unencumbered Cash Beginning of Year	1,046,817.60	1,643,334.16	(456,176.75)	1,187,157.41	-	1,187,157.41
End of Year	\$ 1,187,157.41	\$ 1,836,379.94	\$ (489,655.42)	\$ 1,346,724.52	\$ -	\$ 1,346,724.52

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Schedule of Revenues, Expenditures, and Changes  
in Unencumbered Cash - Budget and Actual

Current Funds - Unrestricted

Adult Education Fund (Budget Basis)

For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	Prior Year Budget Basis	Current Year			Variance Over (Under)
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	
<b>REVENUES</b>					
Federal Sources					
Federal Grants	\$ 128,346.00	\$ 72,145.00	\$ -	\$ 72,145.00	\$ 133,285.00
State Sources					
State Grants	67,490.49	82,413.00	-	82,413.00	55,414.00
State Operating Grant	-	-	-	-	-
Local Sources					
Local Tax	98,550.00	99,344.00	-	99,344.00	81,000.00
Tuition and Fees	2,473.00	2,752.09	-	2,752.09	-
Other Sources					
Miscellaneous	-	1,559.00	-	1,559.00	-
Operating Transfers from Literacy Program Fund	10,000.00	12,000.00	-	12,000.00	-
<b>TOTAL REVENUES</b>	<b>306,859.49</b>	<b>270,213.09</b>	<b>-</b>	<b>270,213.09</b>	<b>269,699.00</b>
<b>EXPENDITURES</b>					
Instruction	269,864.74	240,379.14	-	240,379.14	269,699.00
Student Services	138.00	-	-	-	-
Institutional Support	7,167.51	1,898.11	-	1,898.11	-
Operation and Maintenance	9,571.25	9,777.84	-	9,777.84	-
<b>TOTAL EXPENDITURES</b>	<b>286,741.50</b>	<b>252,055.09</b>	<b>-</b>	<b>252,055.09</b>	<b>269,699.00</b>
Excess of Revenues Over (Under) Expenditures	20,117.99	18,158.00	-	18,158.00	-
Unencumbered Cash Beginning of Year	27,044.78	47,162.77	-	47,162.77	-
End of Year	\$ 47,162.77	\$ 65,320.77	\$ -	\$ 65,320.77	\$ -

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas  
Schedule of Changes in Assets and Liabilities  
All Agency Funds - Primary Institution  
For the Year Ended June 30, 2010

ACCOUNT NAME	Primary Institution			BALANCE JUNE 30, 2010
	BALANCE JUNE 30, 2009	ADDITIONS	DEDUCTIONS	
<b>AGENCY FUND</b>				
Scholarship Funds				
PEO Chapter	\$ 19,526.33	\$ 500.00	\$ 19,974.45	\$ 51.88
Reebles Scholarship	6,431.91	6,000.00	4,200.00	8,231.91
Foundation Auction	348.00	11,946.00	12,294.00	-
Memeorial Fund	200.00	-	-	200.00
Student Loans	1,960.00	-	-	1,960.00
Emergency Student Aid	2,000.00	1,000.00	2,306.96	693.04
Capital Federal Scholarship	-	833.33	-	833.33
<b>Total Scholarship Funds</b>	<b>30,466.24</b>	<b>20,279.33</b>	<b>38,775.41</b>	<b>11,970.16</b>
Student Organization Accounts				
Student Senate	2,628.81	5,976.10	6,154.76	2,450.15
Automotive Tech	1,641.68	-	125.00	1,516.68
Business - BPA	(112.91)	9,608.20	9,260.89	234.40
Machine Tool	5.38	-	-	5.38
Industrial Main	238.25	310.00	548.25	-
Construction	120.18	224.00	136.50	207.68
Culinary Arts	1,057.87	1,294.00	1,705.50	646.37
Dental Assistant	2,965.11	2,665.00	4,314.87	1,315.24
Graphic Arts	-	95.56	312.45	(216.89)
Nursing - HOSA	2,443.41	7,855.70	6,699.27	3,599.84
VICA General Fund	929.06	-	-	929.06
Pool Table Proc.	1,089.81	-	-	1,089.81
Paramedic/EMS	1,069.16	2,071.50	2,216.92	923.74
Hygiene	(542.75)	9,028.03	8,117.37	367.91
<b>Total Student Organizations</b>	<b>13,533.06</b>	<b>39,128.09</b>	<b>39,591.78</b>	<b>13,069.37</b>
<b>TOTAL AGENCY FUNDS</b>	<b>\$ 43,999.30</b>	<b>\$ 59,407.42</b>	<b>\$ 78,367.19</b>	<b>\$ 25,039.53</b>
<b>Assets</b>				
Cash and Investments	\$ 43,999.30	\$ 59,407.42	\$ 78,367.19	\$ 25,039.53
<b>TOTAL ASSETS</b>	<b>\$ 43,999.30</b>	<b>\$ 59,407.42</b>	<b>\$ 78,367.19</b>	<b>\$ 25,039.53</b>
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Deposits Held For Others	43,999.30	59,407.42	78,367.19	25,039.53
<b>TOTAL LIABILITIES</b>	<b>\$ 43,999.30</b>	<b>\$ 59,407.42</b>	<b>\$ 78,367.19</b>	<b>\$ 25,039.53</b>

**FLINT HILLS TECHNICAL COLLEGE**  
EMPORIA, KANSAS

**FEDERAL COMPLIANCE SECTION**  
For the Year Ended June 30, 2010

**AUDITOR INFORMATION SHEET**

**FLINT HILLS TECHNICAL COLLEGE**

3301 W. 18<sup>TH</sup> Ave.  
Emporia, Kansas 66801

EIN NUMBER: 52-2441491  
OPE ID NUMBER: 00526400  
DUNS NUMBER: 791539708

TELEPHONE: (620) 343-4600  
FAX: (620) 343-4610

PRESIDENT: Dr. Dean Hollenbeck  
CONTACT PERSON & TITLE: Nancy Thompson, Director of Accounting Services

LEAD AUDITOR: Neil L. Phillips, CPA  
EMAIL ADDRESS: nphillips@jgppa.com  
LICENSE NUMBER & HOME STATE: 963 / Kansas  
FIRM'S NAME & ADDRESS: JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants  
1815 S. Santa Fe  
P.O. Box 779  
Chanute, Kansas 66720

FIRM'S FEDERAL ID NUMBER: 20-3906022  
TELEPHONE: (620) 431-6342  
FAX: (620) 431-0724

PROGRAMS EXAMINED:	PELL	84.063
	FSEOG	84.007
	FWS	84.033
	FFEL	84.032
	ACG	84.375

For the Award Year that ended during the institution's fiscal year, the percentage of:

Correspondence or telecommunication courses to total courses	NONE
Regular students enrolled in correspondence courses	NONE
Regular students that are incarcerated	NONE
Regular students enrolled based on ability to benefit	NONE
For short term programs—	
Completion	N/A
Placement	N/A

The campuses/locations considered as part of this entity and covered or excluded by this examination are:

ALL LOCATIONS	> 50% OF PROGRAM OFFERED @ SITE	LOCATION ON ELIGIBILITY LETTER	NOTICE TO ED PRIOR TO OFFERING INSTRUCTION	DATE OPENED	DATE CLOSED	DATE OF CPA'S LAST VISIT	EXCLUSION REASON
Emporia	Yes	Yes	Yes	1999	N/A	2010	N/A
Clay Center	Yes	Yes	Yes	2008	N/A	2010	N/A

Institution's Primary Accrediting Organization: North Central Association of Colleges and Schools

The College does not use a servicer.

Records for the accounting and administration of the SFA Programs are located at:

FLINT HILLS TECHNICAL COLLEGE  
 3301 W 18<sup>TH</sup> AVE  
 EMPORIA, KANSAS 66801

For Close-Out Examination only: N/A

Open bank accounts or unexercised securities that may contain Federal Funds:

BANK  
 ESB Financial  
 P.O. Box 807  
 Emporia, Ks 66801

ACCOUNTS  
 90239

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	Pass-Through Entity Identifying Number	Federal CFDA Number	Disbursements/ Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Direct Programs:			
Student Financial Assistance Programs Cluster			
Federal Supplemental Education Opportunity	N/A	84.007	\$ 20,540.00
Federal College Work-Study	N/A	84.033	21,678.68
Federal College Work-Study Administration	N/A	84.033	1,147.70
		Total 84.033	<u>22,826.38</u>
Federal Pell Grant	N/A	84.063	938,930.00
Federal Pell Grant Administration	N/A	84.063	55.00
		Total 84.063	<u>938,985.00</u>
Federal Family Education Loans (1)	N/A	84.032	2,143,565.70
Academic Competitiveness Grant	N/A	84.375	7,650.00
			<u>2,151,215.70</u>
Total Student Financial Assistance Programs Cluster		(M)	<u>3,133,567.08</u>
Passed through the State of Kansas Department of Education:			
State Fiscal Stabilization Funds - ARRA	S394A090017	84.394	161,630.94
Adult Basic Education Program	FY10- ABE	84.002	72,145.00
Adult Basic Education Program - Incentive Aid	FY10- ABE	84.002	3,290.00
		Total 84.002	<u>75,435.00</u>
Carl Perkins Vocational Education Grants:			
Program Improvement	LEA#JO803	84.048	211,082.00
Total U.S. Department of Education			<u>3,581,715.02</u>
<b><u>U.S. DEPARTMENT OF LABOR</u></b>			
Passed through the State of Kansas Department of Commerce			
KAN-GO project	FY2010 KAN-GO	17.267	30,606.00
Total U.S. Department of Labor			<u>30,606.00</u>
FEDERAL ASSISTANCE TOTALS			<u>\$ 3,612,321.02</u>

This schedule has been prepared in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned. Expenditures are recorded when goods or services are received.

(1) These are loans to students and parents at the College and are not included in the College's revenues and expenditures.

(M) Major Programs

**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

**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**

Board of Trustees  
Flint Hills Technical College  
Emporia, Kansas

We have audited the financial statements of Flint Hills Technical College, as of and for the year ended June 30, 2010, which collectively comprise Flint Hills Technical College's basic financial statements and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

*Jarred, Gilmore & Phillips, PA*

JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

December 10, 2010  
Chanute, Kansas

**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees  
Flint Hills Technical College  
Emporia, Kansas

Compliance

We have audited Flint Hills Technical College's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Flint Hills Technical College's major federal programs for the year ended June 30, 2010. Flint Hills Technical College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Flint Hills Technical College's management. Our responsibility is to express an opinion on Flint Hills Technical College's compliance based on our audit.

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

In our opinion, Flint Hills Technical 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, 2010.

Internal Control Over Compliance

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

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

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

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



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

December 10, 2010  
Chanute, Kansas

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

The auditors' report expresses a unqualified opinion on the basic financial statements of Flint Hills Technical College.

**Internal Control over Financial Reporting:**

Material weakness(es) identified?	_____	Yes	___X___	No
Significant deficiencies identified that are not considered to be a material weaknesses?	_____	Yes	___X___	No
Noncompliance or other matters required to be reported under <i>Government Auditing Standards</i>	_____	Yes	___X___	No

**Federal Awards:**

Internal control over major programs:				
Material weakness(es) identified?	_____	Yes	___X___	No
Significant deficiencies identified that are not considered to be a material weaknesses?	_____	Yes	___X___	No

The auditors' report on compliance for the major federal award programs for Flint Hills Technical College expresses a qualified opinion.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____	Yes	___X___	No
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Identification of major programs:

**U.S. DEPARTMENT OF EDUCATION**

- Student Financial Aid Cluster
  - Federal Pell Grant Program – CFDA No. 84.063
  - Federal Family Education Loans – CFDA No. 84.032
  - Federal Supplemental Educational Opportunity Grant – CFDA No. 84.007
  - Federal College Work-Study Program – CFDA No. 84.033
  - Academic Competitiveness Grant – CFDA No. 84.375

The threshold for distinguishing Types A and B programs was \$300,000.00.

Auditee qualified as a low risk auditee?	_____	Yes	___X___	No
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**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

**II. FINDINGS – FINANCIAL STATEMENT AUDIT**

NONE

**III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

NONE

**U.S. DEPARTMENT OF EDUCATION**

Questioned  
Costs

Student Financial Aid Cluster

Federal Pell Grant Program – CFDA No. 84.063

None

Federal Family Education Loans – CFDA No. 84.032

None

Federal Supplemental Educational Opportunity Grant – CFDA No. 84.007

None

Federal College Work-Study Program – CFDA No. 84.033

None

Academic Competitiveness Grant – CFDA No. 84.375

None

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

Flint Hills Technical College is accredited by the Higher Learning Commission. The audit fieldwork was conducted at the College's administrative building in Emporia, Kansas at various dates from November 1, 2010, to November 4, 2010. The following is a schedule of statistics for the year ended June 30, 2010:

**TOTAL POPULATION:**

	<b>PELL</b>	<b>FFELP</b>	<b>FSEOG</b>	<b>FWS</b>	<b>ACG</b>
Universe					
Dollars	\$ 938,930.00	\$2,131,573.00	\$20,540.00	\$21,678.00	\$ 7650.00
Students	275	342	50	12	10
Sample					
Dollars	\$ 166,565.00	\$ 390,755.00	\$ 3,790.00	\$ 522.00	\$ 3,725.00
Students	50	62	9	1	4

**ENROLLED, GRADUATED OR STUDENTS ON AN APPROVED LEAVE OF ABSENCE:**

	<b>PELL</b>	<b>FFELP</b>	<b>FSEOG</b>	<b>FWS</b>	<b>ACG</b>
Universe					
Dollars	\$ 856,758.00	\$ 1,969,426.00	\$ 19,040.00	\$21,678.00	\$ 7650.00
Students	250	312	47	12	10
Sample					
Dollars	\$ 99,059.00	\$ 254,306.00	\$ 2,290.00	\$ 522.00	\$ 3,725.00
Students	31	40	6	1	4

**WITHDREW, DROPPED OR TERMINATED STUDENTS:**

	<b>PELL</b>	<b>FFELP</b>	<b>FSEOG</b>	<b>FWS</b>	<b>ACG</b>
Universe					
Dollars	\$ 82,172.00	\$ 162,147.00	\$ 1,500.00	\$ - 0 -	\$ - 0 -
Students	25	30	3	0	0
Sample					
Dollars	\$ 67,506.00	\$ 136,449.00	\$ 1,500.00	\$ - 0 -	\$ - 0 -
Students	19	22	3	0	0

**WITHDREW, DROPPED OR TERMINATED STUDENTS:**

	<b>PELL</b>	<b>FFELP</b>	<b>FSEOG</b>	<b>FWS</b>	<b>ACG</b>
Universe					
Dollars Refunded	\$ 4,807.00	\$ 22,661.33	\$ - 0 -	\$ - 0 -	\$ - 0 -
Students	5	15	0	0	0
Sample					
Dollars Refunded	\$ 4,347.91	\$ 12,037.08	\$ - 0 -	\$ - 0 -	\$ - 0 -
Students	4	8	0	0	0

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Schedule of Resolution of Prior Year's Audit Findings and Questioned Costs  
For the Year Ended June 30, 2010

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Period Ended June 30, 2009:  
Findings and Questioned Costs/Resolution

**2009-01**

*Condition:*

Upon arrival for field work, the College was unable to provide us an accurate complete listing of aid awarded or withdrawn students.

*Recommendation:*

Policies and procedures should be written to provide guidance to all employees designating the staff responsible for the tracking of awards along with withdrawn students that were awarded financial aid. A complete accurate list is an essential first piece in the proper documentation of federal awards.

*Current Status:*

Resolved.

**2009-02**

*Condition:*

During our testing of the verification process, three of the twenty-six files tested did not include adequate evidence of verification as specified in 34 CFR section 668.56.

*Recommendation:*

Policies and procedures should be written to provide internal control over the verification of student files. We recommend the College establish a filing process that allows all applications selected for verification to be verified before financial aid is awarded and shows how the income verification was calculated.

*Current Status:*

Resolved.

**2009-03**

*Condition:*

During our testing of the payment to students, it was noted the College was not timely posting payments to the student's account within the required time lines.

*Recommendation:*

Policies and procedures should be written to provide internal control over the communication of loan receipt and financial aid disbursements. We recommend the College establish a communication process that allows for the notification of the financial aid proceeds and a control in place that allows the financial aid department to know the proceeds was applied to the students account timely.

*Current Status:*

Resolved.

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Resolution of Prior Year's Audit Findings and Questioned Costs  
For the Year Ended June 30, 2010

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Period Ended June 30, 2009:  
Findings and Questioned Costs/Resolution  
(Continued)

**2009-04**

*Condition:*

During our testing of the entrance and exit counseling, it was noted seven files did not contain documentation of entrance counseling and thirty files did not contain documentation of exit counseling.

*Recommendation:*

Policies and procedures should be written to provide internal control over the entrance and exit loan counseling process. We recommend the College follow regulations and complete the entrance counseling prior to disbursement and the exit counseling at the student's departure.

*Current Status:*

Resolved.

**2009-05**

*Condition:*

During the testing of the return of Title IV funds, it was noted seven of seven tested refunds were not returned within the required time limit.

*Recommendation:*

Policies and procedures should be written to provide internal control over the return of Federal funds. We recommend the College establish a communication process that allows for the notification of the refund due and a control in place that allows the financial aid department to know the refund was returned timely.

*Current Status:*

Resolved.