

**FLINT HILLS  
TECHNICAL COLLEGE**  
Emporia, Kansas

Independent Auditors' Report and  
Financial Statements with  
Supplemental Information  
For the Year Ended June 30, 2013

**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 explanation of the basic financial statements of the College for the year ended June 30, 2013 with selected comparative information from prior fiscal years. 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:

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 Position; Statement of Revenues, Expenses, and Changes in Net Position; 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.

### Highlights to the Financial Statements:

During the Fall 2012 semester, the College was able to begin utilizing the Jones Education Center for classroom use. General Education courses and the Sustainability Studies program are using these classrooms, which frees up space in the main building. With the second year of the Federal Technical Retraining to Achieve Credentials (TRAC-7) Grant, the College was able to expand the Power Plant Technology program considerably in both enrollment and equipment.

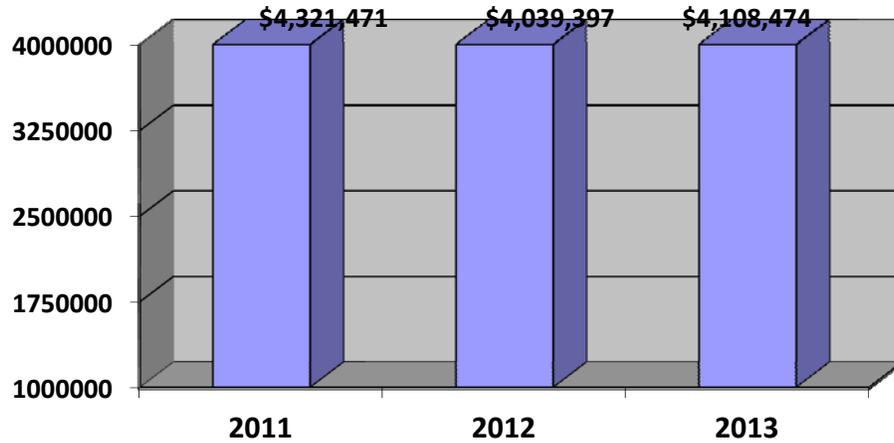
### Statement of Net Position

The Statement of Net Position presents the summary of each fund's assets, liabilities, and net position at June 30, 2013. 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 2011 to 2013**

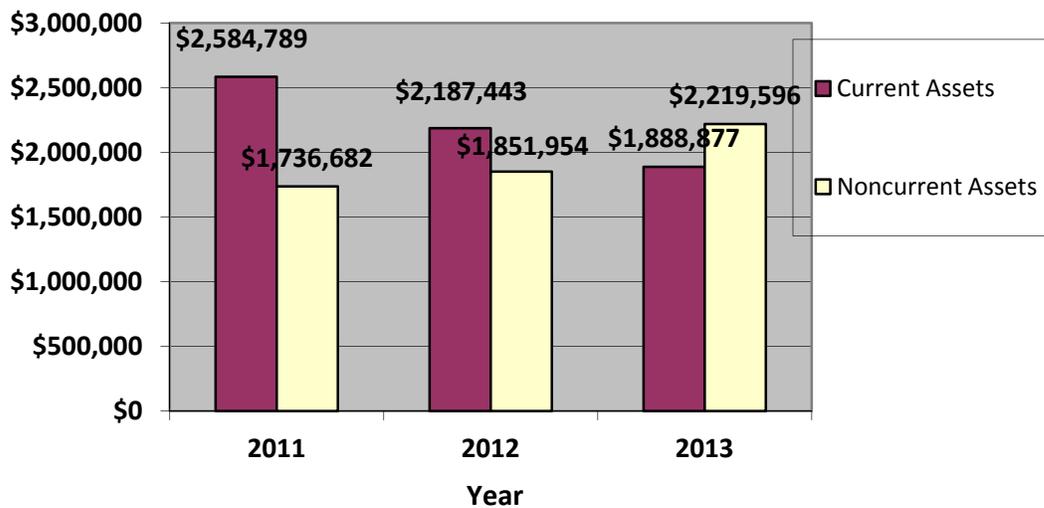
The College's total Liabilities and Net Position increased slightly during Fiscal Year 2013. This is largely due to the increase in Capital Assets.

**Total Liabilities and Net Assets for 2013 compared to 2011 and 2012:**

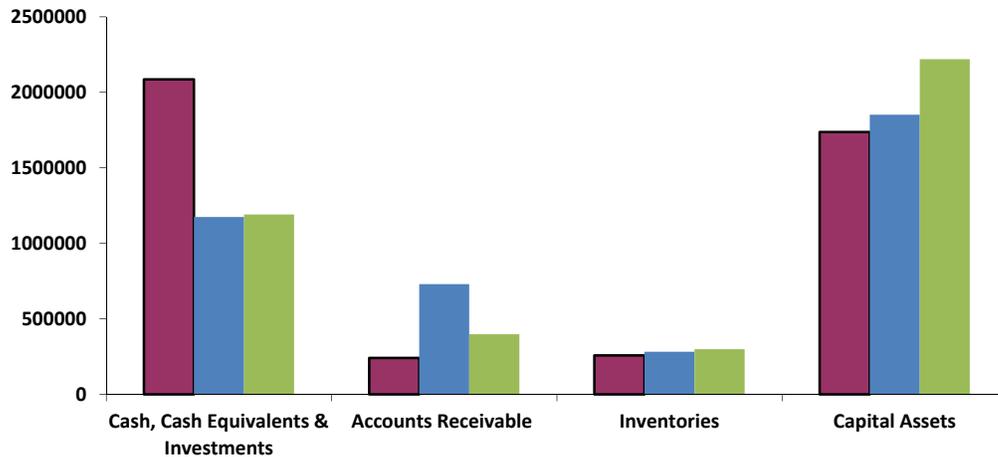


The College's current assets consist of cash, investments, accounts receivables, and inventories. Noncurrent assets consist of capital assets and accumulated depreciation. Total breakdown of assets between current and noncurrent classification is as follows:

**Total Assets**



### 2011, 2012, & 2013 Total Assets by Type



As is shown in the graph above, the College's Cash and Cash Equivalents dollars increased slightly in FY 2013 after using reserves in FY 2012 to fund the remodel of the Downtown Campus. Capital assets represent 54% of total assets. This figure increased with the purchase of equipment using TRAC-7 Grant funds. The College's Accounts Receivables shows a decrease for FY 2013 due to a large payment of TRAC-7 Grant funds which was booked in FY 2012. Inventories totals are calculated by using Bookstore inventory and Construction House lots. This total increased slightly during Fiscal Year 2013.

### **Comparison of Liabilities – Fiscal Year 2013**

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 Position**

The combined statements of revenues, expenses, and changes in net position present the College's financial results for the fiscal year ending June 30, 2013 broken out by fund. The statements include the College's revenue and expenses, both operating and non-operating.

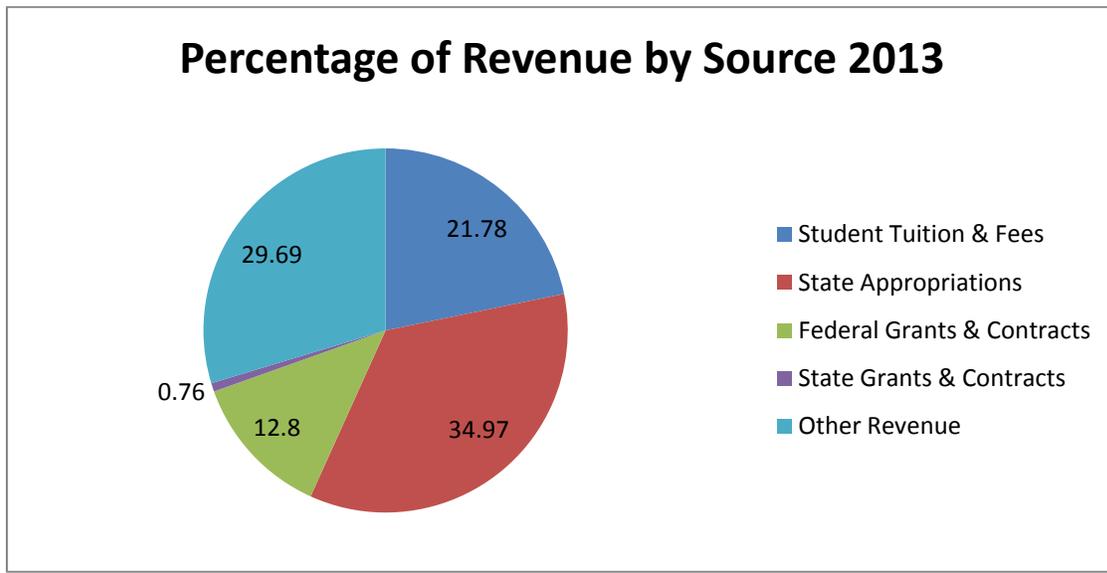
Operating revenues and expenses are those for which the College directly exchanges goods and services. Non-operating revenues and expenses are those that exclude specific goods and services. Examples of non-operating revenues would be postsecondary aid revenue, interest income, and mil levy receipts.

**Results of Operations Fiscal Year 2013**

**Revenue**

Flint Hills Technical College receives revenue from four 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. The enrollment for 2012-2013 fiscal year was another record year. An increase to tuition and fee charges was implemented at the beginning of the fiscal year.

<b><u>Revenue</u></b>	<b>2012</b>	<b>% Total 2012</b>	<b>2013</b>	<b>% Total 2013</b>
Student Tuition & Fees	\$1,327,621	17.79%	\$1,699,849	21.78%
State Appropriations	\$2,737,031	36.68%	\$2,733,229	34.97%
Federal Grants & Contracts	\$781,966	10.48%	\$1,000,571	12.8%
State Grants & Contracts	\$67,749	.9%	\$59,614	.76%
Other Revenue	\$2,545,982	34.12%	\$2,320,557	29.69%
<b>Total Revenue</b>	<b>\$7,460,349</b>		<b>\$7,813,820</b>	

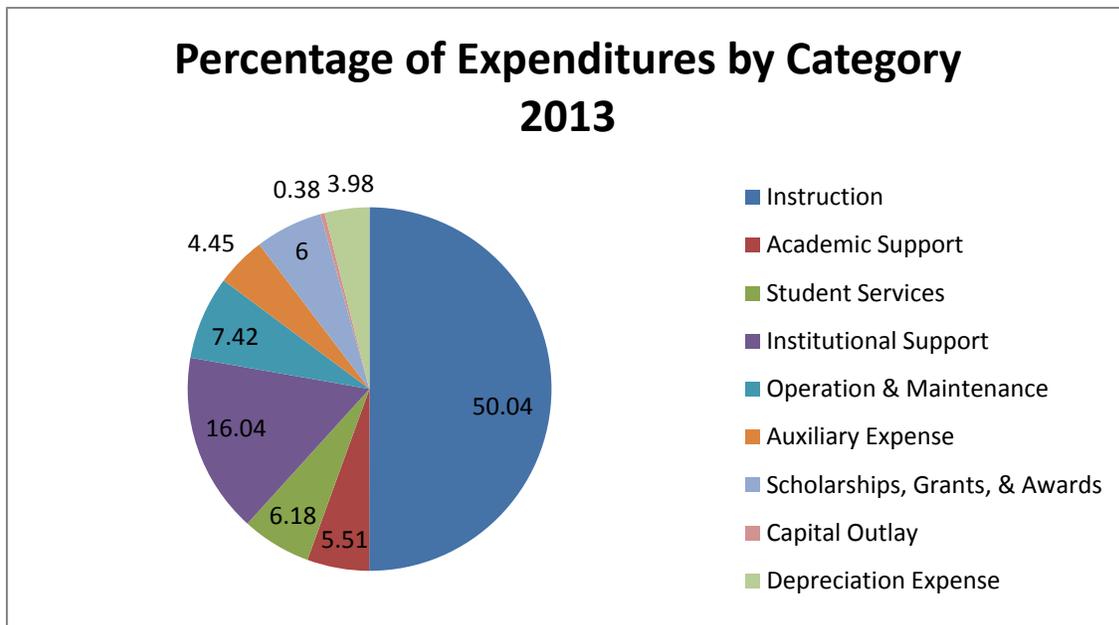


**Expenditures**

Flint Hills Technical College incurs expenses of nine types. They are: Instruction, Academic Support, Student Services, Institutional Support, Operations and

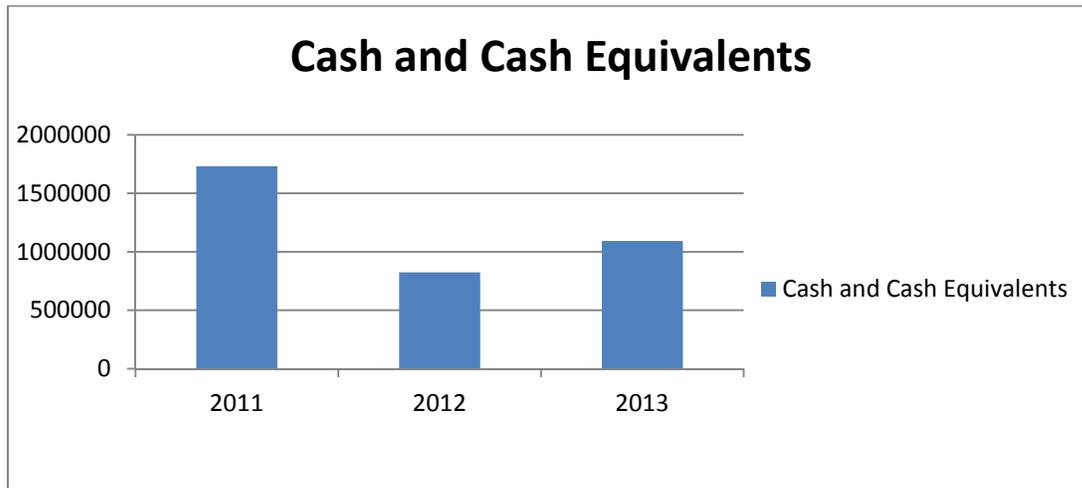
Maintenance, Scholarships and awards, Auxiliary Enterprises, Depreciation and Capital Outlay.

<u>Detail of Education &amp; General Expenditures</u>	2012	% Total 2012	2013	% Total 2013
Instruction	\$3,697,047	50.19%	\$3,954,208	50.04%
Academic Support	\$368,787	5%	\$435,969	5.51%
Student Services	\$414,558	5.62%	\$489,105	6.18%
Institutional Support	\$1,451,096	19.7%	\$1,268,079	16.04%
Operation and Maintenance	\$607,321	8.24%	\$586,822	7.42%
Auxiliary Expense	\$314,923	4.27%	\$352,194	4.45%
Scholarships, Grants & Awards	\$218,662	2.96%	\$474,128	6%
Capital Outlay	\$36,436	.49%	\$30,754	.38%
Depreciation Expense	\$255,898	3.53%	\$310,506	3.98%
Total Expenditures	\$7,364,728		\$7,901,765	



**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 and federal financial aid. Major uses of cash were payments made to employees and vendors.



### **Summary of Overall Performance**

Overall, the College's regular operating revenues and expenses were held within the approved budget. The College's Board of Trustees approved the budget to continue with another year of using cash reserve funds to complete the remodel of the Downtown Campus and Jones Education Center projects. Therefore, total expenses exceeded the total revenue for FY 2013.

### **Economic Outlook**

Flint Hills Technical College showed continued enrollment growth in FY2013. The next few years could challenge the College with the state economy. While the state funding is projected to stay flat for FY 2014, the College is planning for a reduction in funding for FY 2015. Other challenges the College will face are additional expenses for equipment issues due to increasing enrollment. The College continues to seek ways to increase existing revenue sources while keeping expenses low; 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 Vice President of Business Services, 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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Flint Hills Technical College as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Flint Hills Technical College, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

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

**Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Flint Hills Technical College's basic financial statements. The 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 basic financial statements. The supplemental information, as listed in the table of contents as pages 24 to 32, is presented for purposes of additional analysis, and is also not a required part of the basic financial statements. The supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Flint Hills Technical College's basic financial statements for the year ended June 30, 2012, which are not presented with the accompanying financial statements and we expressed unmodified opinion on the financial statements. That audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Flint Hills Technical College's basic financial statements as a whole. The prior year budget basis column on pages 28-32, related to the June 30, 2012 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2012 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2012 prior year budget basis columns are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, on our consideration of the Flint Hills Technical 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* in considering Flint Hills Technical College's internal control over financial reporting and compliance.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

Chanute, Kansas  
December 2, 2013

**FLINT HILLS TECHNICAL COLLEGE**Emporia, Kansas  
Statement of Net Position  
June 30, 2013

	Primary Institution	Component Unit - Foundation
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,091,771.82	\$ 79,626.04
Investments	100,000.00	1,221,712.04
Accounts Receivable, Net	398,271.13	22,753.25
Inventories	298,834.52	-
Total Current Assets	<u>1,888,877.47</u>	<u>1,324,091.33</u>
Noncurrent Assets		
Capital Assets, Net	<u>2,219,596.06</u>	-
Total Noncurrent Assets	<u>2,219,596.06</u>	-
<b>TOTAL ASSETS</b>	<b><u>\$ 4,108,473.53</u></b>	<b><u>\$ 1,324,091.33</u></b>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 310,897.41	\$ 146.09
Accrued Wages	165,015.00	-
Compensated Absences	194,082.89	-
Prepaid Enrollment	21,333.99	-
Deposits Held in Custody for Others	18,779.57	-
Total Current Liabilities	<u>710,108.86</u>	<u>146.09</u>
Noncurrent Liabilities		
Net OPEB Obligation	14,544.00	-
Capital Lease Payable	103,791.16	-
Total Noncurrent Liabilities	<u>118,335.16</u>	-
<b>TOTAL LIABILITIES</b>	<b><u>828,444.02</u></b>	<b><u>146.09</u></b>
NET POSITION		
Investment in Capital Assets, Net of Related Debt	2,115,804.90	-
Restricted Net Position - Expendable	-	114,297.63
Restricted Net Position - Nonexpendable	-	828,143.61
Unrestricted	1,164,224.61	381,504.00
<b>TOTAL NET POSITION</b>	<b><u>3,280,029.51</u></b>	<b><u>1,323,945.24</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 4,108,473.53</u></b>	<b><u>\$ 1,324,091.33</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 Position  
For the Year Ended June 30, 2013

	Primary Institution	Component Unit - Foundation
<b>REVENUES</b>		
Operating Revenues		
Student Tuition and Fees, (net of scholarship discounts and allowances of \$1,258,742.91)	\$ 1,699,849.49	\$ -
Federal Grants and Contracts	1,000,570.78	-
State Grants and Contracts	59,614.00	-
Charges for Services	58,784.93	-
Sales and Services of Auxiliary Enterprises	376,454.22	-
Miscellaneous Operating Income	156,964.37	2,126.53
Total Operating Revenues	<u>3,352,237.79</u>	<u>2,126.53</u>
<b>EXPENSES</b>		
Operating Expenses		
Educational and General		
Instruction	3,954,207.90	135,073.43
Academic Support	435,969.03	-
Student Services	489,104.84	-
Institutional Support	1,268,078.57	117,385.61
Operation and Maintenance	586,822.08	-
Auxiliary Expense	352,194.49	-
Scholarships, Grants and Awards	474,128.20	68,670.00
Capital Outlay	30,753.88	-
Depreciation Expense	310,505.99	-
Total Operating Expenses	<u>7,901,764.98</u>	<u>321,129.04</u>
Operating Income (Loss)	<u>(4,549,527.19)</u>	<u>(319,002.51)</u>
Nonoperating Revenues (Expenses)		
State Appropriations	2,733,228.87	-
County Appropriations	92,673.82	-
Federal Pell Grants	1,497,687.00	-
Gifts and Contributions	106,803.20	309,128.98
Investment Income	7,684.57	40,158.56
Unrealized Gain (Loss) on Investments	-	119,832.42
Debt Service	(5,124.00)	-
Gain (Loss) on Sale of Assets	28,628.71	-
Net Operating Revenues (Expenses)	<u>4,461,582.17</u>	<u>469,119.96</u>
Increase (Decrease) in Net Position	(87,945.02)	150,117.45
Net Position - Beginning of Year	<u>3,367,974.53</u>	<u>1,173,827.79</u>
Net Position - End of Year	<u>\$ 3,280,029.51</u>	<u>\$ 1,323,945.24</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, 2013

	Primary Institution	Component Unit - Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student Tuition and Fees	\$ 2,040,389.59	\$ -
Federal Grants and Contracts	1,000,570.78	-
State Grants and Contracts	59,614.00	-
Sales and Services of Auxiliary Enterprises	435,239.15	-
Miscellaneous Income	156,964.37	2,126.53
Payments on Behalf of Employees	(4,730,457.80)	-
Payments for Supplies and Materials	(401,536.63)	-
Payments for Other Expenses	<u>(2,411,668.67)</u>	<u>(251,647.19)</u>
Net cash provided by (used in) operating activities	<u>(3,850,885.21)</u>	<u>(249,520.66)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	2,733,228.87	-
County Appropriations	92,673.82	-
Federal Pell Grants	1,497,687.00	-
Federal Direct Loans	2,867,792.00	-
Federal Direct Loans Paid	(2,867,792.00)	-
Gifts and Contributions	106,803.20	228,312.05
Net cash provided by (used in) noncapital financing activities	<u>4,430,392.89</u>	<u>228,312.05</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Payments for Purchase of Capital Assets	(678,335.58)	-
Proceeds from the Sale of Assets	28,816.72	-
Interest Paid on Long Term Debt	(5,124.00)	-
Proceeds from the Issuance of Debt	100,918.23	-
Principal Payments on Capital Lease	<u>(16,042.37)</u>	-
Net cash provided by (used in) capital financing activities	<u>(569,767.00)</u>	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Earned on Investments	7,684.57	40,158.56
Proceeds from the Sales and Maturities of Investments	350,000.00	224,290.44
Purchase of Investments	<u>(100,000.00)</u>	<u>(236,686.08)</u>
Net cash provided by (used in) investing activities	<u>257,684.57</u>	<u>27,762.92</u>
Net Increase (Decrease) in Cash and Cash Equivalents	267,425.25	6,554.31
Cash and Cash Equivalents, Beginning of Year	<u>824,346.57</u>	<u>73,071.73</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,091,771.82</u>	<u>\$ 79,626.04</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, 2013

	Primary Institution	Component Unit - Foundation
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (4,549,527.19)	\$ (319,002.51)
Adjustments to Reconcile Change in Net Position to Net Cash Used in Operating Activities:		
Depreciation Expense	310,505.99	-
Non cash In-Kind Expense	-	70,105.68
(Increase) Decrease in Receivables	331,910.11	-
(Increase) Decrease in Inventory	(15,919.37)	-
Increase (Decrease) in Accounts Payable	29,354.45	(623.83)
Increase (Decrease) in Accrued Wages	8,044.47	-
Increase (Decrease) in Compensated Absences	11,319.29	-
Increase (Decrease) in Prepaid Tuition	8,629.99	-
Increase (Decrease) in OPEB Obligations	14,544.00	-
Increase (Decrease) in Deposits Held for Others	253.05	-
Net cash provided by (used in) operating activities	<u>\$ (3,850,885.21)</u>	<u>\$ (249,520.66)</u>

## Supplemental Information:

Non Cash Contributions	<u>\$ -</u>	<u>\$ 70,105.68</u>
Cash Paid for Interest	<u>\$ 5,124.00</u>	<u>\$ -</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, 2013

## 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.

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 Position

The College's net position is 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 Position – Expendable: Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

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

Income Taxes

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

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

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 laws of Kansas. As shown in Schedules 4 to 6, the College was in apparent compliance with Kansas cash basis laws.

### 3. DEPOSITS AND INVESTMENTS

Deposits and Investments - Primary Institution

As of June 30, 2013, the College had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Investment Pool	\$100,000.00	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 College 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, 2013.

*Deposits:* At year-end, the College's carrying amount of deposits was \$1,091,771.82 and the bank balance was \$1,152,608.32. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$268,794.30 was covered by FDIC insurance, and \$883,814.02 was collateralized with pledged securities held by the pledging financial institutions' agents in the College's name.

*Custodial credit risk – investments.* For an investment, that is the risk that, in the event of the failure of the issuer or counterparty, the College 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, 2013, the College had invested \$100,000.00 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.

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

#### Deposits – Component Unit

At year-end the carrying amount of the Foundation's deposits was \$79,626.04. The balance was held in one investment company money market account resulting in a concentration of credit risk. The money market account balance was \$79,626.04. Of the money market account balance \$79,626.04 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, 2013, are comprised of the following:

	<u>COST</u>	<u>FAIR VALUE</u>
Mutual Funds	\$ 1,103,745.53	\$ 1,221,712.04

### 4. **FAIR VALUE MEASUREMENTS**

#### Component Unit:

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, 2013:

	<u>June 30, 2013</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Publicly Traded Equities	<u>\$1,221,712.04</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$1,221,712.04</u>

**4. FAIR VALUE MEASUREMENTS** (Continued)

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Publicly Traded Equities	<u>\$1,089,483.98</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$1,089,483.98</u>

There were no transfers between level 1 and level 2 investments during the year ended June 30, 2013.

**5. ACCOUNTS RECEIVABLE, NET**

Accounts receivable at June 30, 2013, consisted of the following:

Student Accounts	\$ 393,360.82
Federal – PELL Admin	10.00
Federal – PELL	15.00
Federal – Direct Loans	109.00
Federal – Work-Study Admin	1,146.23
Federal – Work-Study	1,689.26
Other Receivables	<u>1,940.82</u>
Total Current Accounts Receivable	<u>\$ 398,271.13</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 \$197,125.89 at June 30, 2013.

**6. INVENTORIES**

Inventories consisted of the following at June 30, 2013:

Book Store Inventory	\$ 242,560.09
Lots Held for Resale	56,250.00
House in Progress Held for Resale	<u>24.43</u>
Total Inventory	<u>\$ 298,834.52</u>

**7. UNCONDITIONAL PROMISES TO GIVE**

Component Unit:

Unconditional promises to give at June 30, 2013 consist of the following:

Auction Pledges	\$ 22,505.00
Payroll Pledges	<u>248.25</u>
Total Unconditional Promises to Give	<u>\$ 22,753.25</u>
Less than one year	\$ 22,753.25
One to five years	0.00
More than five years	<u>0.00</u>
Total Unconditional Promises to Give	<u>\$ 22,753.25</u>

Uncollectible amounts for unconditional promises to give are expected to be insignificant. Accordingly, no provision is made for uncollectible amounts.

## 8. CAPITAL ASSETS, NET

### Primary Institution:

Following are the changes in capital assets for the year ended June 30, 2013:

	Balance 06/30/2012	Additions/ Transfers	Retirements/ Transfers	Balance 06/30/2013
Capital assets not being depreciated				
Construction in Progress	\$ 771,631.81	\$ 104,379.90	\$ (876,011.71)	\$ -
Capital assets				
Leasehold Improvements	41,211.30	34,421.00	876,011.71	951,644.01
Equipment	3,456,583.89	362,559.45	(84,772.81)	3,734,370.53
Equipment Under Capital Lease	19,798.46	100,918.23	-	120,716.69
Vehicles	26,937.65	76,057.00	-	102,994.65
Library Collection	88,821.00	-	-	88,821.00
Total Capital Assets	<u>\$ 4,404,984.11</u>	<u>\$ 573,955.68</u>	<u>\$ 791,238.90</u>	<u>\$ 4,998,546.88</u>
Accumulated Depreciation				
Leasehold Improvements	\$ (2,553,029.63)	\$ (310,505.99)	\$ 84,584.80	\$ (2,778,950.82)
Total Accumulated Depreciation	<u>\$ (2,553,029.63)</u>	<u>\$ (310,505.99)</u>	<u>\$ 84,584.80</u>	<u>\$ (2,778,950.82)</u>
Total Net Capital Assets	<u>\$ 1,851,954.48</u>	<u>\$ 263,449.69</u>	<u>\$ 875,823.70</u>	<u>\$ 2,219,596.06</u>

### Component Unit:

Following are the changes in capital assets for the year ended June 30, 2013:

	Balance 06/30/2012	Additions	Retirements	Balance 06/30/2013
Property and Equipment				
Equipment	4,888.29	-	-	4,888.29
Total Other Capital Assets	<u>\$ 4,888.29</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,888.29</u>
Accumulated Depreciation				
Equipment	\$ 4,888.29	\$ -	\$ -	\$ 4,888.29
Total Accumulated Depreciation	<u>\$ 4,888.29</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,888.29</u>
Total Net Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 9. 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, 2013, was \$59,929.72. Future minimum rental payments are as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2014	\$ 14,273.76
2015	13,082.14
2016	1,736.70

## 10. CAPITAL LEASES

The College has entered into a capital lease agreement dated April 1, 2012, with Canon Financial Services, for the purchase of three copy machines. The lease calls for monthly payments of \$686.32, including interest at 15.00% per annum, maturing April 1, 2015.

Year Ended June 30,		
2014	\$	8,235.84
2015		<u>6,863.20</u>
Total Net Minimum Lease Payments		15,099.04
Less: Imputed Interest		<u>(1,969.34)</u>
Net Present Value		13,129.70
Less: Current Maturities		<u>(6,715.67)</u>
Long-Term Capital Lease Obligations	\$	<u>6,414.03</u>

The College has entered into a capital lease agreement dated July 1, 2012, with Canon Financial Services, for the purchase of one copy machines. The lease calls for monthly payments of \$218.23, including interest at 15.00% per annum, maturing June 1, 2015.

Year Ended June 30,		
2014	\$	2,618.76
2015		<u>2,618.76</u>
Total Net Minimum Lease Payments		5,237.52
Less: Imputed Interest		<u>(736.71)</u>
Net Present Value		4,500.81
Less: Current Maturities		<u>(2,082.97)</u>
Long-Term Capital Lease Obligations	\$	<u>2,417.84</u>

The College has entered into a capital lease agreement dated December 17, 2012, with De Lage Landen Public Finance, LLC, for the purchase of two image press digital copiers. The lease calls for monthly payments of \$1,755.00, including interest at 4.23% per annum, maturing November 17, 2017.

Year Ended June 30,		
2014	\$	21,060.00
2015		21,060.00
2016		21,060.00
2017		21,060.00
2018		<u>10,530.00</u>
Total Net Minimum Lease Payments		94,770.00
Less: Imputed Interest		<u>(8,609.35)</u>
Net Present Value		86,160.65
Less: Current Maturities		<u>(17,757.92)</u>
Long-Term Capital Lease Obligations	\$	<u>68,402.73</u>

**11. DEFINED BENEFIT PENSION PLAN**

*Plan description.* The (non-school municipality) participates in the Kansas Public Employees Retirement System (KPERS). KPERS is a part of a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. 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 (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

*Funding Policy.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. During the year ended June 30, 2013, payments made by the State of Kansas to KPERS on behalf of the College totaled \$331,812.53.

**12. 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, 2013:

<u>Paid or Payable</u>	<u>Year Ended June 30<sup>th</sup></u>	<u>Amount</u>
Paid	2013	\$ 21,598.80
Payable	2014	11,025.90

*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.

**12. 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.

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	\$ 3,424.00
Amortization Payment	1,329.00
Interest on Net OPEB Obligation	<u>95.00</u>
Annual Required Contribution	4,848.00
Net Contributions Made	<u>- -</u>
Increase OPEB Obligation	<u>4,848.00</u>
Net OPEB Obligation – June 30, 2012	<u>9,696.00</u>
Net OPEB Obligation – June 30, 2013	<u>\$ 14,544.00</u>

**12. 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 2013 follows.

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, 2013	\$4,848.00	0.00%	\$14,544.00

Funded Status and Funding Progress: As of June 30, 2013, the most recent actuarial valuation, the plan was zero percent funded. The College’s actuarial accrued liability for benefits was \$30,332.00 and the actuarial value of assets is zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$30,322.00. The actuarial accrued liability for benefits was \$30,322.00, and the actuarial value of assets is zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$30,322.00 as of June 30, 2013.

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 June 30, 2013, 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%. 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.

### **13. 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.

### **14. 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.

**15. 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.

**16. RESTRICTED NET POSITION - EXPENDABLE**

Component Unit:

Restricted net position – expendable includes contributions restricted for specific use by the donor. Gifts held and restricted as to specific use at June 30, 2013 are \$114,297.63.

**17. ENDOWMENTS**

Component Unit:

On June 30, 2013 the Foundation Endowments are summarized in the following table:

Permanently	<u>Restricted</u>
Endowment Funds, June 30, 2012	\$ 785,584.61
Donations	42,559.00
Endowment Funds, June 30, 2013	<u>\$ 828,143.61</u>

Endowed amounts have been researched and changed to match supporting documentation on file at the Foundation. Such reclassifications have no effect on the net income as previously reported.

**18. CONCENTRATION OF RISK**

Component Unit:

93.88% of the Foundation's monies are invested in mutual funds in the stock market. Of this amount, 4.98% are invested in income investments, 18.23% are invested in aggressive income investments, 50.07% are invested in growth and income investments, 24.57% are invested in growth investments, and 3.74% are invested in aggressive investments. The effect in the future on the Foundation's portfolio is unknown and is subject to market economic conditions.

**19. 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, 2013, \$48,670.00 for scholarships and reimbursed the College for \$66,441.98 in administrative support. The Foundation disbursed on behalf of the College through its activity funds for the year ended June 30, 2013, \$117,385.61. The College disbursed on behalf of the Foundation donated services and facilities for the year ended June 30, 2013, \$12,529.25.

**20. OPERATING TRANSFERS**

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Amount</u>
Bookstore	General Fund	\$ 55,000.00
General Fund	Energy Net Grant Fund	15,258.02

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**21. 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.

**REQUIRED  
SUPPLEMENTAL INFORMATION**

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Funding Progress

For the Year Ended June 30, 2013

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 follows.

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, 2013	\$4,848.00	0.00%	\$14,544

## **SUPPLEMENTAL INFORMATION**

**FLINT HILLS TECHNICAL COLLEGE**  
 Emporia, Kansas  
 Combining Schedule of Net Position - Primary Institution  
 June 30, 2013

	GENERAL	ADULT EDUCATION	AUXILIARY ENTERPRISE BOOKSTORE	LITERACY PROGRAM	FEDERAL FINANCIAL AID	JONES EDUCATION CENTER
<b>ASSETS</b>						
Current Assets						
Cash and Cash Equivalents	\$ 1,066,069.79	\$ 44,414.63	\$ 11,295.40	\$ 3,559.01	\$ 1,931.70	\$ -
Investments	100,000.00	-	-	-	-	-
Receivables - Federal	1,156.23	-	-	-	1,813.26	-
Receivables - Other Receivables	395,301.64	-	-	-	-	-
Inventories	56,274.43	-	242,560.09	-	-	-
Total Current Assets	1,618,802.09	44,414.63	253,855.49	3,559.01	3,744.96	-
Noncurrent Assets						
Capital Assets	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-
Total Noncurrent Assets	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,618,802.09</b>	<b>\$ 44,414.63</b>	<b>\$ 253,855.49</b>	<b>\$ 3,559.01</b>	<b>\$ 3,744.96</b>	<b>\$ -</b>
<b>LIABILITIES AND NET POSITION</b>						
<b>LIABILITIES</b>						
Current Liabilities						
Accounts Payable	\$ 270,566.23	\$ 285.00	\$ 1,889.72	\$ -	\$ 1,813.26	\$ -
Accrued Wages	165,015.00	-	-	-	-	-
Compensated Absences	194,082.89	-	-	-	-	-
Prepaid Tuition	21,333.99	-	-	-	-	-
Deposits Held in Custody for Others	-	-	-	-	-	-
Total Current Liabilities	650,998.11	285.00	1,889.72	-	1,813.26	-
Noncurrent Liabilities						
Net OPEB Obligation	14,544.00	-	-	-	-	-
Capital Lease Payable	-	-	-	-	-	-
Total Noncurrent Liabilities	14,544.00	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>665,542.11</b>	<b>285.00</b>	<b>1,889.72</b>	<b>-</b>	<b>1,813.26</b>	<b>-</b>
<b>NET POSITION</b>						
Investment in capital assets, net of related debt	-	-	-	-	-	-
Unrestricted	953,259.98	44,129.63	251,965.77	3,559.01	1,931.70	-
Total Net Position	953,259.98	44,129.63	251,965.77	3,559.01	1,931.70	-
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,618,802.09</b>	<b>\$ 44,414.63</b>	<b>\$ 253,855.49</b>	<b>\$ 3,559.01</b>	<b>\$ 3,744.96</b>	<b>\$ -</b>

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Combining Schedule of Net Position - Primary Institution  
June 30, 2013

	ENERGY NET GRANT	WESTAR ENERGY WIND TURBINE	TRAC-7 WASHBURN GRANT	FHTC AGENCY	INVESTMENT IN PLANT	TOTALS - PRIMARY INSTITUTION
<b>ASSETS</b>						
Current Assets						
Cash and Cash Equivalents	\$ -	\$ 464.57	\$ (54,915.65)	\$ 18,952.37	\$ -	\$ 1,091,771.82
Investments	-	-	-	-	-	100,000.00
Receivables - Federal	-	-	-	-	-	2,969.49
Receivables - Other Receivables	-	-	-	-	-	395,301.64
Inventories	-	-	-	-	-	298,834.52
Total Current Assets	-	464.57	(54,915.65)	18,952.37	-	1,888,877.47
Noncurrent Assets						
Capital Assets	-	-	-	-	4,998,546.88	4,998,546.88
Accumulated Depreciation	-	-	-	-	(2,778,950.82)	(2,778,950.82)
Total Noncurrent Assets	-	-	-	-	2,219,596.06	2,219,596.06
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 464.57</b>	<b>\$ (54,915.65)</b>	<b>\$ 18,952.37</b>	<b>\$ 2,219,596.06</b>	<b>\$ 4,108,473.53</b>
<b>LIABILITIES AND NET POSITION</b>						
<b>LIABILITIES</b>						
Current Liabilities						
Accounts Payable	\$ -	\$ -	\$ 36,170.40	\$ 172.80	\$ -	\$ 310,897.41
Accrued Wages	-	-	-	-	-	165,015.00
Compensated Absences	-	-	-	-	-	194,082.89
Prepaid Tuition	-	-	-	-	-	21,333.99
Deposits Held in Custody for Others	-	-	-	18,779.57	-	18,779.57
Total Current Liabilities	-	-	36,170.40	18,952.37	-	710,108.86
Noncurrent Liabilities						
Net OPEB Obligation	-	-	-	-	-	14,544.00
Capital Lease Payable	-	-	-	-	103,791.16	103,791.16
Total Noncurrent Liabilities	-	-	-	-	103,791.16	118,335.16
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>36,170.40</b>	<b>18,952.37</b>	<b>103,791.16</b>	<b>828,444.02</b>
<b>NET POSITION</b>						
Investment in capital assets, net of related debt	-	-	-	-	2,115,804.90	2,115,804.90
Unrestricted	-	464.57	(91,086.05)	-	-	1,164,224.61
Total Net Position	-	464.57	(91,086.05)	-	2,115,804.90	3,280,029.51
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ -</b>	<b>\$ 464.57</b>	<b>\$ (54,915.65)</b>	<b>\$ 18,952.37</b>	<b>\$ 2,219,596.06</b>	<b>\$ 4,108,473.53</b>

Schedule 2

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Combining Schedule of Revenues, Expenses, and Changes in Net Position - Primary Institution  
For the Year Ended June 30, 2013

	GENERAL	ADULT EDUCATION	AUXILIARY ENTERPRISE BOOKSTORE	LITERACY PROGRAM	FEDERAL FINANCIAL AID	JONES EDUCATION CENTER
<b>REVENUES</b>						
Operating Revenues						
Student Tuition and Fees	\$ 2,952,309.70	\$ 5,282.70	\$ -	\$ 1,000.00	\$ -	\$ -
Federal Grants and Contracts	214,189.23	88,310.25	-	-	2,915,716.62	-
State Grants and Contracts	-	57,614.00	-	-	2,000.00	-
Charges for Services	58,784.93	-	-	-	-	-
Sales and Services of Auxiliary Enterprises	-	-	376,454.22	-	-	-
Other Operating Revenues	148,718.25	33.62	-	-	-	-
Total Operating Revenues	3,374,002.11	151,240.57	376,454.22	1,000.00	2,917,716.62	-
<b>EXPENSES</b>						
Operating Expenses						
Instruction	3,285,737.19	138,945.09	-	904.95	-	-
Academic Support	435,969.03	-	-	-	-	-
Student Services	488,984.84	120.00	-	-	-	-
Institutional Support	1,239,205.83	69,843.74	-	-	-	-
Operation and Maintenance	586,534.98	46,039.18	-	-	-	8,838.57
Auxiliary Expense	-	-	352,194.49	-	-	-
Scholarships	345,644.01	-	-	-	4,415,403.62	-
Capital Outlay	115,711.68	-	-	-	-	104,379.90
Depreciation Expense	-	-	-	-	-	-
Total Operating Expenses	6,497,787.56	254,948.01	352,194.49	904.95	4,415,403.62	113,218.47
Operating Income (Loss)	(3,123,785.45)	(103,707.44)	24,259.73	95.05	(1,497,687.00)	(113,218.47)
<b>Nonoperating Revenues (Expenses)</b>						
State Appropriations	2,733,228.87	-	-	-	-	-
County Appropriations	-	92,673.82	-	-	-	-
Federal Pell Grant	-	-	-	-	1,497,687.00	-
Interest Income	7,684.57	-	-	-	-	-
Gifts and Contributions	-	-	-	-	-	-
Debt Service	79,751.86	-	-	-	-	106,803.20
Gain (Loss) on Sale of Assets	28,816.72	-	-	-	-	-
Operating Transfers	39,741.98	-	(55,000.00)	-	-	-
Increase (Decrease) in Net Position	(234,561.45)	(11,033.62)	(30,740.27)	95.05	-	(6,415.27)
Net Position - Beginning of Year	1,187,821.43	55,163.25	282,706.04	3,463.96	1,931.70	6,415.27
Net Position - End of Year	\$ 953,259.98	\$ 44,129.63	\$ 251,965.77	\$ 3,559.01	\$ 1,931.70	\$ -

**Schedule 3 (Continued)**

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Combining Schedule of Revenues, Expenses, and Changes in Net Position - Primary Institution  
For the Year Ended June 30, 2013

	ENERGY NET GRANT	WESTAR ENERGY WIND TURBINE	TRAC-7 WASHBURN GRANT	INVESTMENT IN PLANT	ELIMINATING INTER-COMPANY SCHOLARSHIPS	TOTALS - PRIMARY INSTITUTION
<b>REVENUES</b>						
Operating Revenues						
Student Tuition and Fees	\$ -	\$ -	\$ -	\$ -	\$ (1,258,742.91)	\$ 1,699,849.49
Federal Grants and Contracts	-	-	650,088.68	-	(2,867,734.00)	1,000,570.78
State Grants and Contracts	-	-	-	-	-	59,614.00
Charges for Services	-	-	-	-	-	58,784.93
Sales and Services of Auxiliary Enterprises	-	-	-	-	-	376,454.22
Other Operating Revenues	-	8,212.50	-	-	-	156,964.37
Total Operating Revenues	-	8,212.50	650,088.68	-	(4,126,476.91)	3,352,237.79
<b>EXPENSES</b>						
Operating Expenses						
Instruction	4,479.22	-	741,174.73	(217,033.28)	-	3,954,207.90
Academic Support	-	-	-	-	-	435,969.03
Student Services	-	-	-	-	-	489,104.84
Institutional Support	-	-	-	(40,971.00)	-	1,268,078.57
Operation and Maintenance	-	-	-	(54,590.65)	-	586,822.08
Auxiliary Expense	-	-	-	-	-	352,194.49
Scholarships	-	-	-	(160,442.52)	(4,126,476.91)	474,128.20
Capital Outlay	-	15,960.43	-	(205,298.13)	-	30,753.88
Depreciation Expense	-	-	-	310,505.99	-	310,505.99
Total Operating Expenses	4,479.22	15,960.43	741,174.73	(367,829.59)	(4,126,476.91)	7,901,764.98
Operating Income (Loss)	(4,479.22)	(7,747.93)	(91,086.05)	367,829.59	-	(4,549,527.19)
<b>Nonoperating Revenues (Expenses)</b>						
State Appropriations	-	-	-	-	-	2,733,228.87
County Appropriations	-	-	-	-	-	92,673.82
Federal Pell Grant	-	-	-	-	-	1,497,687.00
Interest Income	-	-	-	-	-	7,684.57
Gifts and Contributions	-	-	-	-	-	106,803.20
Debt Service	-	-	-	(84,875.86)	-	(5,124.00)
Gain (Loss) on Sale of Assets	-	-	-	(188.01)	-	28,628.71
Operating Transfers	15,258.02	-	-	-	-	(0.00)
Increase (Decrease) in Net Position	10,778.80	(7,747.93)	(91,086.05)	282,765.72	-	(87,945.02)
Net Position - Beginning of Year	(10,778.80)	8,212.50	-	1,833,039.18	-	3,367,974.53
Net Position - End of Year	\$ -	\$ 464.57	\$ (91,086.05)	\$ 2,115,804.90	\$ -	\$ 3,280,029.51

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

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

For the Year Ended June 30, 2013

Schedules 4 to 6 are prepared in accordance with Kansas cash basis laws (Regulatory 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 (Regulatory Basis)

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	Prior Year Budget Basis	Current Year				Variance Over (Under)
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Budget	
<b>REVENUES</b>						
Student Tuition and Fees						
Postsecondary Tuition	\$ 1,385,624.16	\$ 1,614,047.91	\$ (2,667.84)	\$ 1,611,380.07	\$ 1,720,760.00	\$ (109,379.93)
Secondary Tuition	254,101.00	297,272.00	-	297,272.00	303,870.00	(6,598.00)
Student Fees	746,160.06	1,016,076.79	-	1,016,076.79	839,342.00	176,734.79
Continuing Education	22,829.37	20,395.00	-	20,395.00	28,000.00	(7,605.00)
Customized Training	14,285.00	2,520.00	-	2,520.00	7,500.00	(4,980.00)
Distance Learning	1,929.00	1,998.00	-	1,998.00	2,000.00	(2.00)
Total Student Tuition and Fees	2,424,928.59	2,952,309.70	(2,667.84)	2,949,641.86	2,901,472.00	48,169.86
Federal Sources						
Federal Grants	170,205.00	214,189.23	(1,156.23)	213,033.00	254,373.00	(41,340.00)
Federal Grants - ARRA	35,301.94	-	-	-	-	-
Total Federal Sources	205,506.94	214,189.23	(1,156.23)	213,033.00	254,373.00	(41,340.00)
State Sources						
State Operating Grant	2,263,226.00	2,263,226.00	-	2,263,226.00	2,263,226.00	-
Other State Sources	156,789.35	470,002.87	(331,812.53)	138,190.34	132,880.00	5,310.34
Total State Sources	2,420,015.35	2,733,228.87	(331,812.53)	2,401,416.34	2,396,106.00	5,310.34
Charges for Services						
Tech Service Income	71,621.51	58,784.93	-	58,784.93	59,500.00	(715.07)
Total Charges for Services	71,621.51	58,784.93	-	58,784.93	59,500.00	(715.07)
Other Sources						
Interest Income	11,343.18	7,684.57	-	7,684.57	16,000.00	(8,315.43)
Sale of Assets	7,300.00	28,816.72	-	28,816.72	500.00	28,316.72
Capital Lease Proceeds	19,798.46	100,918.23	(100,918.23)	-	-	-
Reimbursed Expense	-	84,090.60	-	84,090.60	134,575.00	(50,484.40)
Miscellaneous	167,425.86	64,627.65	-	64,627.65	64,500.00	127.65
Total Other Sources	205,867.50	286,137.77	(100,918.23)	185,219.54	215,575.00	(30,355.46)

**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 (Regulatory Basis)

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	Prior Year Budget Basis	Current Year			Variance Over (Under)
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	
REVENUES (Continued)					
Operating Transfers from Bookstore Fund	\$ -	\$ 55,000.00	\$ -	\$ 55,000.00	\$ -
<b>TOTAL REVENUES</b>	<b>5,327,939.89</b>	<b>6,299,650.50</b>	<b>(436,554.83)</b>	<b>5,863,095.67</b>	<b>(18,930.33)</b>
EXPENDITURES					
Education and General					
Instruction	2,902,913.70	3,285,737.19	(331,812.53)	2,953,924.66	180,979.66
Academic Support	385,155.12	435,969.03	-	435,969.03	2,858.03
Student Services	413,099.65	488,984.84	-	488,984.84	(43,919.16)
Institutional Support	1,330,669.00	1,239,205.83	(25,863.29)	1,213,342.54	(108,653.46)
Operation and Maintenance	596,220.89	586,534.98	-	586,534.98	(81,234.02)
Scholarships and Awards	292,012.14	345,644.01	-	345,644.01	(32,608.99)
Capital Outlay	36,435.92	115,711.68	(100,918.23)	14,793.45	14,793.45
Debt Service	1,372.64	21,166.37	-	21,166.37	21,166.37
Operating Transfers to: Energy Net Grant Fund	-	15,258.02	-	15,258.02	15,258.02
<b>TOTAL EXPENDITURES</b>	<b>5,957,879.06</b>	<b>6,534,211.95</b>	<b>(458,594.05)</b>	<b>6,075,617.90</b>	<b>(31,360.10)</b>
Excess of Revenues Over (Under) Expenditures	(629,939.17)	(234,561.45)	22,039.22	(212,522.23)	12,429.77
Unencumbered Cash Beginning of Year	1,570,348.17	1,187,821.43	(247,412.43)	940,409.00	940,409.00
End of Year	\$ 940,409.00	\$ 953,259.98	\$ (225,373.21)	\$ 727,886.77	\$ 952,838.77

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

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

Current Funds - Unrestricted  
Adult Education Fund (Regulatory Basis)

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	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	\$ 103,509.00	\$ 88,310.25	\$ -	\$ 88,310.25	\$ -	\$ 88,310.25
State Sources						
State Grants	61,749.00	57,614.00	-	57,614.00	-	57,614.00
Local Sources						
Local Tax	92,908.78	92,673.82	-	92,673.82	-	92,673.82
Tuition and Fees	3,771.75	5,282.70	-	5,282.70	-	5,282.70
Other Sources						
Miscellaneous	150.12	33.62	-	33.62	-	33.62
<b>TOTAL REVENUES</b>	<b>262,088.65</b>	<b>243,914.39</b>	<b>-</b>	<b>243,914.39</b>	<b>-</b>	<b>243,914.39</b>
<b>EXPENDITURES</b>						
Instruction	131,898.92	138,945.09	-	138,945.09	-	138,945.09
Student Support	1,458.03	120.00	-	120.00	-	120.00
Institutional Support	85,419.61	69,843.74	-	69,843.74	-	69,843.74
Operation and Maintenance	23,815.64	46,039.18	-	46,039.18	-	46,039.18
Scholarships & Awards	7,681.59	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>250,273.79</b>	<b>254,948.01</b>	<b>-</b>	<b>254,948.01</b>	<b>-</b>	<b>254,948.01</b>
Excess of Revenues Over (Under) Expenditures	11,814.86	(11,033.62)	-	(11,033.62)	-	(11,033.62)
Unencumbered Cash Beginning of Year	43,348.39	55,163.25	-	55,163.25	-	55,163.25
End of Year	\$ 55,163.25	\$ 44,129.63	\$ -	\$ 44,129.63	\$ -	\$ 44,129.63

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

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

Current Funds - Unrestricted

Auxiliary Enterprise Funds (Regulatory Basis)

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	Prior Year		Current Year				Variance Under (Over)
	Total Auxiliary Enterprise Funds Budget Basis	Bookstore 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	\$ 398,870.38	\$ 376,454.22	\$ 376,454.22	\$ -	\$ 376,454.22	\$ -	\$ 376,454.22
<b>TOTAL REVENUES</b>	<b>398,870.38</b>	<b>376,454.22</b>	<b>376,454.22</b>	<b>-</b>	<b>376,454.22</b>	<b>-</b>	<b>376,454.22</b>
<b>EXPENDITURES</b>							
Auxiliary Enterprise Salaries and Benefits	29,845.96	33,036.41	33,036.41	-	33,036.41	-	33,036.41
General Operating Expense	309,882.56	319,158.08	319,158.08	15,919.37	335,077.45	-	335,077.45
<b>TOTAL EXPENDITURES</b>	<b>339,728.52</b>	<b>352,194.49</b>	<b>352,194.49</b>	<b>15,919.37</b>	<b>368,113.86</b>	<b>-</b>	<b>368,113.86</b>
Excess of Revenues Over (Under) Expenditures and Other Additions (Deductions)	59,141.86	24,259.73	24,259.73	(15,919.37)	8,340.36	-	8,340.36
Unencumbered Cash Beginning of Year	(3,076.54)	282,706.04	282,706.04	(226,640.72)	56,065.32	-	56,065.32
End of Year	\$ 56,065.32	\$ 306,965.77	\$ 306,965.77	\$ (242,560.09)	\$ 64,405.68	\$ -	\$ 64,405.68

**Schedule 7**

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Schedule of Changes in Assets and Liabilities

All Agency Funds - Primary Institution

For the Year Ended June 30, 2013

ACCOUNT NAME	Primary Institution			
	BALANCE JUNE 30, 2012	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2013
<b>AGENCY FUND</b>				
Student Organization Accounts				
Student Senate	\$ 1,677.63	\$ 5,058.95	\$ 5,048.26	\$ 1,688.32
Automotive Tech	3,495.28	509.18	1,670.91	2,333.55
Business - BPA	398.81	11,814.34	10,711.40	1,501.75
Machine Tool	49.78	-	48.18	1.60
Industrial Main	96.79	1,606.37	1,331.58	371.58
Construction	(101.71)	500.00	304.59	93.70
Culinary Arts	230.23	3,700.00	2,784.15	1,146.08
Dental Assistant	3,183.18	10,634.27	11,121.11	2,696.34
Graphic Arts	512.76	104.12	135.89	480.99
Nursing - HOSA	4,307.77	7,691.77	6,885.68	5,113.86
VICA General Fund	729.06	-	-	729.06
Paramedic/EMS	2,532.82	1,399.00	2,890.35	1,041.47
Hygiene	1,414.12	3,376.25	3,209.10	1,581.27
Total Student Organizations	18,526.52	46,394.25	46,141.20	18,779.57
<b>TOTAL AGENCY FUNDS</b>	<b>\$ 18,526.52</b>	<b>\$ 46,394.25</b>	<b>\$ 46,141.20</b>	<b>\$ 18,779.57</b>
<b>Assets</b>				
Cash and Investments	\$ 18,526.52	\$ 46,567.05	\$ 46,141.20	\$ 18,952.37
<b>TOTAL ASSETS</b>	<b>\$ 18,526.52</b>	<b>\$ 46,567.05</b>	<b>\$ 46,141.20</b>	<b>\$ 18,952.37</b>
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ 172.80	\$ -	\$ 172.80
Deposits Held For Others	18,526.52	46,394.25	46,141.20	18,779.57
<b>TOTAL LIABILITIES</b>	<b>\$ 18,526.52</b>	<b>\$ 46,567.05</b>	<b>\$ 46,141.20</b>	<b>\$ 18,952.37</b>

**FLINT HILLS TECHNICAL COLLEGE  
EMPORIA, KANSAS**

**FEDERAL COMPLIANCE SECTION**

For the Year Ended June 30, 2013

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

COMPLIANCE ATTESTATION EXAMINATION  
INCLUDING TITLE IV STUDENT FINANCIAL ASSISTANCE PROGRAMS

EMPORIA, KANSAS

FEDERAL PELL GRANT PROGRAM (PELL) (84.063)  
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (FSEOG) (84.007)  
FEDERAL WORK-STUDY PROGRAM (FWS) (84.033)  
FEDERAL DIRECT STUDENT LOANS (DIRECT LOAN) (84.268)  
TECHNICAL RETRAINING TO ACHIEVE CREDENTIALS (TRAC-7) (17.282)

**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, Vice President of Business Services

LEAD AUDITOR: Neil L. Phillips, CPA  
EMAIL ADDRESS: nphillips@jgppa.com  
LICENSE NUMBER & HOME STATE: 2926 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
	TRAC-7	17.282

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	2013	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

**Schedule 8**

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

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	\$ 25,000.00
Federal College Work-Study	N/A	84.033	22,924.62
Federal College Work-Study - Admin	N/A	84.033	1,146.23
		Total 84.033	<u>24,070.85</u>
Federal Pell Grant	N/A	84.063	1,497,687.00
Federal Pell Grant - Admin	N/A	84.063	2,459.00
		Total 84.063	<u>1,500,146.00</u>
Federal Direct Student Loans	N/A	84.268	2,867,792.00
Total Student Financial Assistance Programs Cluster			<u>4,417,008.85</u>
Passed through the State of Kansas Board of Regents			
Adult Basic Education Program	FY13- ABE	84.002	88,310.25
Carl Perkins Vocational Education Grants: Program Improvement	LEA#JO803	84.048	210,584.00
Total U.S. Department of Education			<u>4,715,903.10</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
Passed through Washburn University			
Technical Retraining to Achieve Credentials (TRAC-7)	210100-TRAC-7-FHTC	17.282	741,174.73
Total U.S. Department of Labor			<u>741,174.73</u>
FEDERAL ASSISTANCE TOTALS			<u>\$ 5,457,077.83</u>

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

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

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

Board of Trustees  
Flint Hills Technical College  
Emporia, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Flint Hills Technical College, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Flint Hills Technical College's basic financial statements, and have issued our report thereon dated December 2, 2013.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

Chanute, Kansas  
December 2, 2013

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees  
Flint Hills Technical College  
Emporia, Kansas

**Report on Compliance for Each Major Federal Program**

We have audited Flint Hills Technical College's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Flint Hills Technical College's major federal programs for the year ended June 30, 2013. 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.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Flint Hills Technical College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Flint Hills Technical College's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Flint Hills Technical College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

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

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

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

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

Chanute, Kansas  
December 2, 2013

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

**I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

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

**Internal Control over Financial Reporting:**

Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified that are not considered to be a material weaknesses?	_____	Yes	_____ <u>X</u> _____	None Reported
Noncompliance or other matters required to be reported under <i>Government Auditing Standards</i>	_____	Yes	_____ <u>X</u> _____	No

**Federal Awards:**

Internal control over major programs:				
Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified that are not considered to be a material weaknesses?	_____	Yes	_____ <u>X</u> _____	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____	Yes	_____ <u>X</u> _____	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

**U.S. DEPARTMENT OF LABOR**

- Technical Retraining to Achieve Credentials (TRAC-7) – CFDA No. 17.282

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

Auditee qualified as a low risk auditee?	_____	Yes	_____ <u>X</u> _____	No
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**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

**II. FINANCIAL STATEMENT FINDINGS**

NONE

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Resolution of Prior Year's Audit Findings and Questioned Costs  
For the Year Ended June 30, 2013

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Period Ended June 30, 2012:

**Finding: 2012-01** – Eligibility

*Condition:* During the testing of Federal Pell Grant Program it was noted 4 of 50 tested students were incorrectly awarded the Federal Pell Grant based on the criteria presented above.

*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.

*Current Status:*

The College has implemented policies and procedures to ensure compliance.