

**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, 2011

**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, 2011 with selected comparative information for the year ending June 30, 2010. 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:**

The enrollment for 2010-2011 fiscal year was the highest Flint Hills Technical College has experienced. An increase to tuition and fee charges was implemented at the beginning of Fiscal Year 2011 as well. These two factors

helped increase the College's unrestricted net assets by \$149,499.24 for a total of \$1,972,591.95. Unrestricted net assets may be used to meet the College's ongoing obligations. As a result, the College was able to purchase the web-based Jenzabar software (JICS) to help with the increased enrollment. Understandably with the record enrollment, the College's total Operating Expenses showed a significant increase as well.

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

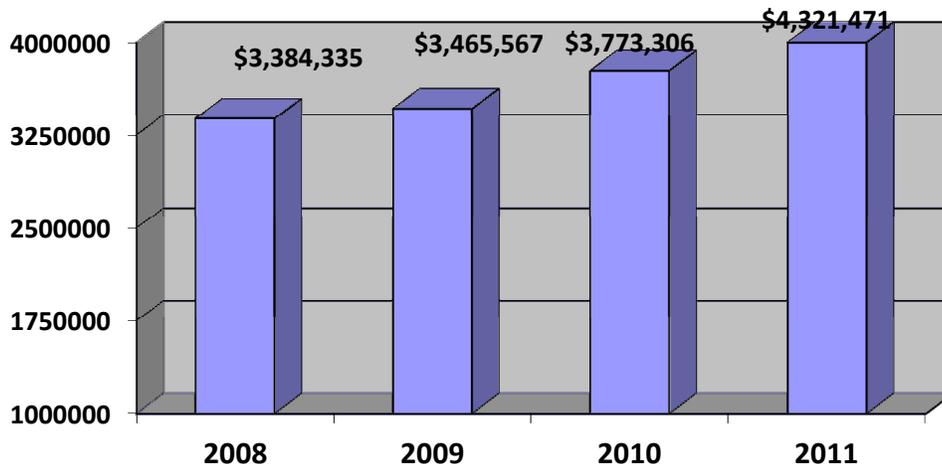
The combined statements of net assets present the assets, liabilities, and net assets at June 30, 2011 broken out by each fund of the College. The purpose of the combined statements of net assets is to present the financial condition of the College.

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 2008 to 2011**

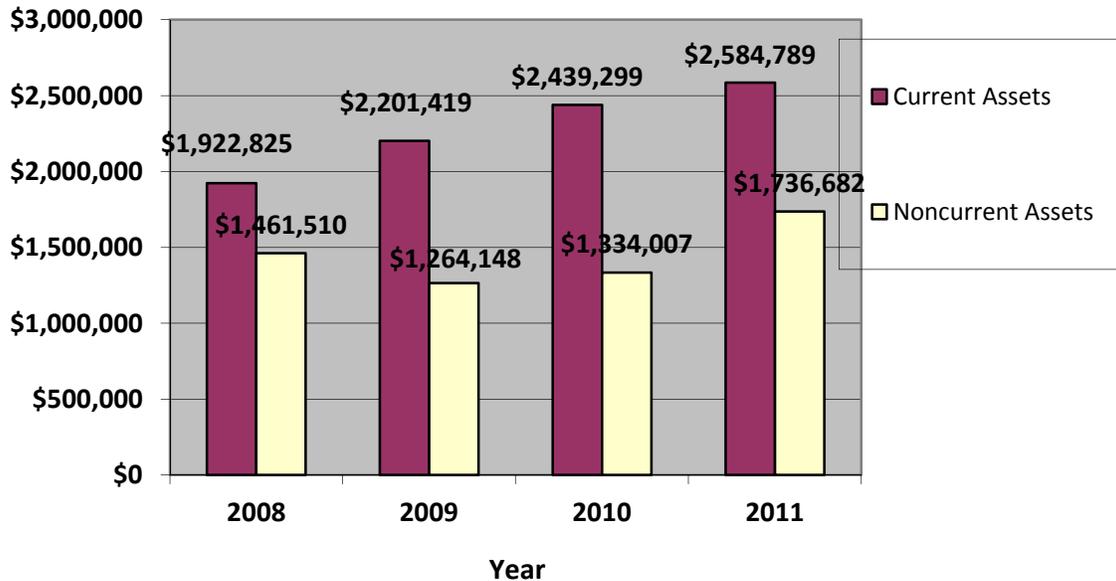
The College's total Liabilities and Net Assets increased during the current fiscal year by 14.5%. The increase to total assets is largely due to the increase to Cash and Cash Equivalents, which increased by \$305,701. The total of outstanding Accounts Receivables decreased while the total Liabilities increased slightly from the prior fiscal year.

#### **Total Liabilities and Net Assets for 2011 compared to 2008, 2009, and 2010:**



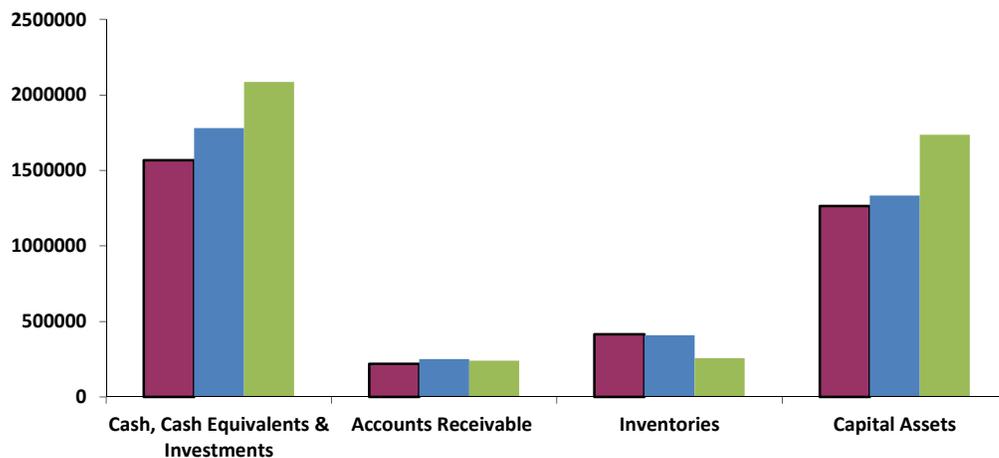
The College's current assets consist of cash, investments, accounts receivables, and inventories. Noncurrent assets consist of capital assets and accumulated depreciation. Total breakdown of assets between current and noncurrent classification is as follows:

### Total Assets



Of the \$4,321,471.26 in total assets, approximately 40% are in cash and cash equivalents and investments. Capital assets represent 40% of total assets as well. Inventories totals are calculated by using Bookstore inventory numbers and Construction House lots. The total decreased for Fiscal Year 2011 due to the sale of the Construction House. The College did not purchase additional lots for Construction Technology in FY11 in order to construct the Jones Education Center building.

### 2009, 2010, & 2011 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, 2011 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.

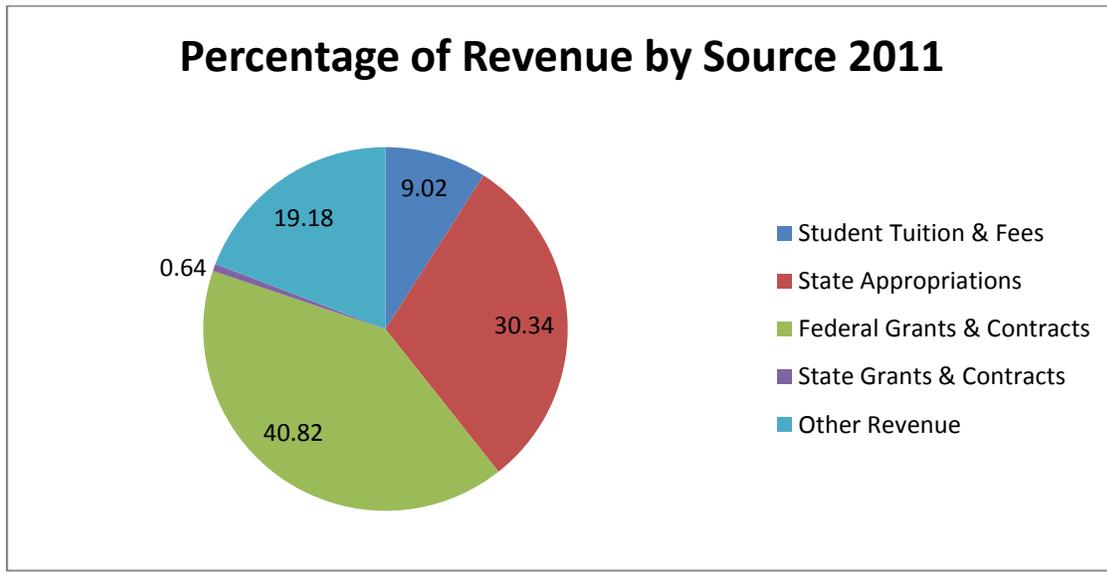
**Results of Operations Fiscal Year 2011**

**Revenue**

Flint Hills Technical College receives revenue from four major sources: the State of Kansas, in the form of Postsecondary Aid and Capital Outlay; students, in the form of tuition and fees; Federal Government; and through auxiliary enterprises.

Fiscal Year 2011 the Department of Education mandated that the College begin offering Direct Loans for students rather than using third-party lenders. Federal direct loan money is considered revenue for the College, whereas, indirect loan revenue was not. Therefore, Direct Loans played a large part in the increase of Federal Grants & Contracts revenue. The decrease in the total Student Tuition & Fees revenue is offset by the increase to Federal Grants.

<b><u>Revenue</u></b>	<b>2010</b>	<b>% Total 2010</b>	<b>2011</b>	<b>% Total 2011</b>
Student Tuition & Fees	\$1,254,865	20.76%	\$869,301	9.02%
State Appropriations	\$2,693,458	44.57%	\$2,923,154	30.34%
Federal Grants & Contracts	\$813,465	13.46%	\$3,932,418	40.82%
State Grants & Contracts	\$82,413	1.3%	\$61,920	.64%
Other Revenue	\$1,198,835	19.91%	\$1,188,835	19.18%
Total Revenue	\$6,043,036		\$9,633,019	

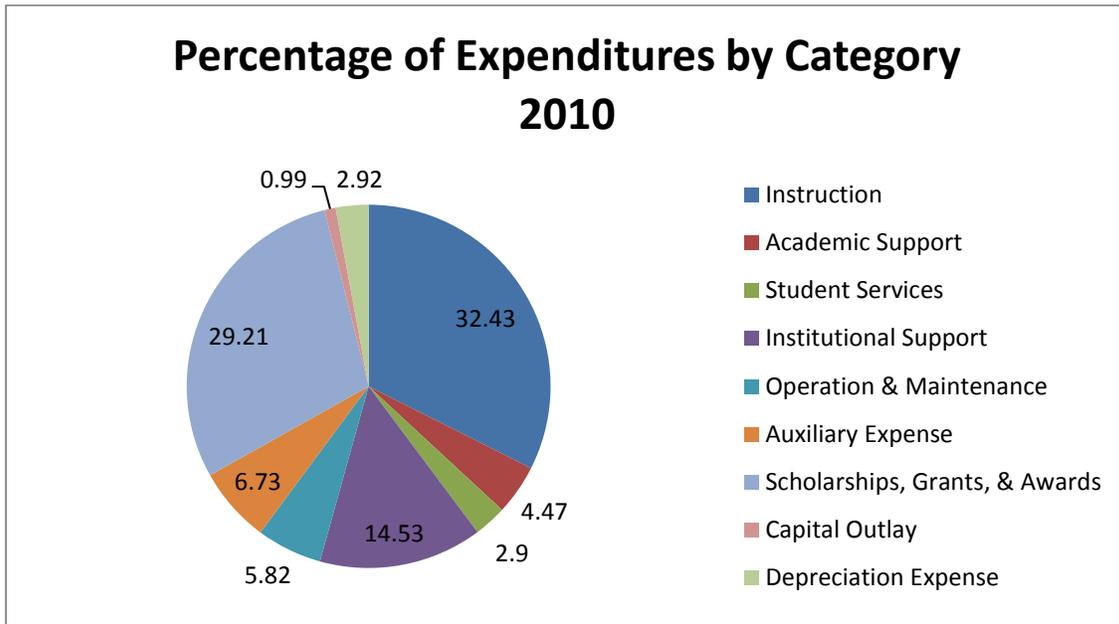


**Expenditures**

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.

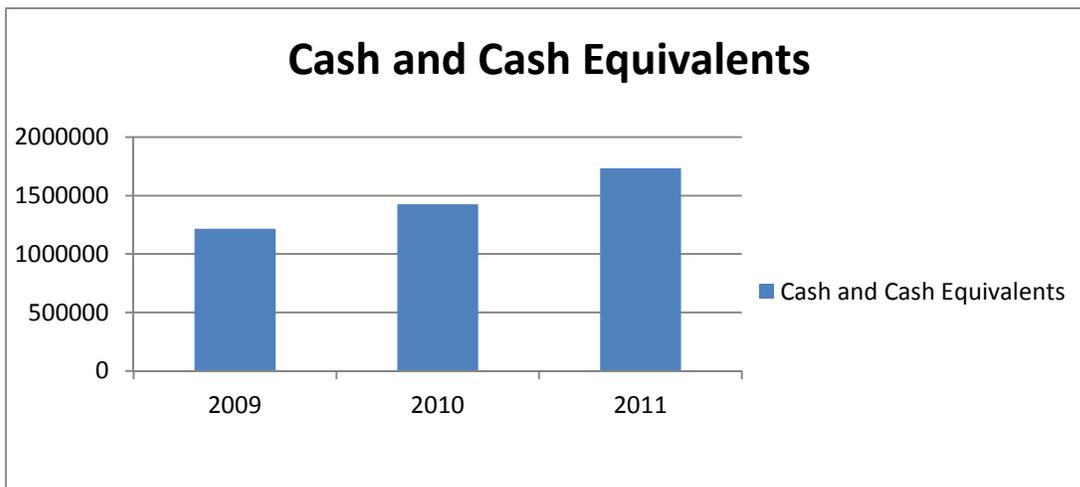
Offering Direct Loans to students in FY 2011 played a large part in the increase of Scholarships, Grants & Awards expense.

<b><u>Detail of Education &amp; General Expenditures</u></b>	<b>2010</b>	<b>% Total 2010</b>	<b>2011</b>	<b>% Total 2011</b>
Instruction	\$2,788,685	46.68%	\$2,945,826	32.43%
Academic Support	\$338,841	5.67%	\$406,458	4.47%
Student Services	\$175,678	2.94%	\$263,935	2.9%
Institutional Support	\$1,058,308	17.72%	\$1,319,907	14.53%
Operation and Maintenance	\$584,346	9.78%	\$528,758	5.82%
Auxiliary Expense	\$499,112	8.36%	\$611,740	6.73%
Scholarships, Grants & Awards	\$217,038	3.63%	\$2,652,716	29.21%
Capital Outlay	\$2,998	.05%	\$90,059	.99%
Depreciation Expense	\$308,507	5.17%	\$261,445	2.92%
Total Expenditures	\$5,973,513		\$9,080,845	



**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 that no new state appropriations monies were received, the College is delighted to show that Flint Hills Technical College's financial condition greatly improved this fiscal year. This improvement is due to a record number of credit hours and continual monitoring of expenses.

### **Economic Outlook**

Flint Hills Technical College showed an increase to cash reserves and continued enrollment growth in FY2011. The next few years will challenge the College with the change to the state appropriations formula. Other challenges the College will face are additional expenses for equipment and space issues due to increasing enrollment. The College continues to seek ways to increase existing revenue sources; including writing grants and offering weekend/evening classes, to help offset the possibility of 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 Business Affairs, 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, 2011, 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, 2011, 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 January 25, 2012, 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 and the schedule of funding progress on pages i through vii, and 20 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Flint Hills Technical College's financial statements as a whole. The supplemental information on pages 21 to 29 are presented for the purposes of additional analysis and are not a required part of the 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

P.O. Box 779  
Chanute, Kansas 66720  
(620) 431-6342  
January 25, 2012

**FLINT HILLS TECHNICAL COLLEGE**Emporia, Kansas  
Statement of Net Assets  
June 30, 2011

	Primary Institution	Component Unit - Foundation
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,732,176.08	\$ 63,130.02
Investments	353,354.66	1,127,624.58
Accounts Receivable, Net	241,148.61	1,165.00
Inventories	258,109.84	-
Total Current Assets	<u>2,584,789.19</u>	<u>1,191,919.60</u>
Noncurrent Assets		
Capital Assets, Net	<u>1,736,682.07</u>	-
Total Noncurrent Assets	<u>1,736,682.07</u>	-
<b>TOTAL ASSETS</b>	<b><u>\$ 4,321,471.26</u></b>	<b><u>\$ 1,191,919.60</u></b>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 182,397.92	\$ -
Accrued Wages	241,253.27	-
Compensated Absences	158,492.20	-
Prepaid Enrollment	17,800.00	-
Deposits Held in Custody for Others	12,253.85	-
Total Current Liabilities	<u>612,197.24</u>	-
<b>TOTAL LIABILITIES</b>	<b><u>612,197.24</u></b>	<b><u>-</u></b>
NET ASSETS		
Investment in Capital Assets, Net of Related Debt	1,736,682.07	-
Restricted Net Assets - Expendable	-	82,945.23
Restricted Net Assets - Nonexpendable	-	783,536.11
Unrestricted	<u>1,972,591.95</u>	<u>325,438.26</u>
<b>TOTAL NET ASSETS</b>	<b><u>3,709,274.02</u></b>	<b><u>1,191,919.60</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,321,471.26</u></b>	<b><u>\$ 1,191,919.60</u></b>

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, 2011

	Primary Institution	Component Unit - Foundation
<b>REVENUES</b>		
Operating Revenues		
Student Tuition and Fees, (net of scholarship discounts and allowances of \$1,488,147.82)	\$ 869,300.63	\$ -
Federal Grants and Contracts	3,932,418.28	-
State Grants and Contracts	61,919.81	-
Charges for Services	41,848.07	-
Activity Fund Revenue	35,321.83	-
Sales and Services of Auxiliary Enterprises	434,378.51	-
Miscellaneous Operating Income	105,292.82	3,925.65
Total Operating Revenues	<u>5,480,479.95</u>	<u>3,925.65</u>
<b>EXPENSES</b>		
Operating Expenses		
Educational and General		
Instruction	2,945,826.30	107,985.17
Academic Support	406,457.74	-
Student Services	263,934.79	-
Institutional Support	1,319,907.41	627,694.15
Operation and Maintenance	528,757.81	-
Auxiliary Expense	611,740.02	-
Scholarships, Grants and Awards	2,652,716.18	63,457.00
Capital Outlay	90,059.14	-
Depreciation Expense	261,445.48	-
Total Operating Expenses	<u>9,080,844.87</u>	<u>799,136.32</u>
Operating Income (Loss)	<u>(3,600,364.92)</u>	<u>(795,210.67)</u>
Nonoperating Revenues (Expenses)		
State Appropriations	2,923,153.86	-
County Appropriations	92,659.00	-
Federal Pell Grants	615,921.87	-
Gifts and Contributions	508,292.70	531,317.70
Investment Income	16,040.44	28,419.04
Realized Gain (Loss) on Investments	-	(44,585.32)
Unrealized Gain (Loss) on Investments	-	224,035.13
Gain (Loss) on Sale of Assets	(3,528.41)	-
Net Operating Revenues (Expenses)	<u>4,152,539.46</u>	<u>739,186.55</u>
Increase (Decrease) in Net Assets	552,174.54	(56,024.12)
Net Assets - Beginning of Year	<u>3,157,099.48</u>	<u>1,247,943.72</u>
Net Assets - End of Year	<u>\$ 3,709,274.02</u>	<u>\$ 1,191,919.60</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, 2011

	Primary Institution	Component Unit - Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student Tuition and Fees	\$ 872,286.51	\$ -
Federal Grants and Contracts	3,932,418.28	-
State Grants and Contracts	61,919.81	-
Sales and Services of Auxiliary Enterprises	476,226.58	-
Activity Fund Revenues	35,321.83	-
Miscellaneous Income	105,292.82	3,925.65
Payments on Behalf of Employees	(3,726,826.10)	-
Payments for Supplies and Materials	(223,355.50)	-
Payments for Other Expenses	(4,715,632.42)	(695,995.40)
Net cash provided by (used in) operating activities	<u>(3,182,348.19)</u>	<u>(692,069.75)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	2,923,153.86	-
County Appropriations	92,659.00	-
Federal Pell Grants	615,921.87	-
Gifts and Contributions	508,292.70	649,347.86
Net cash provided by (used in) noncapital financing activities	<u>4,140,027.43</u>	<u>649,347.86</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Payments for Purchase of Capital Assets	(667,649.19)	-
Net cash provided by (used in) capital financing activities	<u>(667,649.19)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Earned on Investments	16,040.44	28,419.04
Proceeds from the Sales and Maturities of Investments	-	27,188.43
Purchase of Investments	(369.25)	-
Net cash provided by (used in) investing activities	<u>15,671.19</u>	<u>55,607.47</u>
Net Increase (Decrease) in Cash and Cash Equivalents	305,701.24	12,885.58
Cash and Cash Equivalents, Beginning of Year	<u>1,426,474.84</u>	<u>50,244.44</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,732,176.08</u>	<u>\$ 63,130.02</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, 2011

	Primary Institution	Component Unit - Foundation
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (3,600,364.92)	\$ (795,210.67)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation Expense	261,445.48	-
Non cash In-Kind Expense	-	122,037.34
(Increase) Decrease in Receivables	9,439.88	-
(Increase) Decrease in Inventory	151,140.29	-
Increase (Decrease) in Accounts Payable	(16,831.69)	(18,896.42)
Increase (Decrease) in Accrued Wages	5,709.22	-
Increase (Decrease) in Compensated Absences	26,353.23	-
Increase (Decrease) in Prepaid Tuition	(6,454.00)	-
Increase (Decrease) in Deposits Held for Others	(12,785.68)	-
Net cash provided by (used in) operating activities	<u>\$ (3,182,348.19)</u>	<u>\$ (692,069.75)</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, 2011

## 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 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)

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 including certificates of deposit to be cash equivalents.

Investments

The College accounts for its investments at fair value. 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

Accounts receivable consist of unsecured credit for 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. The College uses the allowance method to account for uncollectible accounts receivable.

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).

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 \$5,000.00 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

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

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.

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.

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.

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

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.

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 to 6 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Schedules 4 to 6, the College was in apparent compliance with Kansas cash basis laws. As shown in Schedule 5 and 6, the College was in apparent violation of K.S.A. 79-2934, as the College has obligated expenditures in excess of budgetary limits.

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, 2011, the College had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Investment Pool	\$353,354.66	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.

*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, 2011.

*Deposits:* At year-end, the College's carrying amount of deposits was \$1,732,176.08 and the bank balance was \$1,891,166.91. The bank balance was held by two bank resulting in a concentration of credit risk. Of the bank balance, \$257,238.47 was covered by FDIC insurance, and \$1,633,928.44 was collateralized with pledged securities held by the pledging financial institutions' agents in the College's name.

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

*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, 2011, the Government had invested \$353,354.66 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 \$63,130.02. The balance was held in one investment company money market account resulting in a concentration of credit risk. The money market account balance was \$64,712.53. Of the money market account balance \$64,712.53 was covered by SIPC 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 a 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.

Investments at June 30, 2011, are comprised of the following:

	<u>COST</u>	<u>FAIR VALUE</u>
Mutual Funds	\$ 1,079,616.13	\$ 1,127,624.58

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, 2011:

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Publicly Traded Equities	<u>\$1,127,624.58</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$1,127,624.58</u>

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

There were no transfers between level 1 and level 2 investments during the year ended June 30, 2011.

#### 5. **ACCOUNTS RECEIVABLE, NET**

Accounts receivable at June 30, 2011, consisted of the following:

Student Accounts	\$ 222,815.82
State – Workforce	8,000.00
Federal – Work-Study	2,521.79
Federal – PELL Admin	80.00
Federal - PELL	1,539.00
Federal – Direct Loans	<u>6,192.00</u>
Total Current Accounts Receivable	<u>\$ 241,148.61</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 \$98,845.47 at June 30, 2011.

#### 6. **INVENTORIES**

Inventories consisted of the following at June 30, 2011:

Book Store Inventory	\$ 201,835.41
Lots Held for Resale	56,250.00
House in Progress Held for Resale	<u>24.43</u>
Total Inventory	<u>\$ 258,109.84</u>

**7. CAPITAL ASSETS, NET**

Primary Institution:

Following are the changes in capital assets for the year ended June 30, 2011

	Balance 06/30/2010	Prior Period Adjustments	Additions/ Transfers	Retirements/ Transfers	Balance 06/30/2011
Capital assets not being depreciated					
Construction in Progress	\$ 141,502.28	\$ -	\$ 442,219.80	\$ -	\$ 583,722.08
Capital assets					
Leasehold Improvements	41,211.30	-	-	-	41,211.30
Equipment	3,212,370.46	34,121.91	185,688.83	(44,758.07)	3,387,423.13
Vehicles	21,319.00	-	5,618.65	-	26,937.65
Library Collection	88,821.00	-	-	-	88,821.00
Total Capital Assets	<u>\$ 3,505,224.04</u>	<u>\$ 34,121.91</u>	<u>\$ 191,307.48</u>	<u>\$ (44,758.07)</u>	<u>\$ 4,128,115.16</u>
Accumulated Depreciation					
Leasehold Improvements	<u>\$ (2,171,217.27)</u>	<u>\$ (16,537.92)</u>	<u>\$ (244,907.56)</u>	<u>\$ 41,229.66</u>	<u>\$ (2,391,433.09)</u>
Total Accumulated Depreciation	<u>\$ (2,171,217.27)</u>	<u>\$ (16,537.92)</u>	<u>\$ (244,907.56)</u>	<u>\$ 41,229.66</u>	<u>\$ (2,391,433.09)</u>
Total Net Capital Assets	<u>\$ 1,334,006.77</u>	<u>\$ 17,583.99</u>	<u>\$ (53,600.08)</u>	<u>\$ (3,528.41)</u>	<u>\$ 1,736,682.07</u>

Component Unit:

Following are the changes in capital assets for the year ended June 30, 2011:

	Balance 06/30/2010	Additions	Retirements	Balance 06/30/2011
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	<u>\$ 4,888.29</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,888.29</u>
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, 2011, was \$40,734.10. Future minimum rental payments are as follows:

Year Ended June 30	Amount
2012	\$ 27,981.88
2013	16,596.88
2014	4,244.04
2015	1,832.70

**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% or 6% 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 9.17% 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, 2011, 2010, and 2009 were \$253,834,044, \$248,468,186, and \$242,277,363, respectively, equal to the statutory required contributions for each year. During the year ended June 30, 2011, payments made by the State of Kansas to KPERs on behalf of the College totaled \$233,988.74.

**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, 2011:

<u>Paid or Payable</u>	<u>Year Ended June 30<sup>th</sup></u>	<u>Amount</u>
Paid	2011	\$ 19,776.42
Payable	2012	21,598.80
Payable	2013	21,598.80
Payable	2014	3,929.76

*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	<u>418,946.00</u>
Net OPEB Obligation – June 30, 2010	418,946.00
Net OPEB Obligation – June 30, 2011	<u>\$ 837,892.00</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 2011 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, 2011	\$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, 2011.

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**

94.37% of the Foundation's monies are invested in mutual funds in the stock market of this amount 30.31% are invested in bonds and fixed income investments and 59.48% 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, 2011, \$63,457.00 for scholarships and reimbursed the College for \$59,463.27 in administrative support. The Foundation disbursed on behalf of the College through its activity funds for the year ended June 30, 2011, \$627,694.15. The College disbursed on behalf of the Foundation donated services and facilities for the year ended June 30, 2011, \$8,745.35.

**16. SUBSEQUENT EVENTS**

The College evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

**FLINT HILLS TECHNICAL COLLEGE**  
EMPORIA, KANSAS

**REQUIRED SUPPLEMENTAL INFORMATION**  
For the Year Ended June 30, 2011

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Schedule of Funding Progress

For the Year Ended June 30, 2011

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 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, 2011	\$418,946.00	0.00%	\$418,946.00

**FLINT HILLS TECHNICAL COLLEGE**  
EMPORIA, KANSAS

**SUPPLEMENTAL INFORMATION**  
For the Year Ended June 30, 2011

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas  
Combining Schedule of Net Assets - Primary Institution  
June 30, 2011

	ASSETS					FEDERAL FINANCIAL AID
	GENERAL	ADULT EDUCATION	AUXILIARY ENTERPRISE BOOKSTORE	AUXILIARY ENTERPRISE FOOD SERVICE	LITERACY PROGRAM	
Current Assets						
Cash and Cash Equivalents	\$ 1,531,580.64	\$ 63,434.24	\$ 53,107.17	\$ 586.70	\$ 2,271.96	\$ 1,110.02
Investments	353,354.66	-	-	-	-	-
Receivables - Federal	2,601.79	-	-	-	-	7,731.00
Receivables - Other Receivables	230,815.82	-	-	-	-	-
Inventories	56,274.43	-	201,835.41	-	-	-
Total Current Assets	2,174,627.34	63,434.24	254,942.58	586.70	2,271.96	8,841.02
Noncurrent Assets						
Capital Assets	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-
Total Noncurrent Assets	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,174,627.34</b>	<b>\$ 63,434.24</b>	<b>\$ 254,942.58</b>	<b>\$ 586.70</b>	<b>\$ 2,271.96</b>	<b>\$ 8,841.02</b>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 69,946.59	\$ 20,085.85	\$ 56,183.71	\$ 586.70	\$ -	\$ 8,841.02
Accrued Wages	241,253.27	-	-	-	-	-
Compensated Absences	158,492.20	-	-	-	-	-
Prepaid Tuition	17,800.00	-	-	-	-	-
Deposits Held in Custody for Others	-	-	-	-	-	-
Total Current Liabilities	487,492.06	20,085.85	56,183.71	586.70	-	8,841.02
TOTAL LIABILITIES	487,492.06	20,085.85	56,183.71	586.70	-	8,841.02
NET ASSETS						
Investment in capital assets, net of related debt	-	-	-	-	-	-
Unrestricted	1,687,135.28	43,348.39	198,758.87	-	2,271.96	-
TOTAL NET ASSETS	1,687,135.28	43,348.39	198,758.87	-	2,271.96	-
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,174,627.34</b>	<b>\$ 63,434.24</b>	<b>\$ 254,942.58</b>	<b>\$ 586.70</b>	<b>\$ 2,271.96</b>	<b>\$ 8,841.02</b>

Schedule 2 (Continued)

**FLINT HILLS TECHNICAL COLLEGE**  
 Emporia, Kansas  
 Combining Schedule of Net Assets - Primary Institution  
 June 30, 2011

	JONES EDUCATION CENTER	FHTC ACCREDITATION	SCHOOL ACTIVITY FUNDS	FHTC AGENCY	INVESTMENT IN PLANT	TOTALS - PRIMARY INSTITUTION
<b>ASSETS</b>						
Current Assets						
Cash and Cash Equivalents	\$ 57,095.94	\$ 10,735.56	\$ -	\$ 12,253.85	\$ -	\$ 1,732,176.08
Investments	-	-	-	-	-	353,354.66
Receivables - Federal	-	-	-	-	-	10,332.79
Receivables - Other Receivables	-	-	-	-	-	230,815.82
Inventories	-	-	-	-	-	258,109.84
Total Current Assets	57,095.94	10,735.56	-	12,253.85	-	2,584,789.19
Noncurrent Assets						
Capital Assets	-	-	-	-	4,128,115.16	4,128,115.16
Accumulated Depreciation	-	-	-	-	(2,391,433.09)	(2,391,433.09)
Total Noncurrent Assets	-	-	-	-	1,736,682.07	1,736,682.07
<b>TOTAL ASSETS</b>	<b>\$ 57,095.94</b>	<b>\$ 10,735.56</b>	<b>\$ -</b>	<b>\$ 12,253.85</b>	<b>\$ 1,736,682.07</b>	<b>\$ 4,321,471.26</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Current Liabilities						
Accounts Payable	\$ 26,754.05	\$ -	\$ -	\$ -	\$ -	\$ 182,397.92
Accrued Wages	-	-	-	-	-	241,253.27
Compensated Absences	-	-	-	-	-	158,492.20
Prepaid Tuition	-	-	-	-	-	17,800.00
Deposits Held in Custody for Others	-	-	-	12,253.85	-	12,253.85
Total Current Liabilities	26,754.05	-	-	12,253.85	-	612,197.24
<b>TOTAL LIABILITIES</b>	<b>26,754.05</b>	<b>-</b>	<b>-</b>	<b>12,253.85</b>	<b>-</b>	<b>612,197.24</b>
<b>NET ASSETS</b>						
Investment in capital assets, net of related debt	-	-	-	-	1,736,682.07	1,736,682.07
Unrestricted	30,341.89	10,735.56	-	-	-	1,972,591.95
<b>TOTAL NET ASSETS</b>	<b>30,341.89</b>	<b>10,735.56</b>	<b>-</b>	<b>-</b>	<b>1,736,682.07</b>	<b>3,709,274.02</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 57,095.94</b>	<b>\$ 10,735.56</b>	<b>\$ -</b>	<b>\$ 12,253.85</b>	<b>\$ 1,736,682.07</b>	<b>\$ 4,321,471.26</b>

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Combining Schedule of Revenues, Expenses, and Changes in Net Assets - Primary Institution  
For the Year Ended June 30, 2011

	GENERAL	ADULT EDUCATION	AUXILIARY ENTERPRISE BOOKSTORE	AUXILIARY ENTERPRISE FOOD SERVICE	LITERACY PROGRAM	FEDERAL FINANCIAL AID	JONES EDUCATION CENTER
<b>REVENUES</b>							
Operating Revenues							
Student Tuition and Fees	\$ 2,354,623.45	\$ 2,728.00	\$ -	\$ -	\$ 97.00	\$ -	\$ -
Federal Grants and Contracts	330,200.28	74,845.87	-	-	-	3,524,942.13	-
State Grants and Contracts	-	41,919.81	-	-	-	-	-
Charges for Services	41,848.07	-	-	-	-	-	-
Activity Fund Revenue	-	-	-	-	-	-	-
Sales and Services of Auxiliary Enterprises	-	-	353,617.97	80,760.54	-	-	-
Miscellaneous Income	101,515.53	3,777.29	-	-	-	-	-
Total Operating Revenues	<u>2,828,187.33</u>	<u>123,270.97</u>	<u>353,617.97</u>	<u>80,760.54</u>	<u>97.00</u>	<u>3,524,942.13</u>	<u>-</u>
<b>EXPENSES</b>							
Operating Expenses							
Instruction	2,680,627.93	205,332.64	-	-	1,448.81	-	2,067.59
Academic Support	406,457.74	-	-	-	-	-	-
Student Services	263,934.79	-	-	-	-	-	-
Institutional Support	1,304,191.84	4,578.12	-	-	-	-	-
Operation and Maintenance	516,166.22	12,591.59	-	-	-	-	-
Auxiliary Expense	191,270.23	-	339,709.25	80,760.54	-	-	-
Scholarships	-	-	-	-	-	4,140,864.00	-
Capital Outlay	369,127.39	15,400.00	-	-	-	-	373,180.94
Depreciation Expense	-	-	-	-	-	-	-
Total Operating Expenses	<u>5,731,776.14</u>	<u>237,902.35</u>	<u>339,709.25</u>	<u>80,760.54</u>	<u>1,448.81</u>	<u>4,140,864.00</u>	<u>375,248.53</u>
Operating Income (Loss)	<u>(2,903,588.81)</u>	<u>(114,631.38)</u>	<u>13,908.72</u>	<u>-</u>	<u>(1,351.81)</u>	<u>(615,921.87)</u>	<u>(375,248.53)</u>
Nonoperating Revenues (Expenses)							
State Appropriations	2,923,153.86	-	-	-	-	-	-
County Appropriations	-	92,659.00	-	-	-	-	-
Federal Pell Grant	-	-	-	-	-	615,921.87	-
Interest Income	16,040.44	-	-	-	-	-	-
Gifts and Contributions	-	-	-	-	-	-	-
Gain (Loss) on Sale of Assets	-	-	-	-	-	-	508,292.70
Increase (Decrease) in Net Assets	35,605.49	(21,972.38)	13,908.72	-	(1,351.81)	(0.00)	133,044.17
Net Assets - Beginning of Year	1,651,529.79	65,320.77	184,850.15	-	3,623.77	-	(102,702.28)
Net Assets - End of Year	<u>\$ 1,687,135.28</u>	<u>\$ 43,348.39</u>	<u>\$ 198,758.87</u>	<u>\$ -</u>	<u>\$ 2,271.96</u>	<u>\$ -</u>	<u>\$ 30,341.89</u>

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Combining Schedule of Revenues, Expenses, and Changes in Net Assets - Primary Institution  
For the Year Ended June 30, 2011

	FHTC ACCREDITATION	SPCC HEALTH AND SAFETY GRANT	SCHOOL ACTIVITY FUNDS	INVESTMENT IN PLANT	ELIMINATING INTER-COMPANY SCHOLARSHIPS	TOTALS - PRIMARY INSTITUTION
<b>REVENUES</b>						
Operating Revenues						
Student Tuition and Fees	\$ -	\$ -	-	\$ -	\$ (1,488,147.82)	\$ 869,300.63
Federal Grants and Contracts	2,430.00	-	-	-	-	3,932,418.28
State Grants and Contracts	-	20,000.00	-	-	-	61,919.81
Charges for Services	-	-	-	-	-	41,848.07
Activity Fund Revenue	-	-	35,321.83	-	-	35,321.83
Sales and Services of Auxiliary Enterprises	-	-	-	-	-	434,378.51
Miscellaneous Income	-	-	-	-	-	105,292.82
Total Operating Revenues	2,430.00	20,000.00	35,321.83	-	(1,488,147.82)	5,480,479.95
<b>EXPENSES</b>						
Operating Expenses						
Instruction	-	20,000.00	36,349.33	-	-	2,945,826.30
Academic Support	-	-	-	-	-	406,457.74
Student Services	-	-	-	-	-	263,934.79
Institutional Support	11,137.45	-	-	-	-	1,319,907.41
Operation and Maintenance	-	-	-	-	-	528,757.81
Auxiliary Expense	-	-	-	-	-	611,740.02
Scholarships	-	-	-	-	(1,488,147.82)	2,652,716.18
Capital Outlay	-	-	-	(667,649.19)	-	90,059.14
Depreciation Expense	-	-	-	261,445.48	-	261,445.48
Total Operating Expenses	11,137.45	20,000.00	36,349.33	(406,203.71)	(1,488,147.82)	9,080,844.87
Operating Income (Loss)	(8,707.45)	-	(1,027.50)	406,203.71	-	(3,600,364.92)
Nonoperating Revenues (Expenses)						
State Appropriations	-	-	-	-	-	2,923,153.86
County Appropriations	-	-	-	-	-	92,659.00
Federal Pell Grant	-	-	-	-	-	615,921.87
Interest Income	-	-	-	-	-	16,040.44
Gifts and Contributions	-	-	-	-	-	508,292.70
Gain (Loss) on Sale of Assets	-	-	-	(3,528.41)	-	(3,528.41)
Increase (Decrease) in Net Assets	(8,707.45)	-	(1,027.50)	402,675.30	-	552,174.54
Net Assets - Beginning of Year	19,443.01	-	1,027.50	1,334,006.77	-	3,157,099.48
Net Assets - End of Year	\$ 10,735.56	\$ -	\$ -	\$ 1,736,682.07	\$ -	\$ 3,709,274.02

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

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

For the Year Ended June 30, 2011

Schedules 4 to 6 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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	Prior Year Budget Basis	Current Year			Variance Over (Under)	
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis		
<b>REVENUES</b>						
Student Tuition and Fees						
Postsecondary Tuition	\$ 1,160,613.09	\$ 1,401,219.35	\$ 19,719.58	\$ 1,420,938.93	\$ 1,260,717.00	\$ 160,221.93
Secondary Tuition	283,705.00	355,248.00	-	355,248.00	296,040.00	59,208.00
Student Fees	492,525.83	547,000.99	-	547,000.99	503,026.00	43,974.99
Continuing Education	31,372.62	36,100.11	-	36,100.11	33,500.00	2,600.11
Customized Training	8,066.25	15,055.00	-	15,055.00	7,500.00	7,555.00
Total Student Tuition and Fees	1,976,282.79	2,354,623.45	19,719.58	2,374,343.03	2,100,783.00	273,560.03
Federal Sources						
Federal Grants	244,513.26	213,685.27	(14,712.93)	198,972.34	732,641.00	(533,668.66)
Federal Grants - ARRA	137,859.05	116,515.01	-	116,515.01	-	116,515.01
Total Federal Sources	382,372.31	330,200.28	(14,712.93)	315,487.35	732,641.00	(417,153.65)
State Sources						
State Operating Grant	2,353,276.00	2,480,694.12	-	2,480,694.12	2,250,276.00	230,418.12
Other State Sources	132,196.00	442,459.74	(241,988.74)	200,471.00	132,196.00	68,275.00
Total State Sources	2,485,472.00	2,923,153.86	(241,988.74)	2,681,165.12	2,382,472.00	298,693.12
Charges for Services						
Cafeteria	51,907.50	-	-	-	-	-
Bookstore	292,028.31	-	-	-	-	-
Tech Service Income	32,713.98	41,848.07	-	41,848.07	30,500.00	11,348.07
Total Charges for Services	376,649.79	41,848.07	-	41,848.07	30,500.00	11,348.07
Other Sources						
Interest Income	17,199.62	16,040.44	-	16,040.44	18,000.00	(1,959.56)
Sale of House	147,818.86	(30,252.23)	169,484.87	139,232.64	155,000.00	(15,767.36)
Miscellaneous	76,393.74	131,767.76	(80.00)	131,687.76	112,023.00	19,664.76
Total Other Sources	241,412.22	117,555.97	169,404.87	286,960.84	285,023.00	1,937.84
<b>TOTAL REVENUES</b>	5,462,189.11	5,767,381.63	(67,577.22)	5,699,804.41	5,531,419.00	168,385.41

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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	Prior Year Budget Basis	Current Year			Variance Over (Under)
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	
<b>EXPENDITURES</b>					
Education and General					
Instruction	\$ 2,290,051.60	\$ 2,680,627.93	\$ (260,341.97)	\$ 2,420,285.96	\$ (1,039,435.04)
Academic Support	338,841.38	406,457.74	-	406,457.74	40,372.74
Student Services	175,678.31	263,934.79	-	263,934.79	258,434.79
Institutional Support	1,048,152.10	1,304,191.84	-	1,304,191.84	986,391.84
Operation and Maintenance	574,567.70	516,166.22	-	516,166.22	84,520.22
Auxiliary Expenses	542,241.03	191,270.23	-	191,270.23	(582,766.77)
Capital Outlay	333,089.88	369,127.39	1,359.32	370,486.71	194,986.71
<b>TOTAL EXPENDITURES</b>	<b>5,302,622.00</b>	<b>5,731,776.14</b>	<b>(258,982.65)</b>	<b>5,472,793.49</b>	<b>(57,495.51)</b>
Excess of Revenues Over (Under) Expenditures	159,567.11	35,605.49	191,405.43	227,010.92	225,880.92
Unencumbered Cash Beginning of Year	1,187,157.41	1,651,529.79	(304,805.27)	1,346,724.52	1,346,724.52
End of Year	\$ 1,346,724.52	\$ 1,687,135.28	\$ (113,399.84)	\$ 1,573,735.44	\$ 1,572,605.44

**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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	Prior Year Budget Basis	Current Year				Variance Over (Under)
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Budget	
<b>REVENUES</b>						
Federal Sources						
Federal Grants	\$ 72,145.00	\$ 74,845.87	\$ -	\$ 74,845.87	\$ -	\$ 74,845.87
State Sources						
State Grants	82,413.00	41,919.81	-	41,919.81	-	41,919.81
Local Sources						
Local Tax	99,344.00	92,659.00	-	92,659.00	-	92,659.00
Tuition and Fees	2,752.09	2,728.00	-	2,728.00	-	2,728.00
Other Sources						
Miscellaneous	1,559.00	3,777.29	-	3,777.29	-	3,777.29
Operating Transfers from Literacy Program Fund	12,000.00	-	-	-	-	-
<b>TOTAL REVENUES</b>	270,213.09	215,929.97	-	215,929.97	-	215,929.97
<b>EXPENDITURES</b>						
Instruction	240,379.14	205,332.64	-	205,332.64	-	205,332.64
Institutional Support	1,898.11	4,578.12	-	4,578.12	-	4,578.12
Operation and Maintenance	9,777.84	12,591.59	-	12,591.59	-	12,591.59
Capital Outlay	-	15,400.00	-	15,400.00	-	15,400.00
<b>TOTAL EXPENDITURES</b>	252,055.09	237,902.35	-	237,902.35	-	237,902.35
Excess of Revenues Over (Under) Expenditures	18,158.00	(21,972.38)	-	(21,972.38)	-	(21,972.38)
Unencumbered Cash Beginning of Year	47,162.77	65,320.77	-	65,320.77	-	65,320.77
End of Year	\$ 65,320.77	\$ 43,348.39	\$ -	\$ 43,348.39	\$ -	\$ 43,348.39

Schedule 6

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

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

Current Funds - Unrestricted  
Auxiliary Enterprise Funds (Budget Basis)

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	Prior Year		Current Year				Variance Under (Over)	
	Total Auxiliary Enterprise Funds Budget Basis	Bookstore GAAP	Food Service GAAP	Total Auxiliary Enterprise Funds GAAP	Adjustments To Budget Basis	Total Auxiliary Enterprise Funds Budget Basis		Final Budget
<b>REVENUES</b>								
Sales and Services of Auxiliary Enterprises	\$ -	\$ 353,061.87	\$ 57,768.45	\$ 410,830.32	\$ -	\$ 410,830.32	\$ -	\$ 410,830.32
Other Sources	-	556.10	22,992.09	23,548.19	-	23,548.19	-	23,548.19
Miscellaneous	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	-	353,617.97	80,760.54	434,378.51	-	434,378.51	-	434,378.51
<b>EXPENDITURES</b>								
Auxiliary Enterprise Salaries and Benefits	-	29,294.01	35,510.41	64,804.42	-	64,804.42	-	64,804.42
General Operating Expense	-	310,415.24	45,250.13	355,665.37	(28,264.87)	327,400.50	-	327,400.50
<b>TOTAL EXPENDITURES</b>	-	339,709.25	80,760.54	420,469.79	(28,264.87)	392,204.92	-	392,204.92
Excess of Revenues Over (Under) Expenditures and Other Additions (Deductions)	-	13,908.72	-	13,908.72	28,264.87	42,173.59	-	42,173.59
Unencumbered Cash Beginning of Year	-	184,850.15	-	184,850.15	(184,850.15)	-	-	-
End of Year	\$ -	\$ 198,758.87	\$ -	\$ 198,758.87	\$ (156,585.28)	\$ 42,173.59	\$ -	\$ 42,173.59

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas  
Schedule of Changes in Assets and Liabilities  
All Agency Funds - Primary Institution  
For the Year Ended June 30, 2011

ACCOUNT NAME	Primary Institution			BALANCE JUNE 30, 2011
	BALANCE JUNE 30, 2010	ADDITIONS	DEDUCTIONS	
<b>AGENCY FUND</b>				
Scholarship Funds				
PEO Chapter	\$ 51.88	\$ -	\$ 51.88	\$ -
Reebles Scholarship	8,231.91	-	8,231.91	-
Foundation Auction	-	12,180.00	12,180.00	-
Memeorial Fund	200.00	-	200.00	-
Student Loans	1,960.00	-	1,960.00	-
Emergency Student Aid	693.04	-	693.04	-
Capital Federal Scholarship	833.33	-	833.33	-
Total Scholarship Funds	<u>11,970.16</u>	<u>12,180.00</u>	<u>24,150.16</u>	<u>-</u>
Student Organization Accounts				
Student Senate	2,450.15	5,968.17	5,670.68	2,747.64
Automotive Tech	1,516.68	1,516.71	125.00	2,908.39
Business - BPA	234.40	4,673.83	4,774.63	133.60
Machine Tool	5.38	19.40	-	24.78
Industrial Main	-	649.60	540.00	109.60
Construction	207.68	120.00	269.39	58.29
Culinary Arts	646.37	1,523.42	2,081.56	88.23
Dental Assistant	1,315.24	8,245.35	7,772.13	1,788.46
Graphic Arts	(216.89)	1,079.39	222.75	639.75
Nursing - HOSA	3,599.84	11,768.15	13,138.48	2,229.51
VICA General Fund	929.06	-	-	929.06
Pool Table Proc.	1,089.81	-	1,089.81	-
Paramedic/EMS	923.74	2,929.54	3,343.65	509.63
Hygiene	367.91	2,979.00	3,260.00	86.91
Total Student Organizations	<u>13,069.37</u>	<u>41,472.56</u>	<u>42,288.08</u>	<u>12,253.85</u>
<b>TOTAL AGENCY FUNDS</b>	<u>\$ 25,039.53</u>	<u>\$ 53,652.56</u>	<u>\$ 66,438.24</u>	<u>\$ 12,253.85</u>
Assets				
Cash and Investments	\$ 25,039.53	\$ 53,652.56	\$ 66,438.24	\$ 12,253.85
<b>TOTAL ASSETS</b>	<u>\$ 25,039.53</u>	<u>\$ 53,652.56</u>	<u>\$ 66,438.24</u>	<u>\$ 12,253.85</u>
Liabilities				
Deposits Held For Others	\$ 25,039.53	\$ 53,652.56	\$ 66,438.24	\$ 12,253.85
<b>TOTAL LIABILITIES</b>	<u>\$ 25,039.53</u>	<u>\$ 53,652.56</u>	<u>\$ 66,438.24</u>	<u>\$ 12,253.85</u>

**FLINT HILLS TECHNICAL COLLEGE**  
EMPORIA, KANSAS

**FEDERAL COMPLIANCE SECTION**  
For the Year Ended June 30, 2011

**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: 4348 KS  
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
	DIRECT LOAN	84.268
	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, KS	Yes	Yes	Yes	1999	N/A	2011	N/A
Clay Center, KS	Yes	Yes	Yes	2008	N/A	2011	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:

<u>BANK</u>	<u>ACCOUNTS</u>
CoreFirst Bank & Trust 701 Merchant Emporia, KS 66801	3011887
Lyon County State Bank P.O. Box 488 Emporia, KS 66801	1034368

**Schedule 8**

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	Pass-Through Entity Identifying Number	Federal CFDA Number	Disbursements/ Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Direct Programs:			
Student Financial Assistance Programs Cluster			
Federal Supplemental Education Opportunity	N/A	84.007	\$ 20,500.00
Federal College Work-Study	N/A	84.033	20,747.27
Federal College Work-Study Administration	N/A	84.033	1,097.00
		Total 84.033	<u>21,844.27</u>
Federal Pell Grant	N/A	84.063	1,466,510.00
Federal Pell Grant Administration	N/A	84.063	1,905.00
		Total 84.063	<u>1,468,415.00</u>
Federal Direct Student Loans	N/A	84.268	2,644,229.00
Academic Competitiveness Grant	N/A	84.375	9,625.00
			<u>4,164,613.27</u>
Total Student Financial Assistance Programs Cluster			(M)
Passed through the State of Kansas Department of Education:			
State Fiscal Stabilization Funds - ARRA	S394A090017	84.394	116,515.01
Adult Basic Education Program	FY11- ABE	84.002	74,845.87
Adult Basic Education Program - Incentive Aid	FY11- ABE	84.002	3,742.29
		Total 84.002	<u>78,588.16</u>
Carl Perkins Vocational Education Grants: Program Improvement	LEA#JO803	84.048	191,841.00
Total U.S. Department of Education			<u>4,551,557.44</u>
			<u>\$ 4,551,557.44</u>
<b>FEDERAL ASSISTANCE TOTALS</b>			

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.  
(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, 2011, which collectively comprise the Flint Hills Technical College's basic financial statements and have issued our report thereon dated January 25, 2012. 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

January 25, 2012  
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 direct and material effect on each of Flint Hills Technical College's major federal programs for the year ended June 30, 2011. 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, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

As described in items 2011-01 and 2011-02 in the accompanying schedule of findings and questioned costs, Flint Hills Technical College, did not comply with requirements regarding Special Tests and Provisions that are applicable to its Student Financial Aid Cluster. Compliance with such requirements is necessary, in our opinion, for Flint Hills Technical College, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-01 and 2011-02.

### 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-01 and 2011-02 to be material weaknesses.

Flint Hills Technical College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Flint Hills Technical College's responses and, accordingly, we express no opinion on the responses.

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

January 25, 2012  
Chanute, Kansas

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

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

**Financial Statements:**

The auditors' report expresses an 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?	___X___	Yes	_____	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?	___X___	Yes	_____	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 Supplemental Educational Opportunity Grant – CFDA No. 84.007
  - Federal College Work-Study Program – CFDA No. 84.033
  - Federal Direct Student Loans – CFDA No. 84.268
  - 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, 2011

**II. FINDINGS – FINANCIAL STATEMENT AUDIT**

NONE

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

**Finding: 2011-01** – Special Tests and Provisions - Verification

*Information of Federal Program:*

Student Financial Aid Cluster - Federal Pell Grant Program – CFDA No. 84.063, Federal Supplemental Educational Opportunity Grant – CFDA No. 84.007, Federal Work-Study Program – CFDA No. 84.033, Federal Direct Student Loan – CFDA No. 84.268 and Academic Competitiveness Grant – CFDA No. 84.375

*Criteria:*

Written policies and procedures are required to be established that incorporate the provisions of 34 CFR sections 668.51 through 668.61 for verifying applicant information. The College shall require each applicant whose application is selected by the central processor, based on edits specified by ED, to verify the information specified in 34 CFR section 668.56.

*Condition:*

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

*Effect:*

The deficiencies in the design and operation of the internal controls in this area could result in the improper awarding of financial aid.

*Cause:*

The College did not have internal controls in place to document that proper verification was performed.

*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.

*Views of responsible officials and planned corrective action:* See the Corrective Action Plan on page 41 of the current year audit.

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

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

**Finding: 2011-02** – Eligibility

*Information of Federal Program:*

Student Financial Aid Cluster

Federal Pell Grant Program – CFDA No. 84.063

*Criteria:* Proper awarding of student financial aid require the College to have controls in place for the properly determining eligibility. Determining the annual award is based on the cost of attendance, the EFC, and from the Payment or Disbursement Schedule for the student's enrollment status (i.e., full-time, three quarter-time, half-time, or less than half-time).

*Condition:* During the testing of Federal Pell Grant Program, it was noted three of fifty-two tested students were over-awarded the Federal Pell Grant based on the criteria presented above.

*Effect:* The students received more Federal financial aid than should have been awarded.

*Cause:* The College did not have internal controls in place to review amounts awarded to students and to determine that they matched with the student's status at the College.

*Recommendation:* Policies and procedures should be written to provide on-going monitoring of students to ensure the student is not over or under awarded financial aid.

*Views of responsible officials and planned corrective action:* See the Corrective Action Plan on page 41 of the current year audit.

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

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 September 26, 2011 to September 29, 2011. The following is a schedule of statistics for the year ended June 30, 2011:

**TOTAL POPULATION:**

	<b>PELL</b>	<b>FDLP</b>	<b>FSEOG</b>	<b>FWS</b>	<b>ACG</b>
Universe					
Dollars	\$1,466,510	\$2,644,230	\$20,500	\$20,747	\$9,625
Students	384	418	48	13	12
Sample					
Dollars	\$179,823	\$366,391	\$3,750	\$4,752	\$2,050
Sample	52	54	9	1	2

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

	<b>PELL</b>	<b>FDLP</b>	<b>FSEOG</b>	<b>FWS</b>	<b>ACG</b>
Universe					
Dollars	\$1,360,353	\$2,423,042	\$19,250	\$20,747	\$9,625
Students	353	382	45	13	12
Sample					
Dollars	\$123,920	\$219,554	\$3,000	\$4,752	\$2,050
Sample	31	31	7	1	2

**WITHDREW, DROPPED OR TERMINATED STUDENTS:**

	<b>PELL</b>	<b>FDLP</b>	<b>FSEOG</b>	<b>FWS</b>	<b>ACG</b>
Universe					
Dollars	\$106,157	\$221,188	\$1,250	\$0	\$0
Students	31	36	3	0	0
Sample					
Dollars	\$55,903	\$146,837	\$750	\$0	\$0
Sample	21	23	2	0	0

**WITHDREW, DROPPED OR TERMINATED STUDENTS:**

	<b>PELL</b>	<b>FDLP</b>	<b>FSEOG</b>	<b>FWS</b>	<b>ACG</b>
Universe					
Dollars Refunded	\$4,162	\$8,771	\$0	\$0	\$0
Students	3	10	0	0	0
Sample					
Dollars Refunded	\$0	\$4,616	\$0	\$0	\$0
Sample	0	5	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, 2011

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Period Ended June 30, 2010:

None

## Corrective Action Plan

January 25, 2012

Cognizant or Oversight Agency for Audit

Flint Hills Technical College respectfully submits the following corrective action plan for the year ended June 30, 2011.

Name and address of independent public accounting firm: Jarred, Gilmore & Phillips, PA, P.O. Box 779, 1815 S Santa Fe, Chanute, Kansas 66720.

Audit period: Year ended June 30, 2011.

The findings from the January 25, 2012 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

**Finding 2011-01** – Special Tests and Provisions - Verification

*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.

*Action Taken:* We concur with the recommendation. The Financial Aid office has established policies and procedures to provide internal control over the verification process. The Financial Aid office had recognized there was an issue with the verification process prior to the end of the 2011 fiscal year and steps were taken to correct the processes in place. Additional staffing has been added to the Financial Aid office to help relieve the workload for the verification process.

**Finding 2011-02** – Eligibility

*Recommendation:*

Policies and procedures should be written to provide on-going monitoring of students to ensure the student is not over or under awarded financial aid.

*Action Taken:*

The College has developed procedures to check awards twice prior to disbursement, to verify accuracy in grant aid awarded.

If the Oversight Agency for Audit has questions regarding this plan, please call Sandy Schroeder, Financial Aid Director, at (620)341-1310.

Sincerely,

*Flint Hills Technical College*

Flint Hills Technical College