

**FLINT HILLS  
TECHNICAL COLLEGE**  
Emporia, Kansas

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

For the Year Ended June 30, 2009

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

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## Management's Discussion and Analysis

### Introduction:

The following discussion and analysis of the financial performance and activity of Flint Hills Technical College (The College) is to provide an introduction to and an understanding of the basic financial statements of the College for the year ended June 30, 2009 with selected comparative information for the year ended June 30, 2008. This discussion focuses on the current activities, resulting changes, and currently known facts. This discussion should be read in conjunction with the College's basic financial statements and the footnotes to those financial statements. The College is solely responsible for the completeness of this information. A separate audit is issued for the Flint Hills Technical College Foundation and is available for review at 3301 W. 18<sup>th</sup> Ave, Emporia, KS 66801.

### Using the Annual Report:

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

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

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

#### Required Supplementary Information:

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

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

### Highlights to the Financial Statements:

Flint Hills Technical College completed the fiscal year ending June 30, 2009 on a positive note. At year end, the College's unrestricted net assets totaled \$1,734,972. These unrestricted net assets may be used to meet the College's

ongoing obligations. Over all the College showed an increase to unrestricted net assets by \$231,446. The increases in operating revenues were largely due to the enrollment growth of the student population from 2008 to 2009. Understandably, investment income was down by \$50,038. The total decrease to investment income over the past two years is \$70,763.

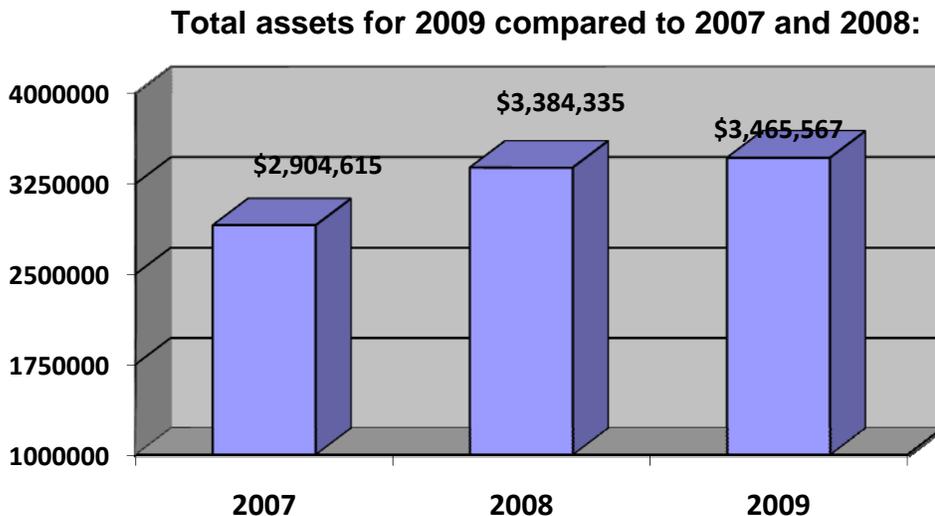
### **Combined Statement of Net Assets**

The combined statements of net assets present the assets, liabilities, and net assets at June 30, 2009 broken out by each fund of the College. The purpose of the combined statements of net assets is to present the financial condition of the College.

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

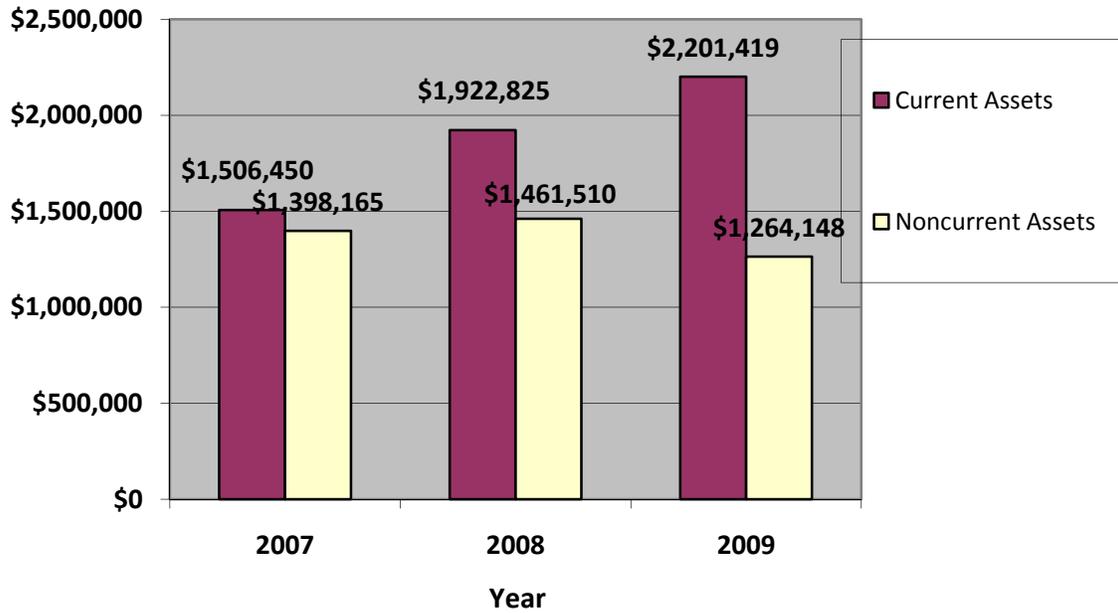
### **Comparison of Assets – Fiscal Year 2007 to 2009**

Total assets increased during the current fiscal year by 2.4%. The total increase to total assets includes an increase to the amount of capital assets and accumulated depreciation shown on the prior year's audit report.



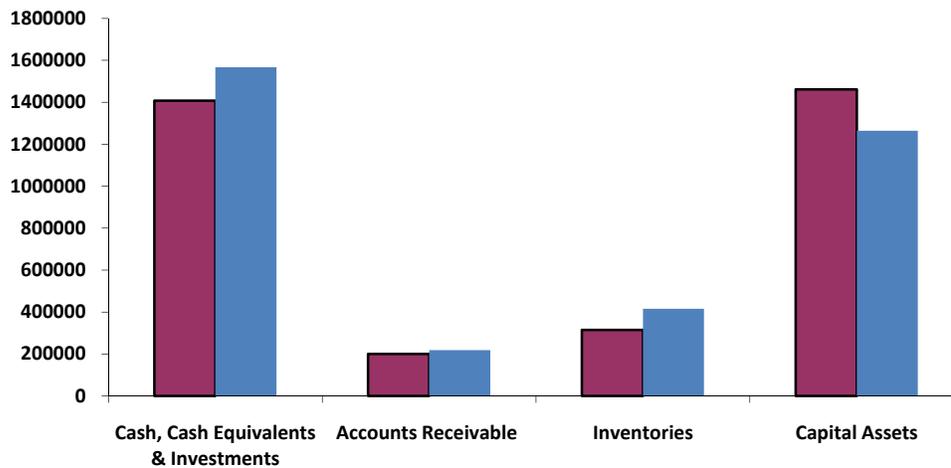
The College's current assets consist primarily of cash, accounts receivables, and inventories. Noncurrent assets consist of capital assets and accumulated depreciation. Total breakdown of assets between current and noncurrent classification is as follows:

### Total Assets



Of the \$3,465,567 in total assets, approximately 35% are in cash and cash equivalents and investments. Capital assets represent 36% of total assets. Total accounts receivables increased by \$18,811 in 2009.

### 2008 and 2009 Total Assets by Type



**Comparison of Liabilities – Fiscal Year 2008 to 2009**

The liabilities are categorized between current and noncurrent. For example, the College's current liabilities consist primarily of accounts payable, accrued wages and payroll tax liabilities, compensated absences and deferred revenue.

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

The combined statements of revenues, expenses, and changes in net assets present the College's financial results for the fiscal year ending June 30, 2009 broken out by fund. The statements include the College's revenue and expenses, both operating and non-operating.

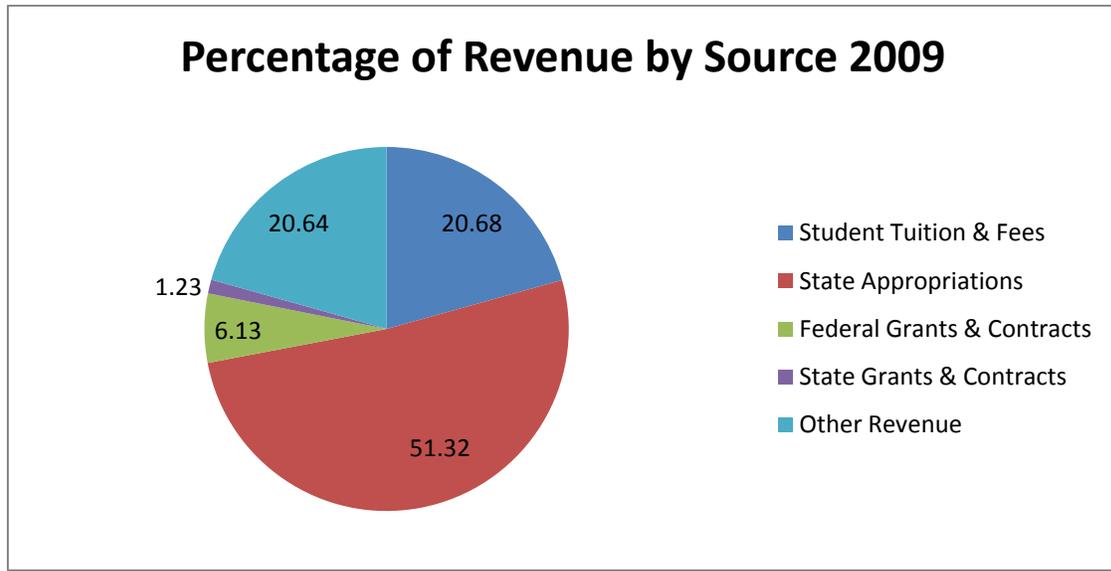
Operating revenues and expenses are those for which the College directly exchanges goods and services. Non-operating revenues and expenses are those that exclude specific goods and services. Examples of non-operating revenues would be postsecondary aid revenue, interest income, and mil levy receipts.

**Results of Operations Fiscal Year 2009**

**Revenue**

Flint Hills Technical College receives revenue from four major sources: the State of Kansas; students, in the form of tuition and fees; Federal Government; and through auxiliary enterprises. The percentage of state appropriation dollars received was reduced by 2.66% due to the economy. We anticipate further reductions to state aid over the next couple of years. The increase in student enrollment has helped maintain the lost of state dollars.

<b><u>Revenue</u></b>	<b>2008</b>	<b>% Total 2008</b>	<b>2009</b>	<b>% Total 2009</b>
Student Tuition & Fees	\$1,088,860	20.20%	\$1,133,255	20.68%
State Appropriations	\$2,909,889	53.98%	\$2,812,465	51.32%
Federal Grants & Contracts	\$220,488	4.09%	\$336,016	6.13%
State Grants & Contracts	\$22,200	.41%	\$67,491	1.23%
Other Revenue	\$1,149,140	21.32%	\$1,131,369	20.64%
Total Revenue	\$5,390,577		\$5,480,596	

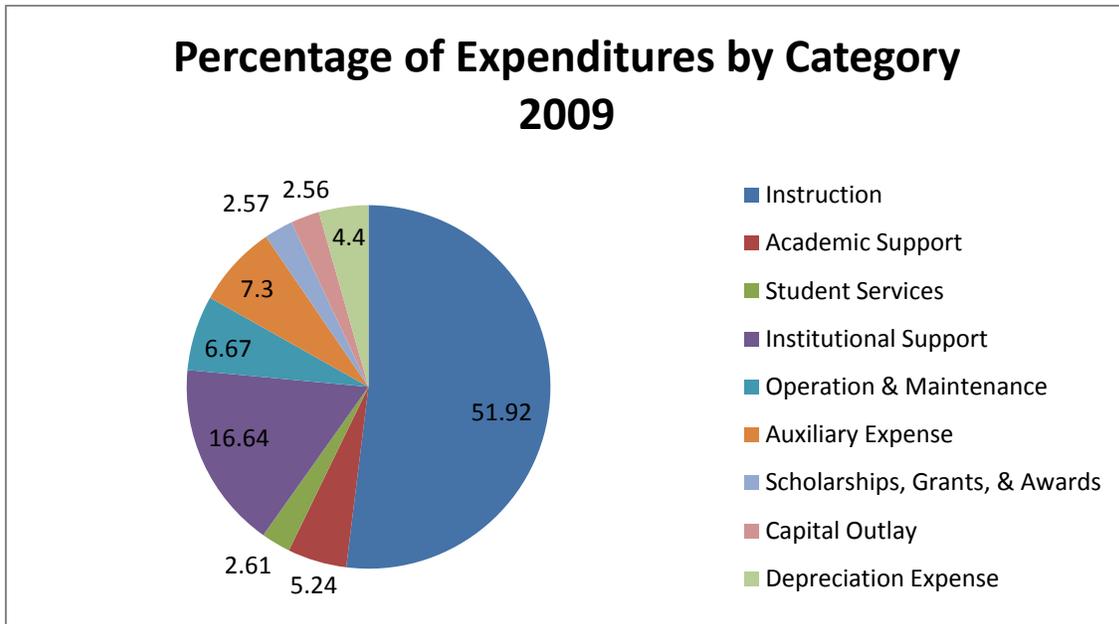


### **Expenditures**

Components of expenses:

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

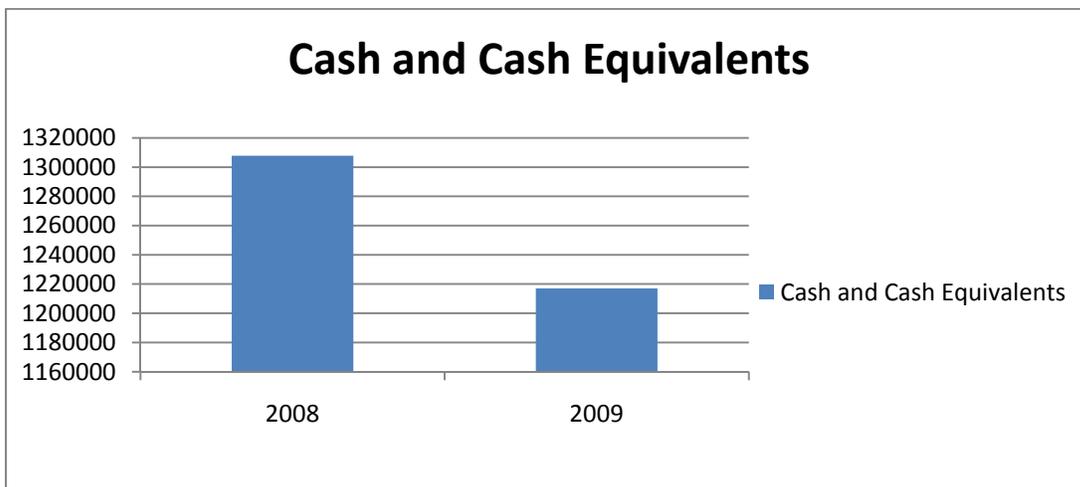
<b><u>Detail of Education &amp; General Expenditures</u></b>	<b>2008</b>	<b>% Total 2008</b>	<b>2009</b>	<b>% Total 2009</b>
Instruction	\$4,169,431	61.30%	\$3,080,329	51.92%
Academic Support	\$239,668	3.52%	\$310,959	5.24%
Student Services	\$437,828	6.44%	\$154,819	2.61%
Institutional Support	\$772,579	11.36%	\$987,146	16.64%
Operation and Maintenance	\$344,137	5.06%	\$400,880	6.76%
Auxiliary Expense	\$275,478	4.05%	\$433,298	7.30%
Scholarships, Grants & Awards	\$195,896	2.88%	\$152,495	2.57%
Capital Outlay	\$105,936	1.56%	\$152,167	2.56%
Depreciation Expense	\$260,276	3.83%	\$261,280	4.40%
<b>Total Expenditures</b>	<b>\$6,801,229</b>		<b>\$5,933,375</b>	



### Statement of Cash Flows

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

The Cash and Cash Equivalents shows a reduction for 2009 due to a transfer of \$250,000 into the Kansas Municipal Investment Pool for investment.



### **Summary of Overall Performance**

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

### **Economic Outlook**

Flint Hills Technical College showed an increase to cash reserves and continued enrollment growth in FY2009. The next two or more fiscal years will challenge the college due to projected reductions in state appropriations. The college continues to make adjustments in expenses and seeks to increase existing revenue sources to deal with the future state appropriation reductions.

### **Request for Information**

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

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

**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Flint Hills Technical College  
Emporia, Kansas

We have audited the accompanying statement of net assets of Flint Hills Technical College, Emporia, Kansas, as of June 30, 2009, and the related statement of revenues, expenses, and changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flint Hills Technical College as of June 30, 2009, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2010, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Trustees  
Flint Hills Technical College  
Emporia, Kansas

The management's discussion and analysis on pages i through vii, are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



JARRED, GILMORE & PHILLIPS, PA.  
Certified Public Accountants

P.O. Box 779  
Chanute, Kansas 66720  
(620) 431-6342  
January 7, 2010

**FLINT HILLS TECHNICAL COLLEGE**Emporia, Kansas  
Statement of Net Assets  
June 30, 2009

	Primary Institution	Component Unit - Foundation
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,217,035.34	\$ 18,162.33
Investments	350,000.00	882,174.38
Accounts Receivable, Net	218,873.19	4,000.00
Inventories	415,510.53	-
Total Current Assets	<u>2,201,419.06</u>	<u>904,336.71</u>
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation	<u>1,264,147.55</u>	-
Total Noncurrent Assets	<u>1,264,147.55</u>	-
TOTAL ASSETS	<u>\$ 3,465,566.61</u>	<u>\$ 904,336.71</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 94,442.03	\$ -
Accrued Wages	163,568.55	-
Compensated Absences	140,013.79	-
Prepaid Enrollment	24,423.08	-
Deposits Held in Custody for Others	43,999.30	-
Total Current Liabilities	<u>466,446.75</u>	-
TOTAL LIABILITIES	<u>466,446.75</u>	-
NET ASSETS		
Investment in Capital Assets, Net of Related Debt	1,264,147.55	-
Restricted Net Assets - Expendable	-	57,730.33
Restricted Net Assets - Nonexpendable	-	856,257.55
Unrestricted	1,734,972.31	(9,651.17)
TOTAL NET ASSETS	<u>2,999,119.86</u>	<u>904,336.71</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,465,566.61</u>	<u>\$ 904,336.71</u>

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

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Year Ended June 30, 2009

	Primary Institution	Component Unit - Foundation
<b>REVENUES</b>		
Operating Revenues		
Student Tuition and Fees, (net of scholarship discounts and allowances of \$501,906.51)	\$ 1,133,254.83	\$ -
Federal Grants and Contracts	336,015.82	-
State Grants and Contracts	67,490.49	-
Charges for Services	294,911.42	-
Activity Fund Revenue	486,860.87	-
Miscellaneous Operating Income	137,692.10	7,922.37
Total Operating Revenues	<u>2,456,225.53</u>	<u>7,922.37</u>
<b>EXPENSES</b>		
Operating Expenses		
Educational and General		
Instruction	3,080,329.28	73,316.18
Academic Support	310,959.38	-
Student Services	154,819.45	-
Institutional Support	987,146.45	120,780.04
Operation and Maintenance	400,879.96	-
Auxiliary Expense	433,297.79	-
Scholarships, Grants and Awards	152,495.11	60,049.00
Capital Outlay	152,167.36	-
Depreciation Expense	261,279.83	-
Total Operating Expenses	<u>5,933,374.61</u>	<u>254,145.22</u>
Operating Income (Loss)	<u>(3,477,149.08)</u>	<u>(246,222.85)</u>
Nonoperating Revenues (Expenses)		
State Appropriations	2,812,464.57	-
County Appropriations	96,303.58	-
Federal Pell Grants	615,921.87	-
Gifts and Contributions	24,720.00	192,649.77
Investment Income	22,004.50	41,554.19
Unrealized Gain (Loss) on Investments	-	(275,006.08)
Gain (Loss) on Sale of Assets	(60,182.92)	-
Net Operating Revenues (Expenses)	3,511,231.60	(40,802.12)
Increase (Decrease) in Net Assets	<u>34,082.52</u>	<u>(287,024.97)</u>
Net Assets - Beginning of Year	<u>2,965,037.34</u>	<u>1,191,361.68</u>
Net Assets - End of Year	<u>\$ 2,999,119.86</u>	<u>\$ 904,336.71</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, 2009

	Primary Institution	Component Unit - Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student Tuition and Fees	\$ 1,118,934.43	\$ -
Federal Grants and Contracts	336,015.82	-
State Grants and Contracts	67,490.49	-
Sales and Services of Auxiliary Enterprises	294,911.42	-
Activity Fund Revenues	486,860.87	-
Miscellaneous Income	137,692.10	7,922.37
Payments on Behalf of Employees	(3,150,447.93)	-
Payments for Supplies and Materials	(179,733.90)	-
Payments for Other Expenses	(2,399,831.61)	(209,847.96)
Net cash provided by (used in) operating activities	(3,288,108.31)	(201,925.59)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	2,812,464.57	-
County Appropriations	96,303.58	-
Federal Pell Grants	615,921.87	-
Gifts and Contributions	24,720.00	144,457.00
Net cash provided by (used in) noncapital financing activities	3,549,410.02	144,457.00
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Payments for Purchase of Capital Assets	(124,099.50)	-
Net cash provided by (used in) capital financing activities	(124,099.50)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Earned on Investments	22,004.50	41,554.19
Purchase of Investments	(250,000.00)	(41,074.46)
Net cash provided by (used in) investing activities	(227,995.50)	479.73
Net Increase (Decrease) in Cash and Cash Equivalents	(90,793.29)	(56,988.86)
Cash and Cash Equivalents, Beginning of Year	1,307,828.63	75,151.19
Cash and Cash Equivalents, End of Year	\$ 1,217,035.34	\$ 18,162.33
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (3,477,149.08)	\$ (246,222.85)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation Expense	261,279.83	104.49
Non cash In-Kind Expense	-	44,192.77
(Increase) Decrease in Receivables	(18,811.48)	-
(Increase) Decrease in Inventory	(100,575.86)	-
Increase (Decrease) in Accounts Payable	2,622.80	-
Increase (Decrease) in Accrued Wages	6,621.01	-
Increase (Decrease) in Compensated Absences	25,918.65	-
Increase (Decrease) in Prepaid Tuition	4,491.08	-
Increase (Decrease) in Deposits Held for Others	7,494.74	-
Net cash provided by (used in) operating activities	\$ (3,288,108.31)	\$ (201,925.59)

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, 2009

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### Reporting Entity

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

### Component Units

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

The College's component unit is a private not-for-profit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component unit's financial information in the College's financial report for these differences. The component unit's financial data has, however, been aggregated into like categories for presentation purposes.

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

Financial Statement Presentation

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Investments

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

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 \$500.00 or more, and an estimated useful life of greater than one year. Renovations to building, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is provided on straight-line method over the estimated useful lives of the respective classes of property. Estimated useful lives are as follows:

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

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

Noncurrent Cash, Investments, and Noncurrent Accounts Receivable

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

Accounts Receivable and Deferred Revenue

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

Noncurrent Liabilities

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

Net Assets

The College's net assets are classified as follows:

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

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

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

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

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

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.

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

Income Taxes

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

Classification of Revenues

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

*Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales of services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most Federal, state and local grants and contracts, and Federal appropriations.

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

Scholarship Discounts and Allowances

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

Accounting Estimates

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

Pension Plan

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

Accounts Receivable and Allowance for Doubtful Accounts

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

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

Compliance with Kansas Statutes

Supplemental Schedules 3 and 4 have been prepared in order to show compliance with the cash basis laws of Kansas. As shown in Schedules 3 the College was in apparent compliance with Kansas cash basis laws. However, as shown in Statement 4, the College was in apparent violation of K.S.A. 79-2934, as the College has obligated expenditures in excess of budgetary limits in the Adult Education Fund.

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

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

**3. DEPOSITS AND INVESTMENTS**

Deposits and Investments - Primary Institution

As of yearend, the College has the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Investment Pool	\$350,000.00	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 and the bank provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The College has no other policies that would further limit interest rate risk.

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

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

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes require the College's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at June 30, 2009.

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

*Deposits:* At year-end, the College's carrying amount of deposits was \$1,217,035.34 and the bank balance was \$1,289,621.19. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$251,363.01 was covered by FDIC insurance, and \$1,038,258.18 was collateralized with pledged securities held by the pledging financial institutions' agents in the College's name.

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

At June 30, 2009 the Government had invested \$350,000 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities of up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

Deposits – Component Unit

At year-end, the carrying amount of the Foundation's deposits was \$18,162.33. The balance was held in one investment company money market account resulting in a concentration of credit risk. The money market account balance was \$13,598.99. Of the money market account balance \$13,598.99 was covered by SPIC insurance.

Investment Policy – Component Unit

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

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

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

Investments at June 30, 2009, are comprised of the following:

	<u>COST</u>	<u>FAIR VALUE</u>
Mutual Funds	\$ 1,149,496.88	\$ 882,174.38

**4. FAIR VALUE MEASUREMENTS**

The Foundation uses fair value measurement to record fair value adjustment to certain assets and liabilities. The following table sets forth carrying amounts and estimated fair value for financial instruments at June 30, 2009:

	June 30, 2009			
	Level 1	Level 2	Level 3	Total
Publicly Traded Equities	\$ 882,174.38	\$ --	\$ --	\$ 882,174.38

**5. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2009, consisted of the following:

Student Accounts	\$ 203,221.66
Federal – Workstudy	13,540.23
Federal – PELL	229.87
Federal – PELL Admin	55.00
Reimbursed Expenses	<u>1,826.43</u>
Total Current Accounts Receivable	<u>\$ 218,873.19</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 \$53,646.39 at June 30, 2009.

**6. INVENTORIES**

Inventories consisted of the following at June 30, 2009:

Book Store Inventory	\$ 141,721.43
Lots Held for Resale	92,750.00
House in Progress Held for Resale	<u>181,039.10</u>
Total Inventory	<u>\$ 415,510.53</u>

**7. CAPITAL ASSETS**

Primary Institution:

Following are the changes in capital assets for the year ended June 30, 2009

	Balance 06/30/2008	Additions/ Transfers	Retirements/ Transfers	Balance 06/30/2009
Capital assets				
Leasehold Improvements	\$ 41,211.30	\$ -	\$ -	\$ 41,211.30
Equipment	3,160,267.18	124,099.50	(195,566.58)	3,088,800.10
Vehicles	21,319.00	-	-	21,319.00
Library Collection	88,821.00	-	-	88,821.00
Total Capital Assets	<u>\$ 3,311,618.48</u>	<u>\$ 124,099.50</u>	<u>\$ (195,566.58)</u>	<u>\$ 3,240,151.40</u>
Accumulated Depreciation				
Leasehold Improvements	\$ (1,831.61)	\$ (2,747.42)	\$ -	\$ (4,579.03)
Equipment	(1,762,785.11)	(248,021.08)	135,383.66	(1,875,422.53)
Vehicles	(12,191.80)	(3,963.80)	-	(16,155.60)
Library Collection	(73,299.16)	(6,547.53)	-	(79,846.69)
Total Accumulated Depreciation	<u>\$ (1,850,107.68)</u>	<u>\$ (261,279.83)</u>	<u>\$ 135,383.66</u>	<u>\$ (1,976,003.85)</u>
Total Net Capital Assets	<u>\$ 1,461,510.80</u>	<u>\$ (137,180.33)</u>	<u>\$ (60,182.92)</u>	<u>\$ 1,264,147.55</u>

Component Unit:

Following are the changes in capital assets for the year ended June 30, 2009:

	Balance 06/30/2008	Additions	Retirements	Balance 06/30/2009
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	\$ 4,783.80	\$ 104.49	\$ -	\$ 4,888.29
Total Accumulated Depreciation	<u>\$ 4,783.80</u>	<u>\$ 104.49</u>	<u>\$ -</u>	<u>\$ 4,888.29</u>
Total Net Capital Assets	<u>\$ 104.49</u>	<u>\$ (104.49)</u>	<u>\$ -</u>	<u>\$ -</u>

**8. OPERATING LEASE AGREEMENTS**

The College has entered into various rental agreements for the rental of office equipment and space. Total rent payments made under these agreements during the year ended June 30, 2009, was \$18,035.00. Future minimum rental payments are as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2010	\$ 26,691.76
2011	26,186.76
2012	18,787.84
2013	585.00

**9. DEFINED BENEFIT PENSION PLAN**

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

*Funding Policy.* K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. State law sets a limitation on annual increases in the contribution rates. The State of Kansas contributed 7.97% of covered payroll. These contributions requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for school municipality employees for the years ending June 30, 2009, 2008, and 2007 were \$242,277,363, \$220,815,154, and \$192,425,626, respectively, equal to the statutory required contributions for each year. During the year ended June 30, 2008, payments made by the State of Kansas to KPERS on behalf of the College totaled \$166,643.45.

**10. OTHER POST EMPLOYMENT BENEFITS**

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

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

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

The following is a schedule of benefits paid and payable for eligible employees which have taken early retirement as of June 30, 2009:

<u>Paid or Payable</u>	<u>Year Ended June 30<sup>th</sup></u>	<u>Amount</u>
Paid	2009	\$ 32,262.90
Payable	2010	27,407.62
Payable	2011	11,916.96
Payable	2012	11,916.96

*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.

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.

**11. COMPENSATED ABSENCES**

Chargeable Leave

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

Vacation

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

Compensatory Time

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

**11. COMPENSATED ABSENCES** (Continued)

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

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

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

**12. CONTINGENT LIABILITIES**

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

**13. RISK MANAGEMENT**

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

**14. CONCENTRATION OF RISK**

98.48% of the Foundation's monies are invested in mutual funds in the stock market of this amount 13.95% are invested in bonds and fixed income investments and 86.05% are invested in growth and income equity investments. The effect in the future on the Foundation's equity portfolio is unknown and is subject to market economic conditions.

**15. RELATED PARTY TRANSACTIONS**

The Foundation was formed to promote and foster the educational purposes of the Flint Hills Technical College, and to create a fund to be used for any program, project, or enterprise undertaken in the interest of the College. The Foundation acts largely as a fund raising organization, soliciting, receiving, managing and disbursing contributions on behalf of the College. Most of the contributions received are designated by the donors to be used for specific purposes or by specific departments. In these instances, the Foundation serves essentially as a conduit. Contributions that are not designated are used where the need is considered greatest, as determined by the Foundation's board of directors. The Foundation disbursed to the College for the year ended June 30, 2009, \$60,049.00 for scholarships and reimbursed the College for \$68,550.28 in administrative support. The Foundation disbursed on behalf of the College through its activity funds for the year ended June 30, 2009, \$97,595.01. The College disbursed on behalf of the Foundation donated services and facilities for the year ended June 30, 2009, \$17,500.00.

**FLINT HILLS TECHNICAL COLLEGE**  
EMPORIA, KANSAS

**SUPPLEMENTAL INFORMATION**  
For the Year Ended June 30, 2009

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas  
Combining Statement of Net Assets - Primary Institution  
June 30, 2009

ASSETS	GENERAL	ADULT EDUCATION	LITERACY PROGRAM	FEDERAL FINANCIAL AID
Current Assets				
Cash and Cash Equivalents	\$ 1,088,605.52	\$ 53,048.80	\$ 14,399.44	\$ (12,250.84)
Investments	350,000.00	-	-	-
Receivables - Federal	55.00	-	-	13,770.10
Receivables - Other Receivables	205,048.09	-	-	-
Inventories	415,510.53	-	-	-
Total Current Assets	2,059,219.14	53,048.80	14,399.44	1,519.26
Noncurrent Assets				
Capital Assets	-	-	-	-
Accumulated Depreciation	-	-	-	-
Total Noncurrent Assets	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,059,219.14</b>	<b>\$ 53,048.80</b>	<b>\$ 14,399.44</b>	<b>\$ 1,519.26</b>
<b>LIABILITIES AND NET ASSETS</b>				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 87,879.56	\$ 5,886.03	\$ 270.00	-
Accrued Wages	163,568.55	-	-	-
Compensated Absences	140,013.79	-	-	-
Prepaid Tuition	24,423.08	-	-	-
Deposits Held in Custody for Others	-	-	-	-
Total Current Liabilities	415,884.98	5,886.03	270.00	-
<b>TOTAL LIABILITIES</b>	<b>415,884.98</b>	<b>5,886.03</b>	<b>270.00</b>	<b>-</b>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	-	-	-	-
Unrestricted	1,643,334.16	47,162.77	14,129.44	1,519.26
<b>TOTAL NET ASSETS</b>	<b>1,643,334.16</b>	<b>47,162.77</b>	<b>14,129.44</b>	<b>1,519.26</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,059,219.14</b>	<b>\$ 53,048.80</b>	<b>\$ 14,399.44</b>	<b>\$ 1,519.26</b>

Schedule 1 (Continued)

**FLINT HILLS TECHNICAL COLLEGE**  
 Emporia, Kansas  
 Combining Statement of Net Assets - Primary Institution  
 June 30, 2009

	FHTC ACCREDITATION	SCHOOL ACTIVITY FUNDS	FHTC AGENCY	INVESTMENT IN PLANT	TOTALS - PRIMARY INSTITUTION
<b>ASSETS</b>					
Current Assets					
Cash and Cash Equivalents	\$ 27,700.51	\$ 1,126.17	\$ 44,405.74	\$ -	\$ 1,217,035.34
Investments	-	-	-	-	350,000.00
Receivables - Federal	-	-	-	-	13,825.10
Receivables - Other Receivables	-	-	-	-	205,048.09
Inventories	-	-	-	-	415,510.53
Total Current Assets	27,700.51	1,126.17	44,405.74	-	2,201,419.06
Noncurrent Assets					
Capital Assets	-	-	-	3,240,151.40	3,240,151.40
Accumulated Depreciation	-	-	-	(1,976,003.85)	(1,976,003.85)
Total Noncurrent Assets	-	-	-	1,264,147.55	1,264,147.55
<b>TOTAL ASSETS</b>	<b>\$ 27,700.51</b>	<b>\$ 1,126.17</b>	<b>\$ 44,405.74</b>	<b>\$ 1,264,147.55</b>	<b>\$ 3,465,566.61</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	\$ -	\$ -	\$ 406.44	\$ -	\$ 94,442.03
Accrued Wages	-	-	-	-	163,568.55
Compensated Absences	-	-	-	-	140,013.79
Prepaid Tuition	-	-	-	-	24,423.08
Deposits Held in Custody for Others	-	-	43,999.30	-	43,999.30
Total Current Liabilities	-	-	44,405.74	-	466,446.75
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>44,405.74</b>	<b>-</b>	<b>466,446.75</b>
<b>NET ASSETS</b>					
Investment in capital assets, net of related debt	-	-	-	1,264,147.55	1,264,147.55
Unrestricted	27,700.51	1,126.17	-	-	1,734,972.31
<b>TOTAL NET ASSETS</b>	<b>27,700.51</b>	<b>1,126.17</b>	<b>-</b>	<b>1,264,147.55</b>	<b>2,999,119.86</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 27,700.51</b>	<b>\$ 1,126.17</b>	<b>\$ 44,405.74</b>	<b>\$ 1,264,147.55</b>	<b>\$ 3,465,566.61</b>

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Primary Institution  
For the Year Ended June 30, 2009

	GENERAL	ADULT EDUCATION	LITERACY PROGRAM	FEDERAL FINANCIAL AID	FHTC ACCREDITATION
<b>REVENUES</b>					
Operating Revenues					
Student Tuition and Fees	\$ 1,626,586.51	\$ 2,473.00	\$ 6,101.83	\$ -	\$ -
Federal Grants and Contracts	167,670.81	128,346.00	-	39,999.01	-
State Grants and Contracts	-	67,490.49	-	-	-
Charges for Services	294,911.42	-	-	-	-
Activity Fund Revenue	-	-	-	-	-
Miscellaneous Income	137,692.10	-	-	-	-
Total Operating Revenues	<u>2,226,860.84</u>	<u>198,309.49</u>	<u>6,101.83</u>	<u>39,999.01</u>	<u>-</u>
<b>EXPENSES</b>					
Operating Expenses					
Instruction	2,339,290.26	269,864.74	4,017.77	-	-
Academic Support	310,959.38	-	-	-	-
Student Services	155,894.45	138.00	-	-	-
Institutional Support	982,878.25	7,167.51	-	-	2,437.92
Operation and Maintenance	402,472.71	9,571.25	-	-	-
Auxiliary Expense	433,297.79	-	-	-	-
Scholarships	-	-	-	654,401.62	-
Capital Outlay	237,894.50	-	-	-	-
Depreciation Expense	-	-	-	-	-
Total Operating Expenses	<u>4,862,687.34</u>	<u>286,741.50</u>	<u>4,017.77</u>	<u>654,401.62</u>	<u>2,437.92</u>
Operating Income (Loss)	<u>(2,635,826.50)</u>	<u>(88,432.01)</u>	<u>2,084.06</u>	<u>(614,402.61)</u>	<u>(2,437.92)</u>
<b>Nonoperating Revenues (Expenses)</b>					
State Appropriations	2,812,464.57	-	-	-	-
County Appropriations	-	96,303.58	-	-	-
Federal Pell Grant	-	-	-	615,921.87	-
Interest Income	22,004.50	-	-	-	-
Gifts and Contributions	24,720.00	-	-	-	-
Gain (Loss) on Sale of Assets	-	-	-	-	-
Operating Transfers To (From)	-	10,000.00	(10,000.00)	-	-
Increase (Decrease) in Net Assets	223,362.57	17,871.57	(7,915.94)	1,519.26	(2,437.92)
Net Assets - Beginning of Year	1,419,971.59	29,291.20	22,045.38	-	30,138.43
Net Assets - End of Year	\$ 1,643,334.16	\$ 47,162.77	\$ 14,129.44	\$ 1,519.26	\$ 27,700.51

**Schedule 2 (Continued)**

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Primary Institution  
For the Year Ended June 30, 2009

	SCHOOL ACTIVITY FUNDS	INVESTMENT IN PLANT	ELIMINATING INTER-COMPANY SCHOLARSHIPS	TOTALS - PRIMARY INSTITUTION
<b>REVENUES</b>				
Operating Revenues				
Student Tuition and Fees	\$ -	\$ -	(501,906.51)	\$ 1,133,254.83
Federal Grants and Contracts	-	-	-	336,015.82
State Grants and Contracts	-	-	-	67,490.49
Charges for Services	-	-	-	294,911.42
Activity Fund Revenue	486,860.87	-	-	486,860.87
Miscellaneous Income	-	-	-	137,692.10
Total Operating Revenues	486,860.87	-	(501,906.51)	2,456,225.53
<b>EXPENSES</b>				
Operating Expenses				
Instruction	487,814.64	(20,658.13)	-	3,080,329.28
Academic Support	-	-	-	310,959.38
Student Services	-	(1,213.00)	-	154,819.45
Institutional Support	-	(5,337.23)	-	987,146.45
Operation and Maintenance	-	(11,164.00)	-	400,879.96
Auxiliary Expense	-	-	-	433,297.79
Scholarships	-	-	(501,906.51)	152,495.11
Capital Outlay	-	(85,727.14)	-	152,167.36
Depreciation Expense	-	261,279.83	-	261,279.83
Total Operating Expenses	487,814.64	137,180.33	(501,906.51)	5,933,374.61
Operating Income (Loss)	(953.77)	(137,180.33)	-	(3,477,149.08)
Nonoperating Revenues (Expenses)				
State Appropriations	-	-	-	2,812,464.57
County Appropriations	-	-	-	96,303.58
Federal Pell Grant	-	-	-	615,921.87
Interest Income	-	-	-	22,004.50
Gifts and Contributions	-	-	-	24,720.00
Gain (Loss) on Sale of Assets	-	(60,182.92)	-	(60,182.92)
Operating Transfers To (From)	-	-	-	-
Increase (Decrease) in Net Assets	(953.77)	(197,363.25)	-	34,082.52
Net Assets - Beginning of Year	2,079.94	1,461,510.80	-	2,965,037.34
Net Assets - End of Year	\$ 1,126.17	\$ 1,264,147.55	\$ -	\$ 2,999,119.86

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

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

For the Year Ended June 30, 2009

Schedules 3 to 4 are prepared in accordance with Kansas cash basis laws (Statutory Basis), which differs from generally accepted accounting principles (GAAP Basis). Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving the cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund in which the cash is transferred. Expenditures include cash disbursements, transfers, accounts payable and encumbrances – that is, commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

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

Current Funds - Unrestricted

General Fund (Budget Basis)

For the Year Ended June 30, 2009

With Comparative Actual Amounts for the Year Ended June 30, 2008

	Prior Year Budget Basis	Current Year			Variance Over (Under)
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	
<b>REVENUES</b>					
Student Tuition and Fees					
Postsecondary Tuition	\$ 767,441.33	\$ 970,415.84	\$ (10,424.88)	\$ 959,990.96	\$ 117,030.96
Secondary Tuition	283,486.94	269,520.44	-	269,520.44	(61,057.56)
Student Fees	284,764.38	347,125.31	-	347,125.31	67,525.31
Continuing Education	23,262.50	27,293.92	-	27,293.92	6,693.92
Customized Training	16,767.09	12,231.00	-	12,231.00	(5,069.00)
Total Student Tuition and Fees	1,375,722.24	1,626,586.51	(10,424.88)	1,616,161.63	125,123.63
Federal Sources					
Federal Grants	138,867.13	167,670.81	3,149.76	170,820.57	11,972.57
State Sources					
State Operating Grant	2,436,998.00	2,473,803.00	-	2,473,803.00	(109,804.00)
Other State Sources	233,193.00	338,661.57	(204,629.57)	134,032.00	(6,005.00)
Total State Sources	2,670,191.00	2,812,464.57	(204,629.57)	2,607,835.00	(115,809.00)
Charges for Services					
Cafeteria	41,780.78	48,811.13	-	48,811.13	8,811.13
Bookstore	189,955.87	246,100.29	-	246,100.29	69,100.29
Total Charges for Services	231,736.65	294,911.42	-	294,911.42	77,911.42
Other Sources					
Interest Income	72,042.27	22,004.50	-	22,004.50	(39,995.50)
Sale of House	166,689.00	14,382.17	144,061.21	158,443.38	158,443.38
Donations	-	24,720.00	-	24,720.00	24,720.00
Miscellaneous	166,111.87	123,309.93	(1,090.43)	122,219.50	(134,254.50)
Total Other Sources	404,843.14	184,416.60	142,970.78	327,387.38	8,913.38
<b>TOTAL REVENUES</b>	<b>4,821,360.16</b>	<b>5,086,049.91</b>	<b>(68,933.91)</b>	<b>5,017,116.00</b>	<b>108,112.00</b>

**Schedule 3 (Continued)**

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

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

Current Funds - Unrestricted  
General Fund (Budget Basis)

For the Year Ended June 30, 2009

With Comparative Actual Amounts for the Year Ended June 30, 2008

	Prior Year Budget Basis	Current Year			Variance Over (Under)
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	
<b>EXPENDITURES</b>					
Education and General					
Instruction	\$ 2,211,002.09	\$ 2,339,290.26	\$ (230,548.22)	\$ 2,108,742.04	\$ (1,012,674.96)
Academic Support	239,667.79	310,959.38	-	310,959.38	(191,060.62)
Student Services	435,173.30	155,894.45	-	155,894.45	147,644.45
Institutional Support	716,914.67	982,878.25	-	982,878.25	774,878.25
Operation and Maintenance	345,200.31	402,472.71	-	402,472.71	(120,709.29)
Auxiliary Expenses	279,003.06	433,297.79	82,919.56	516,217.35	188,082.35
Debt Service	24,000.00	-	-	-	-
Capital Outlay	457,803.28	237,894.50	161,717.51	399,612.01	181,612.01
<b>TOTAL EXPENDITURES</b>	<b>4,708,764.50</b>	<b>4,862,687.34</b>	<b>14,088.85</b>	<b>4,876,776.19</b>	<b>(32,227.81)</b>
Excess of Revenues Over (Under) Expenditures	112,595.66	223,362.57	(83,022.76)	140,339.81	140,339.81
Unencumbered Cash Beginning of Year	934,221.94	1,419,971.59	(373,153.99)	1,046,817.60	1,046,817.60
End of Year	\$ 1,046,817.60	\$ 1,643,334.16	\$ (456,176.75)	\$ 1,187,157.41	\$ 1,187,157.41

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

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

Current Funds - Unrestricted

Adult Education Fund (Budget Basis)

For the Year Ended June 30, 2009

With Comparative Actual Amounts for the Year Ended June 30, 2008

	Prior Year Budget Basis	Current Year			Variance Over (Under)
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	
<b>REVENUES</b>					
Federal Sources					
Federal Grants	\$ 123,285.00	\$ 128,346.00	\$ -	\$ 128,346.00	\$ 133,285.00
State Sources					
State Grants	22,200.00	67,490.49	-	67,490.49	55,414.00
State Operating Grant	65,414.00	-	-	-	-
Local Sources					
Local Tax	96,398.00	96,303.58	2,246.42	98,550.00	81,000.00
Tuition and Fees	1,886.00	2,473.00	-	2,473.00	-
Operating Transfers from Literacy Program Fund	-	10,000.00	-	10,000.00	-
<b>TOTAL REVENUES</b>	<b>309,183.00</b>	<b>304,613.07</b>	<b>2,246.42</b>	<b>306,859.49</b>	<b>269,699.00</b>
<b>EXPENDITURES</b>					
Instruction	258,530.98	269,864.74	-	269,864.74	269,699.00
Student Services	2,654.72	138.00	-	138.00	-
Institutional Support	55,641.04	7,167.51	-	7,167.51	-
Operation and Maintenance	6,543.39	9,571.25	-	9,571.25	-
<b>TOTAL EXPENDITURES</b>	<b>323,370.13</b>	<b>286,741.50</b>	<b>-</b>	<b>286,741.50</b>	<b>269,699.00</b>
Excess of Revenues Over (Under) Expenditures	(14,187.13)	17,871.57	2,246.42	20,117.99	-
Unencumbered Cash Beginning of Year	41,231.91	29,291.20	(2,246.42)	27,044.78	-
End of Year	\$ 27,044.78	\$ 47,162.77	\$ -	\$ 47,162.77	\$ -

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas  
Schedule of Changes in Assets and Liabilities  
All Agency Funds - Primary Institution  
For the Year Ended June 30, 2009

ACCOUNT NAME	Primary Institution			BALANCE JUNE 30, 2009
	BALANCE JUNE 30, 2008	ADDITIONS	DEDUCTIONS	
<b>AGENCY FUND</b>				
Scholarship Funds				
PEO Chapter	\$ 500.00	\$ 20,526.33	\$ 1,500.00	\$ 19,526.33
F. Walters Scho.	500.00	-	500.00	-
Janet Koonce	1,065.00	-	1,065.00	-
Reebles Scholar	1,481.91	12,125.00	7,175.00	6,431.91
Tony Hill Memor.	949.94	-	949.94	-
Wolf Creek Scho.	9,835.00	-	9,835.00	-
Emporia Home	300.00	-	300.00	-
Lutz Scholarship	220.00	-	220.00	-
Loretto Langley	3,000.00	-	3,000.00	-
Foundation Auction	-	6,668.50	6,320.50	348.00
Memeorial Fund	-	200.00	-	200.00
Student Loans	-	14,642.12	12,682.12	1,960.00
Emergency Student Aid	-	4,000.00	2,000.00	2,000.00
Total Scholarship Funds	17,851.85	58,161.95	45,547.56	30,466.24
Student Organization Accounts				
Student Senate	4,088.50	2,659.60	4,119.29	2,628.81
Automotive Tech	1,766.68	1,641.68	1,766.68	1,641.68
Business - BPA	1,030.41	5,598.38	6,741.70	(112.91)
Machine Tool	5.38	-	-	5.38
Industrial Main	218.56	752.24	732.55	238.25
Construction	74.18	75.82	29.82	120.18
Culinary Arts	668.80	820.00	430.93	1,057.87
Dental Assistant	2,485.51	1,318.87	839.27	2,965.11
Graphic Arts	1,079.39	-	1,079.39	-
Nursing - HOSA	4,184.93	2,811.13	4,552.65	2,443.41
VICA General Fund	929.06	-	-	929.06
Pool Table Proc.	1,089.81	-	-	1,089.81
Paramedic/EMS	1,031.50	2,032.00	1,994.34	1,069.16
Hygiene	-	5,290.98	5,833.73	(542.75)
Total Student Organizations	18,652.71	23,000.70	28,120.35	13,533.06
<b>TOTAL AGENCY FUNDS</b>	<b>\$ 36,504.56</b>	<b>\$ 81,162.65</b>	<b>\$ 73,667.91</b>	<b>\$ 43,999.30</b>
Assets				
Cash and Investments	\$ 36,504.56	\$ 81,162.65	\$ 74,074.35	\$ 44,405.74
<b>TOTAL ASSETS</b>	<b>\$ 36,504.56</b>	<b>\$ 81,162.65</b>	<b>\$ 74,074.35</b>	<b>\$ 44,405.74</b>
Liabilities				
Accounts Payable	\$ -	\$ -	\$ 406.44	\$ 406.44
Deposits Held For Others	36,504.56	81,162.65	73,667.91	43,999.30
<b>TOTAL LIABILITIES</b>	<b>\$ 36,504.56</b>	<b>\$ 81,162.65</b>	<b>\$ 74,074.35</b>	<b>\$ 44,405.74</b>

**FLINT HILLS TECHNICAL COLLEGE**  
EMPORIA, KANSAS

**FEDERAL COMPLIANCE SECTION**  
For the Year Ended June 30, 2009

**AUDITOR INFORMATION SHEET**

**FLINT HILLS TECHNICAL COLLEGE**

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

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

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

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

LEAD AUDITOR: Neil L. Phillips, CPA  
EMAIL ADDRESS: nphillips@jgppa.com  
LICENSE NUMBER & HOME STATE: 4198 / Kansas  
FIRM'S NAME & ADDRESS: JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants  
1815 S. Santa Fe  
P.O. Box 779  
Chanute, Kansas 66720

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

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

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

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

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

ALL LOCATIONS	> 50% OF PROGRAM OFFERED @ SITE	LOCATION ON ELIGIBILITY LETTER	NOTICE TO ED PRIOR TO OFFERING INSTRUCTION	DATE OPENED	DATE CLOSED	DATE OF CPA'S LAST VISIT	EXCLUSION REASON
Emporia	Yes	Yes	Yes	1999	N/A	2009	N/A
Clay Center	Yes	Yes	Yes	2008	N/A	2009	N/A

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

The College does not use a servicer.

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

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

For Close-Out Examination only: N/A

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

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

ACCOUNTS  
 90239

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2009

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	Pass-Through Entity Identifying Number	Federal CFDA Number		Disbursements/ Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
Direct Programs:				
Student Financial Assistance Programs Cluster				
Federal Supplemental Education Opportunity	N/A	84.007	(M) \$	18,006.00
Federal College Work-Study	N/A	84.033	(M)	17,820.00
Federal Pell Grant	N/A	84.063	(M)	615,904.87
Federal Pell Grant Administration	N/A	84.063	(M)	1,115.00
		Total 84.063		617,019.87
Federal Family Education Loans	N/A	84.032	(M)	1,679,341.27
Academic Competitiveness Grant	N/A	84.375	(M)	3,075.00
				2,335,262.14
Total Student Financial Assistance Programs Cluster				
Passed through the State of Kansas Department of Education:				
Adult Basic Education Program	FY08- ABE	84.002		128,346.00
Adult Basic Education Program - Civic Education	FY08- ABE	84.002A		15,231.00
		Total 84.002		143,577.00
Carl Perkins Vocational Education Grants:				
Program Improvement	LEA#JO803	84.048		164,652.86
				164,652.86
Total U.S. Department of Education				
				2,643,492.00
FEDERAL ASSISTANCE TOTALS				\$ 2,643,492.00

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

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

(M) Major Programs

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

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

Board of Trustees  
Flint Hills Technical College  
Emporia, Kansas

We have audited the financial statements of the Flint Hills Technical College as of and for the year ended June 30, 2009, and have issued our report thereon dated January 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Flint Hills Technical College ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Flint Hills Technical College financial statements that is more than inconsequential will not be prevented or detected by the Flint Hills Technical College internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Flint Hills Technical College internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Flint Hills Technical College in a separate letter dated January 7, 2010.

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



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

January 7, 2010  
Chanute, Kansas

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Flint Hills Technical College  
Emporia, Kansas

Compliance

We have audited the compliance of Flint Hills Technical College with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Flint Hills Technical College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Flint Hills Technical College's management. Our responsibility is to express an opinion on Flint Hills Technical College's compliance based on our audit.

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

As described in items 2009-1, 2009-2, 2009-3, 2009-4, and 2009-5 in the accompanying schedule of findings and questioned costs, Flint Hills Technical College did not comply with requirements regarding Eligibility and Special Tests and Provisions that are applicable to its Student Financial Aid Cluster. Compliance with such requirements is necessary, in our opinion, for Flint Hills Technical College to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Flint Hills Technical College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-1, 2009-2, 2009-3, 2009-4, and 2009-5 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2009-1, 2009-2, 2009-3, 2009-4, and 2009-5 to be material weaknesses.

Flint Hills Technical College's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit Flint Hills Technical College's response and, accordingly, we express no opinion on it.

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



JARRED, GILMORE & PHILLIPS, PA.  
Certified Public Accountants

January 7, 2010  
Chanute, Kansas

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

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

**Financial Statements:**

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

**Internal Control over Financial Reporting:**

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

**Federal Awards:**

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

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

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

**U.S. DEPARTMENT OF EDUCATION**

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

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

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

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

**II. FINDINGS – FINANCIAL STATEMENT AUDIT**

NONE

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

<b>U.S. DEPARTMENT OF EDUCATION</b>	<u>Questioned Costs</u>
Student Financial Aid Cluster	
Federal Pell Grant Program – CFDA No. 84.063	None
Federal Family Education Loans – CFDA No. 84.032	None
Federal Supplemental Educational Opportunity Grant – CFDA No. 84.007	None
Federal College Work-Study Program – CFDA No. 84.033	None
Academic Competitiveness Grant – CFDA No. 84.375	None

**Finding: 2009-01** – General requirements

*Information of Federal Program:*

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

*Criteria:*

Proper management requires schools must maintain detailed records to show that FSA funds are disbursed according to statutory and regulatory requirements. These records must be made available to program reviewers from the Department and other authorized individuals or organizations in the course of audits, program reviews, or investigations (34 CFR 668.24).

*Condition:*

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

*Effect:*

The deficiencies in the design and operation of the internal controls in this area could result in the improper draw down and/or awarding of Federal Funds.

*Cause:*

The lack of proper internal controls did not allow for the accounting of student awards in time of staff turnover.

*Recommendation:*

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

*Views of responsible officials and planned corrective action:*

See the Corrective Action Plan on pages 41-42 of the current year audit.

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Findings and Questioned Costs  
(Continued)  
For the Year Ended June 30, 2009

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

**Finding: 2009-02** – Special Tests and Provisions - Verification  
*Information of Federal Program:*

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

*Criteria:*

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

*Condition:*

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

*Effect:*

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

*Cause:*

The College did not have internal controls in place that documents the proper verification was completed accurately.

*Recommendation:*

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

*Views of responsible officials and planned corrective action:*

See the Corrective Action Plan on pages 41-42 of the current year audit.

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Findings and Questioned Costs  
(Continued)  
For the Year Ended June 30, 2009

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

**Finding: 2009-03** – Special Tests and Provisions – Payment to Students

*Information of Federal Program:*

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

*Criteria:*

Loan funds must be disbursed within three business days of receipt if the lender provided the funds by EFT or master check, or thirty days if the lender provided the funds by check payable to the borrower or co-payable to the borrower and the institution (34 CFR sections 668.162, 668.164, 668.167(b), 682.603, and 682.604(d)). Other Federal awards the institution has the discretion in disbursing funds within a payment period, but generally must distribute the full amount before the end of the payment period (34 CFR sections 690.61, 690.75 through 690.78, and 668.164(g)).

*Condition:*

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

*Effect:*

The deficiencies in the design and operation of the internal controls in this area resulted in the delayed payment to the student.

*Cause:*

The College did not have proper procedures in place that allowed for the posting of student accounts in a timely manner.

*Recommendation:*

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

*Views of responsible officials and planned corrective action:*

See the Corrective Action Plan on pages 41-42 of the current year audit.

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Findings and Questioned Costs  
(Continued)  
For the Year Ended June 30, 2009

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

**Finding: 2009-04** – Special Tests and Provisions – Entrance/Exit Counseling  
*Information of Federal Program:*  
Student Financial Aid Cluster  
Federal Family Education Loans – CFDA No. 84.032

*Criteria:*

Prior to a school delivering or crediting an FFEL loan account, the school must provide the student or parent borrower with the notice as described under § 668.165 (entrance counseling), and a school must ensure that exit counseling is conducted with each Stafford loan borrower either in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that this counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions (34 CFR 682.604(g)).

*Condition:*

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

*Effect:*

Students are not receiving required communications and important departure information, such as how to defer payment, before departure from the College.

*Cause:*

The College did not have proper procedures in place that allowed for the entrance and exit counseling to be completed by the students.

*Recommendation:*

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

*Views of responsible officials and planned corrective action:*

See the Corrective Action Plan on pages 41-42 of the current year audit.

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Findings and Questioned Costs  
(Continued)  
For the Year Ended June 30, 2009

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

**Finding: 2009-05** – Special Tests and Provisions – Return of Title IV Funds

*Information of Federal Program:*

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

*Criteria:*

When a recipient of Title IV grant or loan assistance does not begin attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. The institution must determine which Title IV funds it must return or if it has to notify the lender or the Secretary to issue a final demand letter (34 CFR section 668.21).

*Condition:*

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

*Effect:*

The institution kept Federal funds longer than allowed by Title IV regulations.

*Cause:*

The College did not have proper procedures in place that allowed for the timely notification to the fiscal department that the return of funds was due.

*Recommendation:*

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

*Views of responsible officials and planned corrective action:*

See the Corrective Action Plan on page 40-41 of the current year audit.

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

Flint Hills Technical College is accredited by the Higher Learning Commission. The audit fieldwork was conducted at the College's administrative building in Emporia, Kansas at various dates from September 21, 2009, to September 23, 2009. The following is a schedule of statistics for the year ended June 30, 2009:

**TOTAL POPULATION:**

	<b>PELL</b>	<b>FFELP</b>	<b>FSEOG</b>	<b>FWS</b>	<b>ACG</b>
Universe					
Dollars	\$ 615,904.87	\$1,679,341.27	\$18,006.00	\$17,820.00	\$ 3,075.00
Students	221	284	55	11	5
Sample					
Dollars	\$ 131,264.87	\$ 391,858.14	\$ 5,925.00	\$ 5,765.66	\$ 1,775.00
Students	50	62	17	3	3

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

	<b>PELL</b>	<b>FFELP</b>	<b>FSEOG</b>	<b>FWS</b>	<b>ACG</b>
Universe					
Dollars	\$ 558,004.00	\$ 1,489,763.99	\$ 16,504.00	\$17,721.75	\$ 2,700.00
Students	194	254	50	10	4
Sample					
Dollars	\$ 101,576.00	\$ 275,882.00	\$ 4,709.00	\$ 5,765.66	\$ 1,400.00
Students	35	42	12	3	2

**WITHDREW, DROPPED OR TERMINATED STUDENTS:**

	<b>PELL</b>	<b>FFELP</b>	<b>FSEOG</b>	<b>FWS</b>	<b>ACG</b>
Universe					
Dollars	\$ 57,900.87	\$ 189,577.28	\$ 1,502.00	\$98.25	\$ 375.00
Students	27	30	5	1	1
Sample					
Dollars	\$ 29,688.87	\$ 115,976.14	\$ 1,216.00	\$ 0.00	\$ 375.00
Students	15	20	5	0	1

**WITHDREW, DROPPED OR TERMINATED STUDENTS:**

	<b>PELL</b>	<b>FFELP</b>	<b>FSEOG</b>	<b>FWS</b>	<b>ACG</b>
Universe					
Dollars Refunded	\$ 5,932.00	\$ 55,454.04	\$ 1,001.00	\$ - 0 -	\$ - 0 -
Students	10	16	5	0	0
Sample					
Dollars Refunded	\$ 1,649.92	\$ 5,711.38	\$ - 0 -	\$ - 0 -	\$ - 0 -
Students	2	5	0	0	0

**FLINT HILLS TECHNICAL COLLEGE**

Emporia, Kansas

Schedule of Resolution of Prior Year's Audit Findings and Questioned Costs  
For the Year Ended June 30, 2009

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Period Ended June 30, 2008:  
Findings and Questioned Costs/Resolution

08-01

*Condition:*

A material amount of correcting journal entries were recorded in the last period of the year, therefore, financial reports at various times throughout the fiscal year were not materially correct.

*Recommendation:*

Additional training for staff is needed in the area of general ledger maintenance and reconciliation.

*Current Status:*

Resolved.

08-02

*Condition:*

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

*Recommendation:*

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

*Current Status:*

Repeat finding.

08-03

*Condition:*

During our testing of the verification process twelve of the thirty six files tested did not include adequate evidence of verification as specified in 34 CFR section 668.56.

*Recommendation:*

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

*Current Status:*

Repeat finding.

**FLINT HILLS TECHNICAL COLLEGE**  
Emporia, Kansas

Schedule of Resolution of Prior Year's Audit Findings and Questioned Costs  
For the Year Ended June 30, 2009

---

Period Ended June 30, 2008:  
Findings and Questioned Costs/Resolution  
(Continued)

08-04

*Condition:*

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

*Recommendation:*

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

*Current Status:*

Repeat finding.

08-05

*Condition:*

During our testing of the entrance and exit counseling, it was noted thirteen files did not contain documentation of entrance counseling and thirty files did not contain documentation of exit counseling. The institution is currently conducting its required exit counseling at the same time as the entrance counseling.

*Recommendation:*

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

*Current Status:*

Repeat finding.

08-06

*Condition:*

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

*Recommendation:*

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

*Current Status:*

Repeat finding.

# Corrective Action Plan

January 7, 2010

Cognizant or Oversight Agency for Audit

Flint Hills Technical College respectfully submits the following corrective action plan for the year ended June 30, 2009.

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

Audit period: Year ended June 30, 2009.

The findings from the January 7, 2010 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**Finding: 2009-01** – General requirements

*Recommendation:*

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

*Action Taken:*

We concur with the recommendation. Since year end we have updated our software version of PowerFaids and all awards are now being tracked through this software. Policies and procedures related to the tracking of awards, along with withdrawn students, will be created prior to the start of the new award year.

**Finding 2009-02** – Special Tests and Provisions - Verification

*Recommendation:*

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

*Action Taken:*

We concur with the recommendation. With the full implementation of the PowerFaids software all documentation of verification is being tracked electronically. Updated policies and procedures related to verification will be created prior to the start of the new award year.

**Finding 2009-03** – Special Tests and Provisions – Payments to Students

*Recommendation:*

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

*Action Taken:*

We concur with the recommendation. Beginning with the Fall 2009 semester, procedures for accepting and drawing down federal aid dollars have been changed to accept monies on

## Corrective Action Plan

designated days on a weekly basis. Updated policies and procedures related to posting of student accounts will be created prior to the start of the new award year.

**Finding: 2009-04** – Special Tests and Provisions – Entrance/Exit Counseling

*Recommendation:*

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

*Action Taken:*

We concur with the recommendation. With the full implementation of PowerFaid software in the Fall 2009 semester, entrance loan counseling is being tracked through the software. Students will not receive disbursement of federal financial aid funds until entrance counseling has been completed. Policies and procedures are being written to place a hold on a student's record until exit loan counseling has completed.

**Finding: 2009-05** – Special Tests and Provisions – Return of Title IV Funds

*Recommendation:*

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

*Action Taken:*

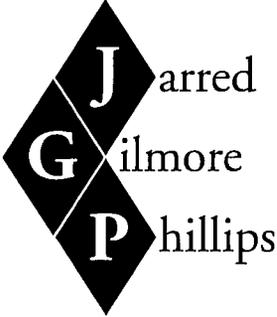
We concur with the recommendation. Financial Aid and Business Office staff have received training regarding return of Title IV funds. Policies and procedures outlining the timing of communication between the Financial Aid and Business Offices will be written prior to the start of the new award year.

If the Oversight Agency for Audit has questions regarding this plan, please call Nancy Thompson, Director of Accounting Services, at (620) 341-1304.

Sincerely,

*Flint Hills Technical College*

Flint Hills Technical College



January 7, 2010

**MANAGEMENT LETTER**

Board of Trustees  
Flint Hills Technical College  
Emporia, Kansas

In planning and performing our audit of the financial statements of the Flint Hills Technical College, as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Flint Hills Technical College's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with Kansas cash basis and budget laws basis of accounting such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control. We considered the following deficiencies to be significant deficiencies in internal control.

Financial Aid – General Requirements

Proper management requires schools must maintain detailed records to show that FSA funds are disbursed according to statutory and regulatory requirements. These records must be made available to program reviewers from the Department and other authorized individuals or organizations in the course of audits, program reviews, or investigations (34 CFR 668.24). Upon arrival for field work, the College was unable to provide us an accurate complete listing of aid awarded or withdrawn students. The deficiencies in the design and operation of the internal controls in this area could result in the improper draw down and/or awarding of Federal funds. As a result, the lack of proper internal controls did not allow for the accounting of student awards in time of staff turnover. We recommend policies and procedures should be written to provide guidance to all employees designating the staff responsible for the tracking of awards along with withdrawn students that were awarded financial aid. A complete accurate list is an essential first piece in the proper documentation of federal awards.

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### Financial Aid - Verification

Written policies and procedures are required to be established that incorporate the provisions of 34 CFR sections 668.51 through 668.61 for verifying applicant information. The College shall require each applicant whose application is selected by the central processor, based on edits specified by ED, to verify the information specified in 34 CFR section 668.56. During our testing of the verification process, twelve of the thirty six files tested did not include adequate evidence of verification as specified in 34 CFR section 668.56. As a result, the deficiencies in the design and operation of the internal controls in this area could result in the improper awarding of financial aid. The College did not have internal controls in place that documents the proper verification was completed accurately. We recommend policies and procedures should be written to provide internal control over the verification of student files. We recommend the College establish a filing process that allows all applications selected for verification to be verified before financial aid is awarded and shows how the income verification was calculated.

### Federal Aid – Payment to Students

Loan funds must be disbursed within three business days of receipt if the lender provided the funds by EFT or master check, or thirty days if the lender provided the funds by check payable to the borrower or co-payable to the borrower and the institution (34 CFR sections 668.162, 668.164, 668.167(b), 682.603, and 682.604(d)). Other Federal awards the institution has the discretion in disbursing funds within a payment period, but generally must distribute the full amount before the end of the payment period (34 CFR sections 690.61, 690.75 through 690.78, and 668.164(g)). During our testing of the payment to students it was noted the College was not timely posting payments to the student's account within the required time lines. As a result, the deficiencies in the design and operation of the internal controls in this area resulted in the delayed payments to the student. The College did not have proper procedures in place that allowed for the posting of student accounts in a timely manner. We recommend policies and procedures should be written to provide internal control over the communication of loan receipt and financial aid disbursements. We recommend the College establish a communication process that allows for the notification of the financial aid proceeds and a control in place that allows the financial aid department to know the proceeds were applied to the students' account timely.

### Federal Aid – Entrance/Exit Counseling

Prior to a school delivering or crediting an FFEL loan account, the school must provide the student or parent borrower with the notice as described under § 668.165 (entrance counseling), and a school must ensure that exit counseling is conducted with each Stafford loan borrower either in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that this counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions (34 CFR 682.604(g)). During our testing of the entrance and exit counseling it was noted thirteen files did not contain documentation of entrance counseling and thirty files did not contain documentation of exit counseling. As a result, students are not receiving required communications and important departure information, such as how to defer payment, before departure from the College. The College did not have proper procedures in place that allowed for the entrance and exit counseling to be completed by the students. We recommend policies and procedures should be written to provide internal control over the entrance and exit loan counseling process. We recommend the College follow regulations and complete the entrance counseling prior to disbursement and the exit counseling at the student's departure.

### Federal Aid – Return of Title IV Funds

When a recipient of Title IV grant or loan assistance does not begin attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. The institution must determine which Title IV funds it must return or if it has to notify the lender or the Secretary to issue a final demand letter (34 CFR section 668.21). During the testing of the return of Title IV funds, it was noted three of eleven tested refunds were not returned in the required time limit. As a result, the institution kept Federal funds longer than allowed by Title IV regulations. The College did not have proper procedures in place that allowed for the timely notification to the fiscal department that the return of funds was due. We recommend policies and procedures should be written to provide internal control over the return of Federal funds. We recommend the College establish a communication process that allows for the notification of the refund due and a control in place that allows the financial aid department to know the refund was returned timely.

### **Other Matters**

As a result of planning and performing the audit, we noted certain other matters that came to our attention that are not reflected in the auditors' report or the financial statements which we feel worthy of consideration by management. These matters are presented below:

#### Accounts Receivable

During our testing of accounts receivable, it was noted the College fiscal staff can write off a past due student account without approval. Monies could be collected on an account and not properly deposited into the College's accounts if fraud were to occur. We recommend that write-offs of student accounts receivable be further reviewed and approved by a responsible member of management on a monthly or quarterly basis. The approval should be indicated by a signature or initials on the voucher recording the write-off.

#### Testing Charges to Students

During our testing of student tuition and fees, it was noted the College does not have a formal procedure in place for the billing of students for various fees. We recommend a billing procedure be put into place that includes a completeness internal control (i.e. if twenty five students sat for an exam, the accounting office should expect to see a reconciliation of names with billings by student for everyone that sat for that exam).

#### Chart of Accounts

It was noted the College is in the process of implementing new accounting software. Kansas statutes requires the College to follow a standardized and uniform chart of accounts that is compatible with revenue and expenditure system developed by NACUBO, the National Association of College and University Business Officers. We recommend the College obtain this listing and continue in setting up the new accounting software under the required format.

#### Journal Entry Procedures

We recommend that a policy be established for approval of journal entries. Because the journal entry represents a means to override other controls, we feel it is especially important to have close monitoring. We suggest that a specific form be used for journal entries and that form have a designated area for approval by someone other than the preparer. This will involve at least two people in the process of posting journal entries and improve internal controls in this area.

#### Fund Structure

During our testing and review of the College records, we recommend the College expand the current fund structure to include the separate accounting of Federal funds and the auxiliary fund – bookstore. Under *Government Accounting Standards Board*, the bookstore would qualify as a separate enterprise fund. An enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the College is that the costs (expenses, including depreciation) of providing goods or services to the student body on a continuing basis be financed or recovered primarily through user charges.

During our testing of the Adult Education grant, it was noted the Federal revenues are coded to one specific account, however, specific expense accounts are not identifiable to each program section. We recommend the fund and account structure be modified to include a separate accounting of Federal funds.

Purchase Cards and Charge Accounts

During our testing of College purchase cards and charge accounts, we identified some charges that did not contain adequate supporting documentation. We would like to point out that all disbursements of the College should be supported by a written claim against the College and the College purchase cards and accounts should not be used for personal use. Unsupported disbursements could be cause for unallowable expenses under current Kansas statutes. While the unsupported charges appeared to be for legitimate College expenses, the College is approving and paying bills without all the required supporting documentation necessary. We recommend a policy be put into place that requires all support be turned into the College fiscal staff and prohibits the personal use of College purchase cards and charge accounts in all situations. If it is inadvertently used for personal use, the policy should include provisions that include reimbursement of personal expenses within a certain time period. Charges on a purchase card or on a charge account should not be paid without proper supporting documentation.

The preceding comments and recommendations have been considered in our audit of the financial statements for the year ended June 30, 2009. We appreciate the opportunity to be of service to the College. The College staff were very helpful during the audit. If you have any questions concerning the audit, management letter, or any other matters, please feel free to contact our office.

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

Respectfully submitted,



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants