

**NEOSHO COUNTY
COMMUNITY COLLEGE**

Chanute, Kansas

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

For the Year Ended June 30, 2005

NEOSHO COUNTY COMMUNITY COLLEGE
Chanute, Kansas

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Management's Discussion and Analysis

Introduction:

The following discussion and analysis of the financial performance and activity of Neosho County Community 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, 2005 with selected comparative information for the year ended June 30, 2004. 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.

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:

Management Discussion & Analysis (MD&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:

Neosho County Community College completed a solid performance for the fiscal year ended June 30, 2005. At year end, the College's assets exceeded its liabilities by \$3,281,040. Of this amount, \$2,515,158 is classified as unrestricted net assets. These unrestricted net assets may be used to meet the College's ongoing obligations. Revenue was up in almost all categories and cash and fund balances increased or remained approximately equal to the 2004 level in almost all funds. Total credit hours offered in 2005 were ten percent more than the previous year. While funding levels will be a concern for the College into the foreseeable future, the 2005 year helped to maintain the College's strong financial condition.

Statement of Net Assets

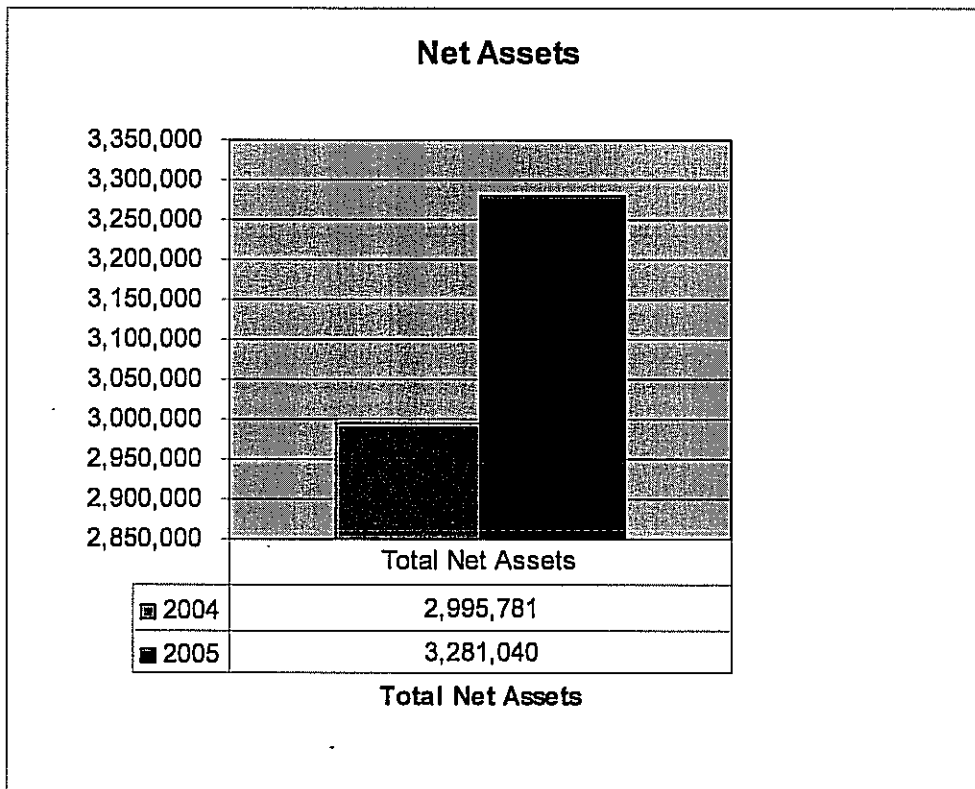
The statement of net assets presents the assets, liabilities, and net assets of the College at June 30, 2005. The purpose of the statement of net assets is to present the financial condition of the College.

The assets and liabilities are categorized between current and noncurrent. Noncurrent assets are externally restricted cash and investments restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, such as capital assets. 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.

Comparison of Assets – Fiscal Year 2004 to 2005

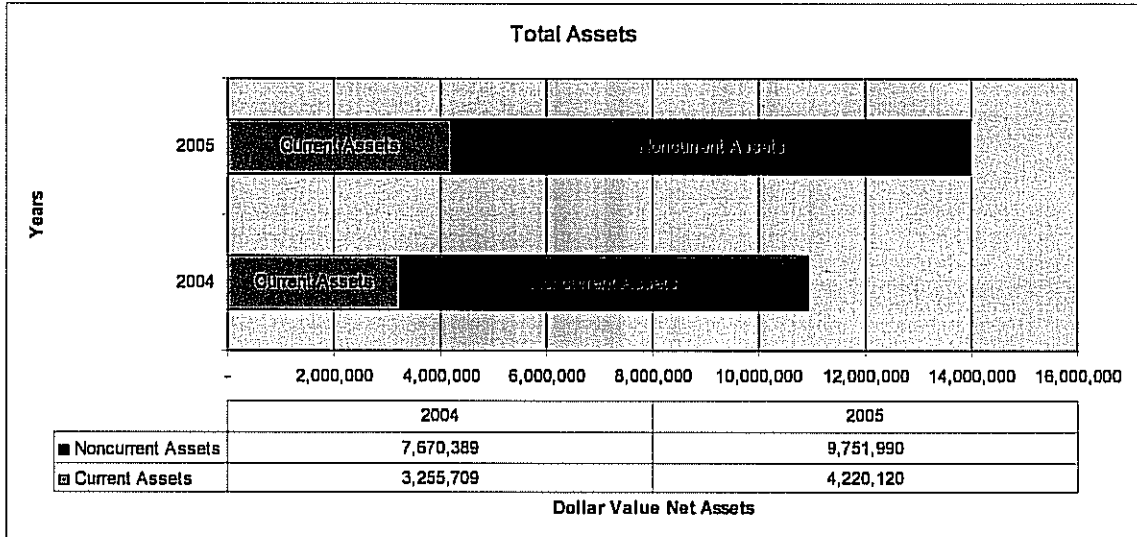
Net assets are presented in three major categories. The first is invested in capital assets, net of related debt, which represents the College's equity in its property, plant, and equipment. The second is restricted and the third is unrestricted. Net assets increased during the current fiscal year from \$2,995,781 to \$3,281,040 for a total increase of \$285,259; on a percentage basis this is a 9.5% increase.

Net assets for 2004 compared to 2005:

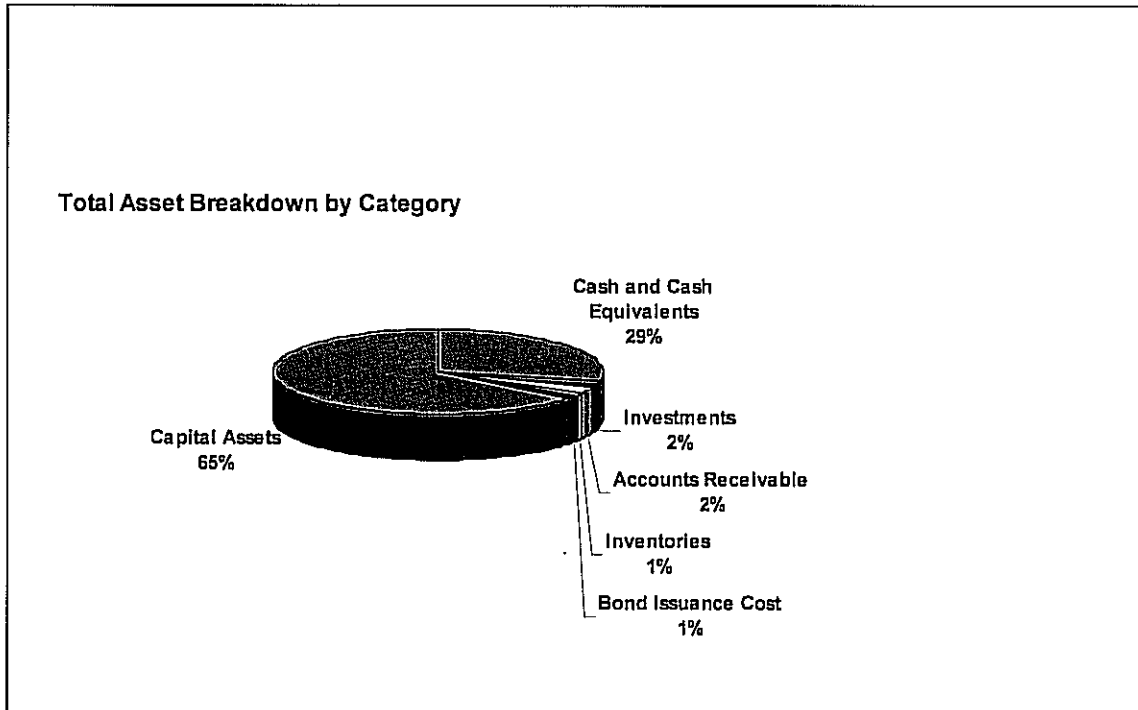


Neosho County Community College
 Management's Discussion and Analysis
 Fiscal year ended June 30, 2005

The College's current assets consist primarily of cash, short-term investments and accounts receivables, while noncurrent assets consist mainly of capital assets. Total break down of assets between current and noncurrent classification is as follows:



Total assets by category 2005



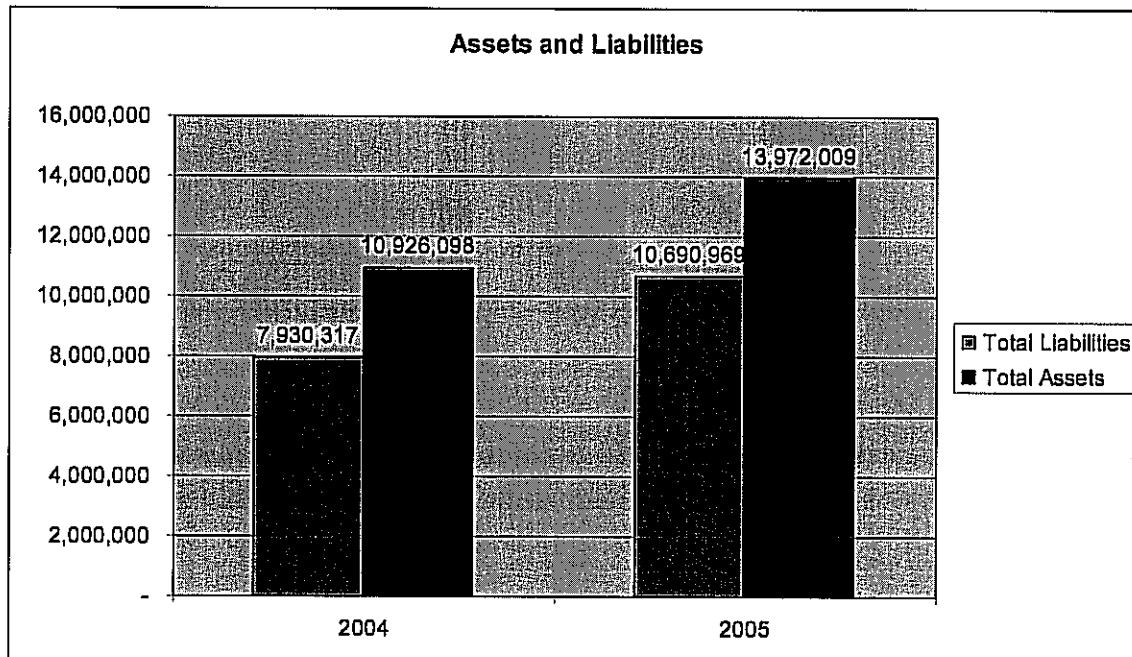
Of the \$13,972,009 in total assets, approximately 29% are in cash and cash equivalents and investments. Capital assets represent 65% of total assets.

Comparison of Liabilities – Fiscal Year 2004 to 2005

	2004	% Total 2004	2005	% Total 2005
Current Liabilities	1,174,242	14.81%	1,820,588	17.03%
Noncurrent Liabilities	6,756,074	85.19%	8,870,381	82.97%
Total Liabilities	7,930,316	100.00%	10,690,969	100.00%

The liabilities are categorized between current and noncurrent. For example, the College's current liabilities consist primarily of accounts payable, accrued liabilities, deferred revenue and the current portion of revenue bonds payable. The noncurrent liabilities portion is due to the College's 2005 series revenue bonds and capital lease payable. The bond refinancing was completed in March of 2005 and served two primary purposes; 1) to reduce the bond payment amount for the next two years and; 2) to take advantage of historically low interest rates.

Comparison of Assets to Liabilities



Total liabilities increased \$2,760,652 from \$7,930,317 in 2004 to \$10,690,969 in 2005. This represents a 34.8% increase in total liabilities. Assets increased \$3,045,911 from \$10,926,098 to \$13,972,009 for a 27.9% increase. The asset to liability ratio was 1.38 (\$10,926,098/\$7,930,317) in 2004 and 1.31 (\$13,972,009/\$10,690,969) in 2005. In summary, assets increased \$3,045,911 while liabilities increased by \$2,760,652.

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets present the College's financial results for the fiscal year ending June 30, 2005. The statements include the College's revenue and expenses, both operating and nonoperating.

Operating revenues and expenses are those for which the College directly exchanges goods and services. Nonoperating revenues and expenses are those that exclude specific goods and services. Examples of nonoperating revenues would be County property tax revenue and state aid; whereby local and state taxpayers do not directly receive goods and services from the College.

Results of Operations Fiscal Year 2005

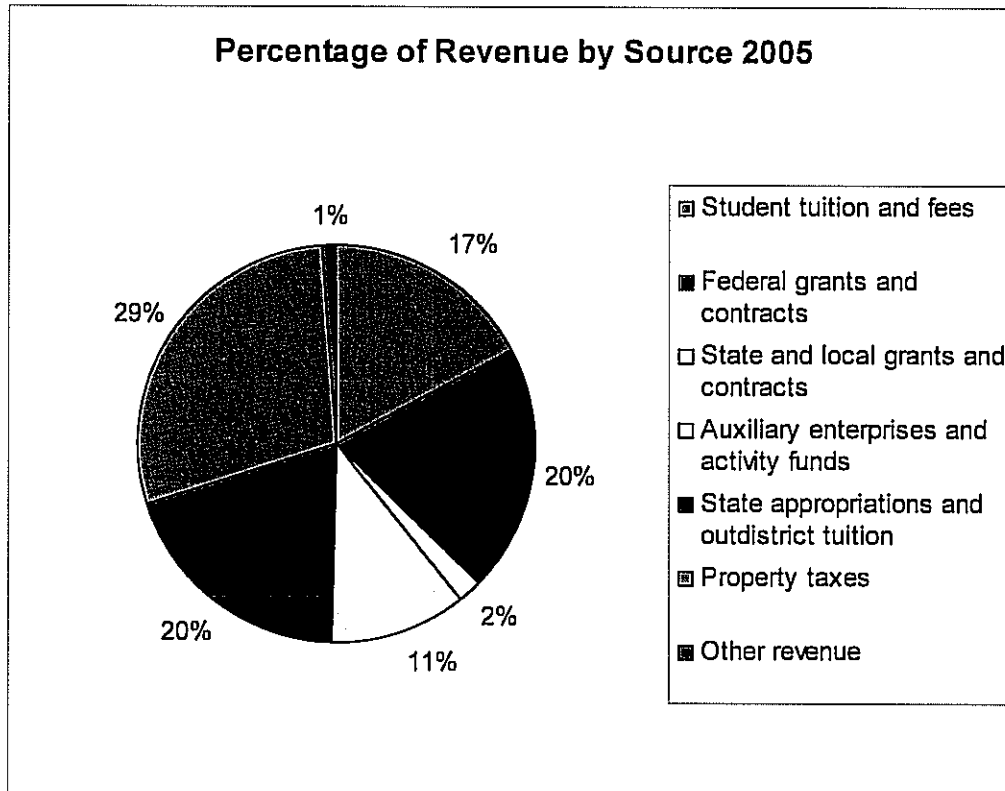
Revenue

Components and sources of revenue:

	2004	% Total 2004	2005	% Total 2005
Student tuition and fees	1,453,198	13.08%	1,990,330	17.28%
Federal grants and contracts	2,224,372	20.03%	2,293,457	19.91%
State and local grants and contracts	248,591	2.24%	225,499	1.96%
Auxiliary enterprises and activity funds	1,114,111	10.03%	1,295,575	11.25%
State appropriations and outdistrict tuition	1,853,660	16.69%	2,246,754	19.50%
*Property taxes	4,106,308	36.97%	3,324,544	28.86%
Other revenue	106,392	0.96%	143,800	1.25%
Total revenue	11,106,632	100.00%	11,519,959	100.00%

Neosho County Community College receives revenue from five major sources. They are: The State of Kansas; Federal Government; students, in the form of tuition and fees; local taxpayers, by way of property taxes; and through business style auxiliary enterprises. The percentage of state appropriations and outdistrict tuition increased 2.81% and the percentage of property taxes decreased 8.11% in 2005.

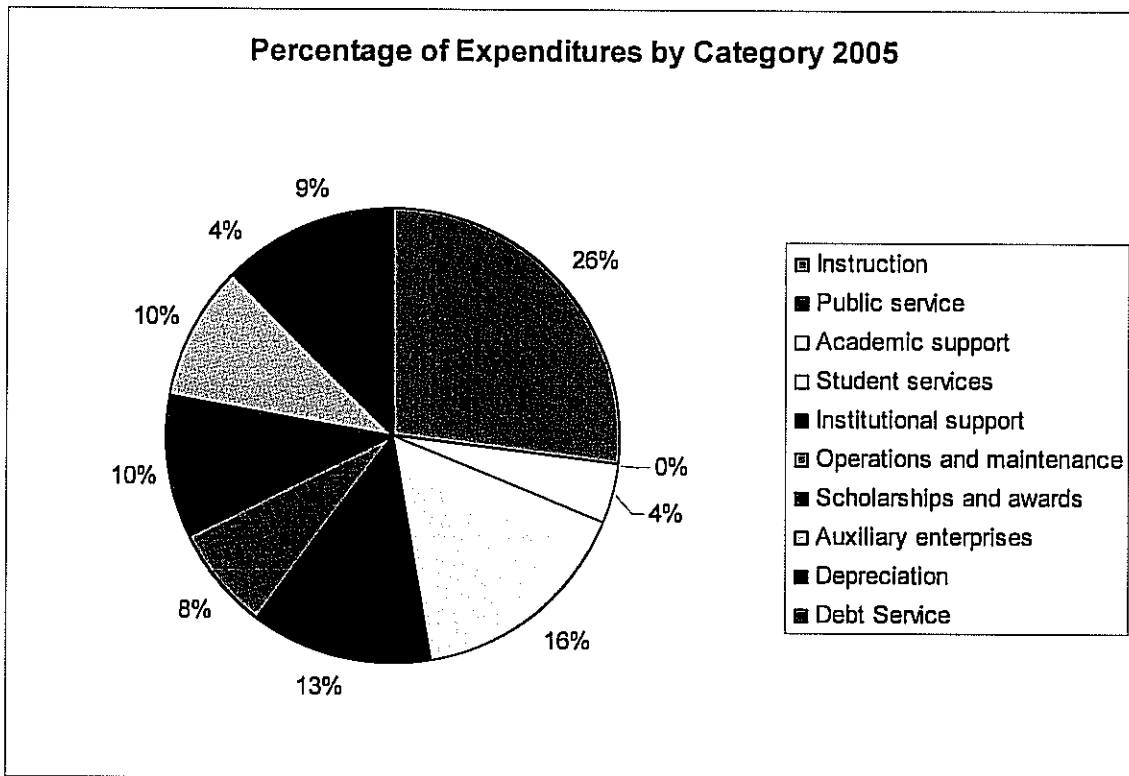
*The decrease of property taxes collected in 2005 is due to the change in distribution dates of taxes, the College collected \$885,504 in 2005 county ad valorem tax in fiscal year 2004.



Expenditures

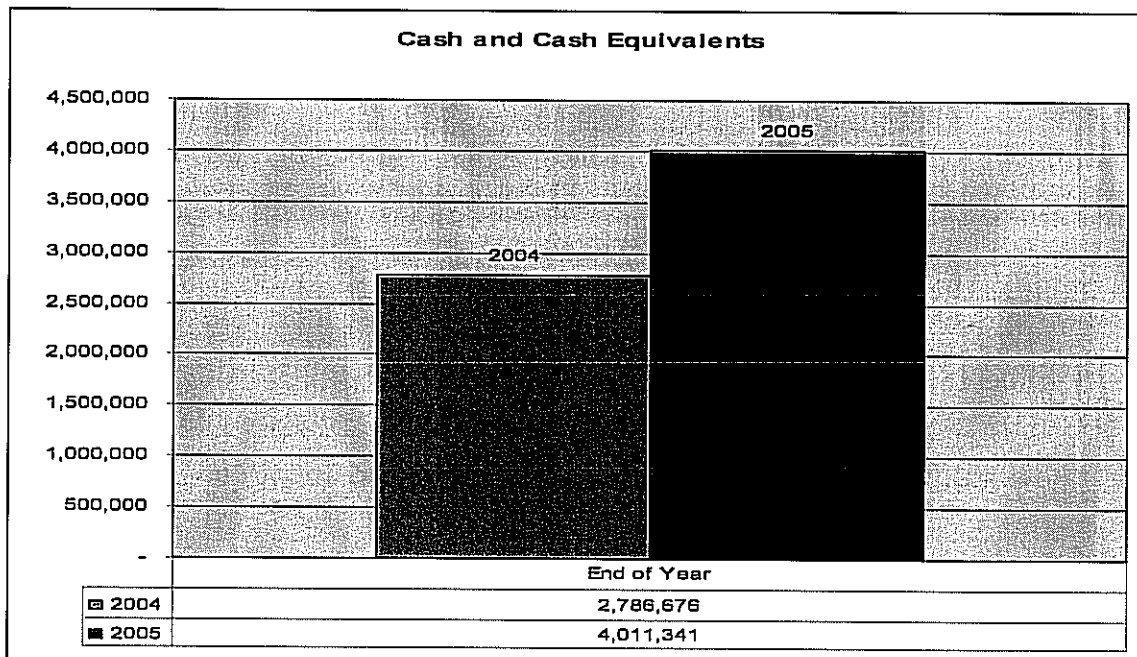
Detail of the 2004 and 2005 Education and General expenditures:

	2004	% Total 2004	2005	% Total 2005
Instruction	2,652,679	26.70%	3,026,816	26.94%
Public service	83	0.00%	12,595	0.11%
Academic support	371,148	3.74%	452,492	4.03%
Student services	1,654,156	16.65%	1,824,415	16.24%
Institutional support	1,797,843	18.10%	1,410,760	12.56%
Operations and maintenance	647,049	6.51%	869,121	7.74%
Scholarships and awards	1,018,118	10.25%	1,130,291	10.06%
Auxiliary enterprises	887,652	8.93%	1,108,096	9.86%
Depreciation	462,989	4.66%	416,193	3.70%
Debt Service	443,170	4.46%	983,919	8.76%
Total expenditures	9,934,887	100.00%	11,234,698	100.00%



Statement of Cash Flows

Cash and Cash Equivalents 2004 compared to 2005:



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. Cash and cash equivalents increased \$1,224,664 from \$2,786,676 in 2004 to \$4,011,241 in 2005.

Capital Assets and Debt Administration

During fiscal year 2005 the College used the Facilities Conservation Improvement Program of the State of Kansas to implement an energy performance contract that, in addition to energy conservation measures, put new metal roofs on five buildings, remodeled and brought up to fire code our Center for Academic and Vocational Excellence, and air conditioned our gymnasium and four office areas. The total project cost was \$2,052,303 with costs spread out over ten years.

In March 2005, Neosho County Community College partially refunded the Student Union and Dormitory System Refunding and Improvement Revenue Bonds, Series 1999 issued December 1, 1999. The total amount refinanced was \$6,295,000. These bonds will mature annually from June 1, 2005 through June 1, 2030 and bear varying interest rates from 3.0% to 5.25%.

Current Factors Having Probable Future Financial Significance

Since the new dorm was built, the College has not been able to fill all 244 beds in the two dorms. In fall 2004 the College had 200 residents. The occupancy dropped to 175 in the spring of 2005. Therefore, the College does not have enough money from housing contracts, profits from the bookstore, and the student union fee paid on each credit hour by the Chanute students to cover annual expenditures. As a result, \$450,000 was transferred from agency funds as of June 30, 2005.

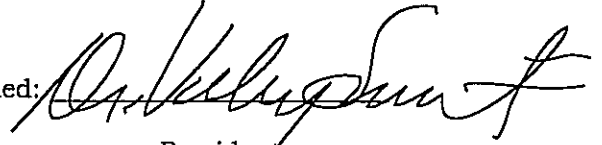
Economic Outlook

The College shows increasing cash reserves and continued enrollment growth. Enrollments increased by 23.7% between FY2003 and FY2005. The College's financial condition improved overall this fiscal year. Net assets increased, on an accrual basis, in 2005 from 2004 by \$285,259. Although investments decreased by \$240,745 (\$548,339-\$307,594), the College's current cash and cash equivalents increased from \$2,259,086 to \$3,444,330. Fund balances on a budget basis (presented in supplementary information schedules 3-9) also increased by \$431,608 from \$1,943,391 to \$2,374,999 during the 2005 fiscal year.

Request for Information

This discussion and analysis is designed to provide a general overview of Neosho County Community College's finances for all those with an interest in such matters. Questions concerning any of the information provided in this audit report or request for additional information should be addressed to the office of Dean of Finance, Neosho County Community College, 800 West 14th, Chanute, Kansas 66720.

Signed:



Title: President

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Neosho County Community College
Chanute, Kansas 66720

We have audited the accompanying statement of net assets of Neosho County Community College, Chanute, Kansas, as of June 30, 2005, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*. Those standards 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 Neosho County Community College as of June 30, 2005, 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 reports dated November 10, 2005, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

The management's discussion and analysis on pages i through ix, is 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.

Board of Trustees
Neosho County Community College
Chanute, Kansas

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section and 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 of Neosho County Community College. 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 Neosho County Community 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Diehl, Banwart, Bolton, Jarred & Bledsoe, Chtd.
DIEHL, BANWART, BOLTON, JARRED & BLEDSOE, CHTD.
Certified Public Accountants

P.O. Box 779
Chanute, Kansas 66720
(620) 431-6342
November 10, 2005

Neosho County Community College
Chanute, Kansas
Statement of Net Assets
June 30, 2005

	Primary Institution	Component Unit- Foundation
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,444,330.02	\$ 110,590.31
Investments	307,593.59	889,335.10
Accounts Receivable	321,414.81	10,100.00
Inventories	146,681.08	-
Total Current Assets	4,220,019.50	1,010,025.41
Noncurrent Assets		
Cash and Cash Equivalents	567,010.37	-
Bond Issuance Cost	197,023.36	-
Capital Assets, Net of Accumulated Depreciation	8,987,955.92	1,497.84
Total Noncurrent Assets	9,751,989.65	1,497.84
 TOTAL ASSETS	 \$ 13,972,009.15	 \$ 1,011,523.25
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 1,252,924.21	\$ 156,114.83
Accrued Interest Expense	31,678.58	-
Deferred Tax Revenue	215,813.00	-
Deposits Held in Custody for Others	320,172.11	15,917.28
Total Current Liabilities	1,820,587.90	172,032.11
Noncurrent Liabilities		
Accrued Vacation	81,297.14	-
Revenue Bonds Payable	7,225,000.00	-
Capital Leases Payable	1,564,083.68	-
Total Noncurrent Liabilities	8,870,380.82	-
 TOTAL LIABILITIES	 10,690,968.72	 172,032.11
 NET ASSETS		
Invested in Capital Assets, Net of Related Debt	198,872.24	1,497.84
Restricted Net Assets		
Restricted Net Assets - Expendable	567,010.37	22,000.00
Restricted Net Assets - Nonexpendable	-	433,519.23
Unrestricted Net Assets	2,515,157.82	382,474.07
TOTAL NET ASSETS	3,281,040.43	839,491.14
 TOTAL LIABILITIES AND NET ASSETS	 \$ 13,972,009.15	 \$ 1,011,523.25

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

Neosho County Community College
Chanute, Kansas
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2005

	Primary Institution	Component Unit- Foundation
REVENUES		
Operating Revenues		
Student Tuition and Fees, Net of Scholarship		
Discounts and Allowances of \$393,488.50	\$ 1,990,330.01	\$ -
Federal Grants and Contracts	2,293,456.95	-
State Grants and Contracts	225,498.71	-
Sales and Services of Auxiliary		
Enterprises	1,295,574.62	2,420.00
Other Operating Revenues	47,309.96	9,011.72
Total Operating Revenues	5,852,170.25	11,431.72
EXPENSES		
Educational and General		
Instruction	3,026,816.48	-
Public Service	12,594.91	-
Academic Support	452,492.49	-
Student Services	1,824,414.55	-
Institutional Support	1,410,760.02	46,522.46
Operation and Maintenance	869,120.81	-
Scholarships and Awards	1,130,290.84	67,999.30
Auxiliary Enterprises	1,108,096.05	1,830.55
Depreciation Expense	416,192.80	-
Total Operating Expenses	10,250,778.95	116,352.31
Operating Income (Loss)	(4,398,608.70)	(104,920.59)
Nonoperating Revenues (Expenses)		
State Appropriations	2,037,972.00	-
County Out District Aid	208,782.00	-
County Appropriations	3,324,543.70	-
Gifts	-	58,500.14
Investment Income	96,489.41	117,687.40
Debt Service	(983,919.05)	-
Net Nonoperating Revenues (Expenses)	4,683,868.06	176,187.54
Increase (Decrease) in Net Assets	285,259.36	71,266.95
Net Assets - Beginning of Year	2,995,781.07	768,224.19
Net Assets - End of Year	\$ 3,281,040.43	\$ 839,491.14

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

Neosho County Community College
Chanute, Kansas
Statement of Cash Flows
For the Year Ended June 30, 2005

	Primary Institution	Component Unit- Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	\$ 2,032,934.62	\$ -
Federal Grants and Contracts	2,293,456.95	-
State Grants and Contracts	225,498.71	-
Sales and Services of Auxiliary Enterprises	1,295,574.62	2,420.00
Miscellaneous Income	47,309.96	9,011.72
Payments on Behalf of Employees	(5,232,834.29)	-
Payments for Supplies and Materials	(111,524.70)	-
Payments for Other Expenses	(3,822,685.36)	(111,515.13)
Net cash provided by (used in) operating activities	<u>(3,272,269.49)</u>	<u>(100,083.41)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	2,037,972.00	-
County Out District Aid	208,782.00	-
County Appropriations	3,324,543.70	-
Gifts	-	40,400.14
Net cash provided by (used in) noncapital financing activities	<u>5,571,297.70</u>	<u>40,400.14</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Payments for Purchase of Fixed Assets	(2,261,350.12)	-
Interest Paid on Debt	(982,254.91)	-
Bond Issuance Cost	(199,013.50)	-
Proceeds from the Issuance of Debt	7,745,673.05	-
Principal Payments on Debt	(5,712,663.59)	-
Cash Collections from Endowment Contributions	-	10,000.00
Net cash provided by (used in) capital financing activities	<u>(1,409,609.07)</u>	<u>10,000.00</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	994,597.22	81,264.71
Purchase of Investments	(648,491.25)	(51,009.52)
(Gain) Loss on Sale of Investments	(42,339.43)	-
Interest Earned on Investments	31,478.26	27,848.91
Net cash provided by (used in) investing activities	<u>335,244.80</u>	<u>58,104.10</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,224,663.94	8,420.83
Cash and Cash Equivalents, Beginning of Year	<u>2,786,676.45</u>	<u>102,169.48</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,011,340.39</u>	<u>\$ 110,590.31</u>

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

NEOSHO COUNTY COMMUNITY COLLEGE

Chanute, Kansas

Statement of Cash Flows

For the Year Ended June 30, 2005

	<u>Primary Institution</u>	<u>Component Unit- Foundation</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (4,398,608.70)	\$ (104,920.59)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation Expense	416,192.80	538.77
Bond Issuance Cost Amortization	1,990.14	-
(Increase) Decrease in Receivables	(19,789.39)	2,366.50
(Increase) Decrease in Inventory	(22.85)	-
Increase (Decrease) in Accounts Payable	1,040,855.14	7,296.05
Increase (Decrease) in Compensated Absences	15,021.66	-
Increase (Decrease) in Deferred Revenue	62,394.00	-
Increase (Decrease) in Deposits Held for Others	(390,302.29)	(5,364.14)
Net cash provided by (used in) operating activities	<u>\$ (3,272,269.49)</u>	<u>\$ (100,083.41)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS		
Cash and Cash Equivalents classified as current assets	\$ 3,444,330.02	\$ 110,590.31
Cash and Cash Equivalents classified as non-current assets	567,010.37	-
Total Cash and Cash Equivalents	<u>\$ 4,011,340.39</u>	<u>\$ 110,590.31</u>

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

NEOSHO COUNTY COMMUNITY COLLEGE
Chanute, Kansas

Notes to the Financial Statements
For the Year Ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Neosho County Community College, Chanute, 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*, consists 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 Neosho County Community 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 Neosho County Community 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 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 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.

Basis of 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's 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.

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable and Deferred Revenue

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Kansas. Accounts receivable also includes amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grant and contracts. Accounts receivable also include taxes in process of collection for property taxes assessed and collected for the calendar year ending December 31, 2005.

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before November 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1st of the ensuing year.

Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. Property taxes levied in November 2004 are recorded as taxes receivable. Approximately 33% of these taxes are normally distributed after May 10th, and are presented as accounts receivable-taxes in process and deferred revenue to indicate that they are not appropriable. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Inventories

Inventories consist of books and supplies held for resale in the bookstore and are valued at cost, using the first-in, first-out method (FIFO).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Noncurrent Cash and Cash Equivalents

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

Capital Assets

Capital assets include land, buildings, furniture, equipment, and vehicles. Capital assets are defined as assets with an initial individual cost of more than \$1,000.00 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost. Donated fixed assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Major additions and improvements are capitalized. The College capitalizes interest on the construction of capital assets when material.

The College's capital assets are depreciated using the straight line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

Buildings	35 Years
Building Improvements	20 Years
Furniture	10 Years
Vehicles	5-7 Years
Equipment, including computers	3-7 Years

Compensated Absences

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

Noncurrent Liabilities

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

Net Assets

The College's net assets are classified as follows:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

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

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

Income Taxes

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

Classification of Revenues

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

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

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

Scholarship Discounts and Allowances

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

Accounting Estimates

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

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

Pension Plan

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

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

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for current funds - unrestricted and plant funds (unless specifically exempted by statute). The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

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

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

Annual operating budgets are prepared using the cash basis of accounting, modified further by the recording of accounts payable and encumbrances. Revenue is recognized when cash is received. Expenditures include cash disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for Current Funds - Restricted and Agency Funds.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

2. **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

Compliance with Bond Covenants

The bond resolution to issue the Series 2005, Student Union and Dormitory System Refunding and Improvement Revenue Bonds contains the following requirements:

1. All income from operation of the Dormitory and Student Union building fees are to be placed in the Dormitory and Student Union Fund.
2. Disbursements from the Dormitory and Student Union Fund are required as follows:
 - (a) Monthly transfers to the Student Union-Dormitory Bond and Interest Account not less than 1/6th of the next revenue bond interest due starting April 1, 2005.
 - (b) Monthly transfers to the Student Union-Dormitory Bond and Interest Account not less than 1/12th of the next revenue bond principal due starting April 1, 2005.
 - (c) A balance in an amount equal to the lesser of, 10% of the stated principal amount of all parity bonds on the date of original issuance, the maximum annual debt service requirements for all parity bonds during any fiscal year, or 125% the average annual future debt service requirements of the bonds and all parity bonds, is to be maintained in the Dormitory Bond Reserve Account.
 - (d) The Depreciation and Replacement Account contains \$50,000.00 as of the date of issuance and, beginning on April 1, 2005, after meeting all requirements of (a) through (c) above, if the account is ever below the required amount, there shall be paid and credited to the Depreciation and Replacement Account the sum of \$1,000 each month until the Depreciation and Replacement Account reaches a sum equal to \$50,000.00.
 - (e) After meeting all requirements of (a) through (d) above, all remaining money in the Dormitory and Student Union Account shall be paid to the Student Union-Dormitory Surplus Account. This fund may pay costs of operation, maintenance, repair, improvements or redeem the revenue bonds prior to their normal maturity.
 - (f) The College agrees to maintain rental rates, fees and charges for the use of buildings and facilities, which will be sufficient to have each year a gross operating income of at least 125% of the maximum annual requirement for principal and interest requirements on all the outstanding Student Union-Dormitory Revenue Bonds.
3. For the year ended June 30, 2005, the College met the gross operating income covenant, as gross operating income was sufficient to equal at least 125% of the maximum annual requirement for principal and interest on all the outstanding Student Union-Dormitory Revenue Bonds.
4. At June 30, 2005, the bond reserves had the following balances:

	<u>ACTUAL</u>	<u>REQUIRED</u>
Student Union – Dormitory Bond and Interest Account	\$ 25,051.04	\$ 25,051.04
Student Union – Dormitory Bond Reserve Account	460,862.50	460,862.50
Student Union – Depreciation and Replacement Account	50,000.00	50,000.00

As shown above, the College was in apparent compliance of the revenue bond covenant reserve requirements.

2. **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

Compliance with Kansas Statutes

Supplemental Schedules 3 to 9 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Schedules 3 to 9, the College was in apparent compliance with Kansas cash basis laws, however, the College was in apparent violation of K.S.A. 79-2935 as the College has obligated expenditures in excess of budgeted limits in the Adult Education Fund.

As shown in Footnote #3, the College was in apparent violation of K.S.A. 9-1402. The College had cash balances in excess of federal deposit insurance and securities pledged.

3. **DEPOSITS AND INVESTMENTS**

Deposits

At year-end, the carrying amount of the College's deposits, including certificates of deposit, was \$4,183,950.38 and the bank balance was \$4,650,165.25. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$396,212.11, was covered by FDIC insurance, \$4,132,307.94, was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the College's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties; the College, the pledging bank, and the independent third-party bank holding the pledged securities, and the remaining \$121,645.20 was considered unsecured at year-end.

Deposits – Component Unit

At year-end, the carrying amount of the Foundation's deposits was \$100,338.39. The bank balance was \$119,675.55. The difference between the carrying amount and the bank balance is outstanding checks. Of the bank balance, \$119,675.55 was covered by FDIC insurance at year end.

Investments

The statutes of the State of Kansas allow Kansas municipalities to invest in savings accounts, certificates of deposit, United States Treasury obligations, repurchase agreements, and the State Municipal Investment Pool. All investments must be insured, registered, or held by the College, or its agent in the College's name. The Colleges investments are categorized to give an indication of the level of risk assumed by the College at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the College or its agent in the College's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department or agency in the College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer bank. Of the three risk categories, the investments classified as Risk Category 1 have the least risk to the College.

	<u>COST</u>	<u>MARKET</u>
Risk Category 1:		
Certificates of Deposit	\$ 174,710.09	\$ 174,710.09
Earl Heminger Trust – Government Securities	30,971.90	31,428.44
Risk Category 3:		
Exxon Mobil – 1774 Shares	<u>3,042.00</u>	<u>101,455.06</u>
	<u>\$ 208,723.99</u>	<u>\$ 307,593.59</u>

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

Component Unit:

Investments are made in accordance with an investment policy established by the Board of Directors and are stated at market value. Investments at June 30, 2005, are comprised of the following:

	<u>COST</u>	<u>MARKET</u>
American High Income	\$ 60,000.00	\$ 61,429.10
Capital World Growth and Income Fund	94,051.95	117,146.33
Fundamental Investors Inc.	167,971.81	186,884.49
Growth Fund of America	114,670.01	131,236.25
Investment Company of America	161,119.78	171,110.83
Bond Fund of America	44,119.78	44,515.38
New Perspective Fund Inc.	39,794.48	44,318.27
City Bank	40,000.00	39,682.80
Broadway Bank	30,000.00	28,966.79
Discover Bank 5.45%	30,000.00	29,867.91
Lehman Brothers Bank	80,000.00	79,660.15
Capital One	80,000.00	79,660.15
	<u>\$ 901,777.30</u>	<u>\$ 975,293.18</u>

4. **ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2005, consisted of the amounts due under the following programs:

	<u>Primary Institution</u>	<u>Component Unit</u>
Current:		
Taxes in Process	\$ 215,813.00	\$ --
Federal Grants	12,006.37	--
Student Accounts - current	88,786.94	--
Other	--	<u>10,100.00</u>
Total Accounts Receivable - Current	<u>\$ 316,606.31</u>	<u>\$ 10,100.00</u>

The College charges any uncollectible accounts directly to current revenues. All accounts at June 30, 2005, are considered fully collectible.

5. **INVENTORIES**

Inventories consisted of the following at June 30, 2005:

Bookstore	<u>\$ 146,681.13</u>
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6. CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2005:

Primary Institution:

	Balance 06/30/2004	Additions	Retirements	Balance 06/30/2005
Other Capital Assets				
Buildings and Improvements	\$ 10,159,456.64	\$ 74,680.00	\$ -	\$ 10,234,136.64
Buildings and Improvements Under Capital Lease	-	2,075,673.05	-	2,075,673.05
Equipment	2,442,649.71	110,997.07	(17,562.55)	2,536,084.23
Equipment - Under Capital Lease	231,485.88	-	-	231,485.88
Total Other Capital Assets	12,833,592.23	2,261,350.12	(17,562.55)	15,077,379.80
Accumulated Depreciation				
Buildings and Improvements	3,509,914.64	250,308.76	-	3,760,223.40
Equipment	2,155,029.93	119,586.87	(17,562.55)	2,257,054.25
Equipment - Under Capital Lease	25,849.06	46,297.17	-	72,146.23
Total Accumulated Depreciation	5,690,793.63	416,192.80	(17,562.55)	6,089,423.88
Net Capital Assets	\$ 7,142,798.60	\$ 1,845,157.32	\$ -	\$ 8,987,955.92

Component Unit:

	Balance 06/30/2004	Additions	Retirements	Balance 06/30/2005
Other Capital Assets				
Equipment	3,211.00	-	-	3,211.00
Total Other Capital Assets	3,211.00	-	-	3,211.00
Accumulated Depreciation				
Equipment	1,713.16	538.78	-	2,251.94
Total Accumulated Depreciation	1,713.16	538.78	-	2,251.94
Net Capital Assets	\$ 1,497.84	\$ (538.78)	\$ -	\$ 959.06

7. LONG-TERM DEBT

Long-term debt of the College consists of the following as of June 30, 2005:

Student Union and Dormitory System Refunding and Improvement Revenue Bonds, Series 1999 issued December 1, 1999, in the original amount of \$6,640,000.00, partially refunded with the Student Union and Dormitory System Refunding Revenue Bonds, Series 2005. Non-refunded bonds still outstanding require annual payments of \$10,000.00 to \$65,000.00, plus interest at 5.50% to 7.00%, maturing June 1, 2030, with a lump-sum payment of \$145,000.00 due.	\$ 930,000.00
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7. **LONG-TERM DEBT** (Continued)

Student Union and Dormitory System Refunding Revenue Bonds, Series 2005 issued March 23, 2005, in the original amount of \$6,295,000.00, payable in annual payments of \$75,000.00 to \$390,000.00, plus interest at 3.00% to 5.25%, maturing June 1, 2030, with a lump-sum payment of \$880,000.00 due June 1, 2030. \$ 6,295,000.00

Total Long-Term Debt \$ 7,225,000.00

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2005:

Obligations:	<u>PRINCIPAL JUNE 30, 2004</u>	<u>PRINCIPAL RECEIVED (PAID)</u>	<u>PRINCIPAL JUNE 30, 2005</u>	<u>INTEREST PAID</u>
Revenue Bonds – Series 1999	\$6,475,000.00	\$ (5,545,000.00)	\$ 930,000.00	\$ 914,078.75
Revenue Bonds – Series 2005	--	<u>6,295,000.00</u>	<u>6,295,000.00</u>	<u>50,102.09</u>
	<u>\$6,475,000.00</u>	<u>\$ 750,000.00</u>	<u>\$7,225,000.00</u>	<u>\$ 964,180.84</u>

The bond principal and interest requirements for the next five years and thereafter are as follows:

<u>FISCAL YEAR JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$ 10,000.00	\$ 363,150.00	\$ 373,150.00
2007	10,000.00	362,600.00	372,600.00
2008	90,000.00	360,915.00	450,915.00
2009	170,000.00	356,455.00	526,455.00
2010	190,000.00	350,215.00	540,215.00
2011-2015	1,050,000.00	1,630,950.00	2,680,950.00
2016-2020	1,320,000.00	1,361,242.50	2,681,242.50
2021-2025	1,675,000.00	979,300.00	2,654,300.00
2026-2030	<u>2,710,000.00</u>	<u>457,756.25</u>	<u>3,167,756.25</u>
	<u>\$ 7,225,000.00</u>	<u>\$6,222,583.75</u>	<u>\$ 13,447,583.75</u>

8. **CAPITAL LEASES**

The College entered into a capital lease agreement dated October 1, 2003, with Community National Bank for the purchase of Jenzabar Internet Campus Software and associated hardware components. The total cost was \$125,000.00. The lease calls for annual payments of \$33,014.74, including interest at 3.790% per annum, maturing October 1, 2006.

8. **CAPITAL LEASES** (Continued)

<u>Capital Lease – Jenzabar Software</u>	
Debt requirements are as follows:	
<u>June 30,</u>	
2006	\$ 33,014.74
2007	<u>33,014.74</u>
Total Net Minimum Lease Payments	66,029.48
Less: Imputed Interest	<u>(3,572.72)</u>
Net Present Value of Capital Lease	<u>62,456.76</u>
Less: Current Maturities	<u>(30,647.63)</u>
Long-Term Capital Lease Obligations	<u>\$ 31,809.13</u>

The College entered into a capital lease agreement dated February 19, 2004, with Community National Bank for the purchase an IBM Computer System. The total cost was \$106,485.88. The lease calls for monthly payments of \$3,066.50, including interest at 2.49% per annum, maturing February 19, 2007.

<u>Capital Lease – Computer System</u>	
Debt requirements are as follows:	
<u>June 30,</u>	
2006	\$ 36,798.00
2007	<u>15,332.50</u>
Total Net Minimum Lease Payments	52,130.50
Less: Imputed Interest	<u>(1,176.63)</u>
Net Present Value of Capital Lease	<u>50,953.87</u>
Less: Current Maturities	<u>(35,937.53)</u>
Long-Term Capital Lease Obligations	<u>\$ 15,016.34</u>

The College entered into a capital lease agreement dated March 24, 2005, with Citicapital for the energy conservation project. The total cost was \$1,450,673.05. The lease calls for monthly payments of \$14,625.39, including interest at 3.91% per annum, maturing June 14, 2015.

<u>Capital Lease – Energy Conservation Project</u>	
Debt requirements are as follows:	
<u>June 30,</u>	
2006	\$ 175,504.68
2007	175,504.68
2008	175,504.68
2009	175,504.68
2010	175,504.68
2011-2015	<u>877,523.40</u>
Total Net Minimum Lease Payments	1,755,046.80
Less: Imputed Interest	<u>(304,373.75)</u>
Net Present Value of Capital Lease	<u>1,450,673.05</u>
Less: Current Maturities	<u>(120,935.33)</u>
Long-Term Capital Lease Obligations	<u>\$ 1,329,737.72</u>

9. REFUNDING BONDS

The College has issued Series 2005 Student Union and Dormitory System Refunding Revenue Bonds for the purpose of refunding prior to maturity a portion of the College's outstanding bonds. The proceeds of the bond issues were irrevocably placed in the trust accounts and were used to purchase United States Government Securities for the purpose of paying the debt requirements of the refunded bonds as needed. The following schedule lists the refunding revenue bond issue and the principal outstanding of refunded debt as of June 30, 2005.

	Principal Outstanding
Refunded by 2005 Student Union and Dormitory System Refunding Bonds - 1999-Dorm Revenue and Refunding Bonds	\$5,485,000.00

These refunded bonds are not included as obligations of the College in these financial statements inasmuch as the bonds are defeased in substance.

10. GRANTS TO OTHERS

Component Unit:

The Foundation originally pledged \$200,000.00 to be given over ten years to assist in the construction of the Chanute Community Sports Complex in Chanute, Kansas. Accounting principles generally accepted in the United States of America requires that this pledge be recorded as an expense at the time of the pledge at present value. The following schedule lists the yearly contribution, discounted to present value. A discount rate of three percent was used for the calculation.

<u>Year Ending June 30,</u>	<u>Contribution</u>	<u>Less Discount</u>	<u>Present Value</u>
2006	\$ 20,000.00	\$ 4,138.65	\$ 15,861.35
2007	20,000.00	4,262.81	15,737.19
2008	20,000.00	4,390.69	15,609.31
2009	20,000.00	4,522.41	15,477.59
2010	20,000.00	4,658.09	15,341.91
2011	20,000.00	4,797.83	15,202.17
2012	20,000.00	4,941.76	15,058.24
2013	20,000.00	5,090.02	14,909.98
2014	<u>20,000.00</u>	<u>5,242.73</u>	<u>14,757.27</u>
	<u>\$ 180,000.00</u>	<u>\$ 42,044.99</u>	<u>\$ 137,955.01</u>

11. 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.

11. DEFINED BENEFIT PENSION PLAN (Continued)

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 5.47% 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, 2005, 2004, and 2003 were \$138,176,951, \$119,791,179, and \$112,147,986, respectively, equal to the statutory required contributions for each year. During the year ended June 30, 2005, payments made by the State of Kansas to KPERS on behalf of the College totaled \$191,674.71.

12. EARLY RETIREMENT

Basis of Retirement Benefit. The early retirement benefit shall be an annual payment determined by utilization of the percentage opposite the year of benefit on the following table. The percentage for the year shall be multiplied by the Professional Employee's last annual contract salary. The payment shall be paid annually in either January or June through the College contract year in which the Professional Employee reaches age sixty-four (64) or for a period of five (5) years, whichever occurs first. The initial date selected for first year payment (January/June) shall then become the anniversary date for subsequent payments.

The age at the time of retirement shall determine the percentage of last annual salary for that year and each subsequent year.

<u>Year of Benefit</u>	<u>Percent of Last Annual Salary</u>
Age 56	8%
Age 57	10%
Age 58	13%
Age 59	17%
Age 60	21%
Age 61	17%
Age 62	13%
Age 63	10%
Age 64	8%

The following is a schedule of benefits payable for eligible employees which have taken early retirement as of June 30, 2005:

<u>Paid or Payable</u>	<u>Fiscal Year Ended June 30th</u>	<u>Amount</u>
Paid	2005	<u>\$ 14,808.97</u>
Payable	2006	\$ 14,808.97
Payable	2007	9,797.34
Payable	2008	<u>9,797.34</u>
		<u>\$ 49,212.62</u>

13. COMPENSATED ABSENCES

Administrators (non-faculty, non-clerical, non-maintenance) employed on a twelve-month basis are entitled to a four-week (20 working days) vacation. Clerical and maintenance personnel who are employed on a twelve-month basis are entitled to two weeks (10 working days) of vacation on the first day of the contract year. If an employee terminates before the end of the contract year, the vacation will be prorated. Vacation days for the first year of employment will be prorated based on length of service. After the completion of the fifth year, maintenance and clerical personnel will be entitled to 15 working days of vacation, after the completion of the tenth year, 17 ½ working days of vacation, and after the completion of the fifteenth year, 20 working days of vacation. All vacations must receive prior approval from the employee's immediate supervisor, and the employee must complete an absence report. Vacation days not scheduled and used within twelve (12) months from the end of the contract year in which earned will be forfeited.

Each full-time employee shall receive one sick day per month, cumulative to a maximum of 60 days by the end of the 5th contracted year of employment. After the 5th year, each employee shall receive one day per month, but cannot accumulate more than 6 days per year thereafter for a maximum of 90 days. There is no compensation for unused sick leave upon termination of employment.

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 vacation and has not recorded a liability for sick leave which has been earned but not taken inasmuch as the amount cannot be reasonably estimated.

14. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

15. CONCENTRATION OF RISK

Component Unit

75.69% of the Foundation's cash and investments are invested in mutual funds at June 30, 2005. The effect in the future on the Foundation's equity portfolio is unknown and is subject to market economic conditions.

16. 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 various insurance policies.

17. REVENUE BOND REQUIRED DISCLOSURE

Insurance is carried on property constituting the system covered by the Series 2005 Student Union and Dormitory System Refunding Revenue Bonds in the amount of \$10,297,442.00 blanket coverage, \$500.00 deductible per occurrence, through EMC Insurance Company for the period July 1, 2004, through July 1, 2005, renewable annually. The premiums paid were \$13,994.13.

Total system users 2004 and 2005 were as follows:

	<u>06/30/2004</u>	<u>06/30/2005</u>
Dorm Residents	200	175

18. RELATED PARTY TRANSACTIONS

The Neosho County Community 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 Foundations board of directors. The Foundation disbursed to, or on behalf of, the College for the year ended June 30, 2005, \$158,397.96.

SUPPLEMENTAL INFORMATION

NEOSHO COUNTY COMMUNITY COLLEGE
Chanute, Kansas

Combining Statement of Net Assets – Primary Institution

June 30, 2005

Neosho County Community College
Chanute, Kansas
Combining Statement of Net Assets - Primary Institution
June 30, 2005

ASSETS	GENERAL	VOCATIONAL EDUCATION	ADULT EDUCATION	ADULT SUPPLEMENTAL EDUCATION
Current Assets				
Cash and Cash Equivalents	\$ 2,201,430.18	\$ 69,788.58	\$ 8,814.75	\$ 2,708.37
Investments	155,926.75	-	-	-
Receivables				
Taxes in Process	215,294.00	-	519.00	-
Federal	-	-	-	-
Other	8,277.04	15,337.77	-	-
Inventories	-	-	-	-
Total Current Assets	<u>2,580,927.97</u>	<u>85,126.35</u>	<u>9,333.75</u>	<u>2,708.37</u>
Noncurrent Assets				
Cash and Cash Equivalents	-	-	-	-
Bond Issuance Cost	-	-	-	-
Capital Assets	-	-	-	-
Accumulated Depreciation	-	-	-	-
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,580,927.97</u>	<u>\$ 85,126.35</u>	<u>\$ 9,333.75</u>	<u>\$ 2,708.37</u>
 LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 937,270.57	\$ 69,788.35	\$ 8,814.75	\$ 2,708.37
Accrued Interest Expense	-	-	-	-
Deferred Tax Revenue	215,294.00	-	519.00	-
Deposits Held in Custody for Others	-	-	-	-
Total Current Liabilities	<u>1,152,564.57</u>	<u>69,788.35</u>	<u>9,333.75</u>	<u>2,708.37</u>
Noncurrent Liabilities				
Accrued Vacation	51,951.69	6,447.69	6,844.74	-
Revenue Bonds Payable	-	-	-	-
Capital Leases Payable	-	-	-	-
Total Noncurrent Liabilities	<u>51,951.69</u>	<u>6,447.69</u>	<u>6,844.74</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,204,516.26</u>	<u>76,236.04</u>	<u>16,178.49</u>	<u>2,708.37</u>
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	-	-	-	-
Restricted Net Assets				
Bond and Interest	-	-	-	-
Depreciation and Replacement	-	-	-	-
Bond Reserve	-	-	-	-
Unrestricted Net Assets	1,376,411.71	8,890.31	(6,844.74)	-
TOTAL NET ASSETS	<u>1,376,411.71</u>	<u>8,890.31</u>	<u>(6,844.74)</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,580,927.97</u>	<u>\$ 85,126.35</u>	<u>\$ 9,333.75</u>	<u>\$ 2,708.37</u>

AUXILIARY ENTERPRISE STUDENT UNION	AUXILIARY ENTERPRISE BOOKSTORE	FEDERAL WORK STUDY	SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT	PELL GRANT	TITLE III GRANT
\$ 255,604.02	\$ 9,121.62	\$ -	\$ -	\$ 5,859.00	\$ 1.33
11,783.34	-	-	-	-	-
-	-	-	-	-	-
-	-	(212.63)	4,795.00	6,650.00	-
17,197.13	19,176.03	-	-	-	-
-	146,681.08	-	-	-	-
<u>284,584.49</u>	<u>174,978.73</u>	<u>(212.63)</u>	<u>4,795.00</u>	<u>12,509.00</u>	<u>1.33</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 284,584.49</u>	<u>\$ 174,978.73</u>	<u>\$ (212.63)</u>	<u>\$ 4,795.00</u>	<u>\$ 12,509.00</u>	<u>\$ 1.33</u>
\$ 4,306.65	\$ 9,015.59	\$ (212.63)	\$ 4,795.00	\$ 12,107.00	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,306.65</u>	<u>9,015.59</u>	<u>(212.63)</u>	<u>4,795.00</u>	<u>12,107.00</u>	<u>-</u>
-	348.25	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	348.25	-	-	-	-
<u>4,306.65</u>	<u>9,363.84</u>	<u>(212.63)</u>	<u>4,795.00</u>	<u>12,107.00</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
280,277.84	165,614.89	-	-	402.00	1.33
<u>280,277.84</u>	<u>165,614.89</u>	<u>-</u>	<u>-</u>	<u>402.00</u>	<u>1.33</u>
<u>\$ 284,584.49</u>	<u>\$ 174,978.73</u>	<u>\$ (212.63)</u>	<u>\$ 4,795.00</u>	<u>\$ 12,509.00</u>	<u>\$ 1.33</u>

NEOSHO COUNTY COMMUNITY COLLEGE
Chanute, Kansas
Combining Statement of Net Assets - Primary Institution
June 30, 2005

ASSETS	OTHER GRANT FUNDS	TITLE IV LOAN FUNDS	BARBEE LIBRARY BEQUEST	ALL-FAITH CHAPEL
Current Assets				
Cash and Cash Equivalents	\$ 55,956.56	\$ 50.00	\$ 212,862.09	\$ 205.64
Investments	-	-	101,455.06	-
Receivables				
Taxes in Process	-	-	-	-
Federal	-	-	-	-
Other	-	5,271.00	-	-
Inventories	-	-	-	-
Total Current Assets	<u>55,956.56</u>	<u>5,321.00</u>	<u>314,317.15</u>	<u>205.64</u>
Noncurrent Assets				
Cash and Cash Equivalents	-	-	-	-
Bond Issuance Cost	-	-	-	-
Capital Assets	-	-	-	-
Accumulated Depreciation	-	-	-	-
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 55,956.56</u>	<u>\$ 5,321.00</u>	<u>\$ 314,317.15</u>	<u>\$ 205.64</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 72,110.94	\$ -	\$ 4,290.92	\$ -
Accrued Interest Expense	-	-	-	-
Deferred Tax Revenue	-	-	-	-
Deposits Held in Custody for Others	-	-	-	-
Total Current Liabilities	<u>72,110.94</u>	<u>-</u>	<u>4,290.92</u>	<u>-</u>
Noncurrent Liabilities				
Accrued Vacation	15,704.77	-	-	-
Revenue Bonds Payable	-	-	-	-
Capital Leases Payable	-	-	-	-
Total Noncurrent Liabilities	<u>15,704.77</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>87,815.71</u>	<u>-</u>	<u>4,290.92</u>	<u>-</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	-	-	-	-
Restricted Net Assets				
Bond and Interest	-	-	-	-
Depreciation and Replacement	-	-	-	-
Bond Reserve	-	-	-	-
Unrestricted Net Assets	<u>(31,859.15)</u>	<u>5,321.00</u>	<u>310,026.23</u>	<u>205.64</u>
TOTAL NET ASSETS	<u>(31,859.15)</u>	<u>5,321.00</u>	<u>310,026.23</u>	<u>205.64</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 55,956.56</u>	<u>\$ 5,321.00</u>	<u>\$ 314,317.15</u>	<u>\$ 205.64</u>

GRAHAM EDUCATIONAL TRUST	KIM GOODARD MEMORIAL	ROWLAND MEMORIAL	JEWELL OLSON MEMORIAL	EARL HEMINGER MEMORIAL	GRIMES MEMORIAL
\$ 3,213.22	\$ 1,196.90	\$ 3,302.58	\$ (527.46)	\$ 1,368.31	\$ 69,669.16
-	-	-	7,000.00	31,428.44	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,213.22	1,196.90	3,302.58	6,472.54	32,796.75	69,669.16
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,213.22	1,196.90	3,302.58	6,472.54	32,796.75	69,669.16
\$ 3,213.22	\$ 1,196.90	\$ 3,302.58	\$ 6,472.54	\$ 32,796.75	\$ 69,669.16
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,213.22	1,196.90	3,302.58	6,472.54	32,796.75	69,669.16
3,213.22	1,196.90	3,302.58	6,472.54	32,796.75	69,669.16
\$ 3,213.22	\$ 1,196.90	\$ 3,302.58	\$ 6,472.54	\$ 32,796.75	\$ 69,669.16

NEOSHO COUNTY COMMUNITY COLLEGE
Chanute, Kansas
Combining Statement of Net Assets - Primary Institution
June 30, 2005

ASSETS	CAPITAL OUTLAY	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	AGENCY FUNDS
Current Assets				
Cash and Cash Equivalents	\$ 56,584.56	\$ 68,130.27	\$ -	\$ 418,990.34
Investments	-	-	-	-
Receivables				
Taxes in Process	-	-	-	-
Federal	-	-	-	-
Other	-	-	-	29,110.47
Inventories	-	-	-	-
Total Current Assets	<u>56,584.56</u>	<u>68,130.27</u>	<u>-</u>	<u>448,100.81</u>
Noncurrent Assets				
Cash and Cash Equivalents	-	567,010.37	-	-
Bond Issuance Cost	-	197,023.36	-	-
Capital Assets	-	-	15,077,379.80	-
Accumulated Depreciation	-	-	(6,089,423.88)	-
Total Noncurrent Assets	<u>-</u>	<u>764,033.73</u>	<u>8,987,955.92</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 56,584.56</u>	<u>\$ 832,164.00</u>	<u>\$ 8,987,955.92</u>	<u>\$ 448,100.81</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ 127,928.70
Accrued Interest Expense	-	31,678.58	-	-
Deferred Tax Revenue	-	-	-	-
Deposits Held in Custody for Others	-	-	-	320,172.11
Total Current Liabilities	<u>-</u>	<u>31,678.58</u>	<u>-</u>	<u>448,100.81</u>
Noncurrent Liabilities				
Accrued Vacation	-	-	-	-
Revenue Bonds Payable	-	-	7,225,000.00	-
Capital Leases Payable	-	-	1,564,083.68	-
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>8,789,083.68</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>31,678.58</u>	<u>8,789,083.68</u>	<u>448,100.81</u>
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	-	-	198,872.24	-
Restricted Net Assets				
Bond and Interest	-	56,147.87	-	-
Depreciation and Replacement	-	50,000.00	-	-
Bond Reserve	-	460,862.50	-	-
Unrestricted Net Assets	<u>56,584.56</u>	<u>233,475.05</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>56,584.56</u>	<u>800,485.42</u>	<u>198,872.24</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 56,584.56</u>	<u>\$ 832,164.00</u>	<u>\$ 8,987,955.92</u>	<u>\$ 448,100.81</u>

TOTALS -
 PRIMARY
 INSTITUTION

\$ 3,444,330.02
 307,593.59

215,813.00

11,232.37

94,369.44

146,681.08

4,220,019.50

567,010.37

197,023.36

15,077,379.80

(6,089,423.88)

9,751,989.65

\$13,972,009.15

\$ 1,252,924.21

31,678.58

215,813.00

320,172.11

1,820,587.90

81,297.14

7,225,000.00

1,564,083.68

8,870,380.82

10,690,968.72

198,872.24

56,147.87

50,000.00

460,862.50

2,515,157.82

3,281,040.43

\$13,972,009.15

NEOSHO COUNTY COMMUNITY COLLEGE
Chanute, Kansas

Combining Statement of Revenues, Expenses,
and Changes in Net Assets – Primary Institution

For the Year Ended June 30, 2005

Neosho County Community College

Chanute, Kansas

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Primary Institution

For the Year Ended June 30, 2005

	<u>GENERAL</u>	<u>VOCATIONAL EDUCATION</u>	<u>ADULT EDUCATION</u>	<u>ADULT SUPPLEMENTAL EDUCATION</u>
REVENUES				
Operating Revenues				
Student Tuition and Fees	\$ 1,383,180.13	\$ 368,128.69	\$ -	\$ 74,969.51
Federal Grants and Contracts	30,708.00	96,934.00	72,445.00	-
State Grants and Contracts	191,674.71	-	33,824.00	-
Sales and Services of Auxiliary Enterprises	-	-	-	-
Other Operating Revenues	47,204.96	-	105.00	-
Total Operating Revenues	<u>1,652,767.80</u>	<u>465,062.69</u>	<u>106,374.00</u>	<u>74,969.51</u>
EXPENSES				
Educational and General				
Instruction	1,886,345.79	1,058,872.29	127,928.45	64,667.02
Public Service	12,594.91	-	-	-
Academic Support	452,492.49	-	-	-
Student Services	985,847.02	-	-	-
Institutional Support	1,485,440.02	-	-	-
Operation and Maintenance	2,931,296.04	-	-	-
Scholarships and Awards	158,547.50	-	-	-
Auxiliary Enterprises	-	-	-	-
Depreciation Expense	-	-	-	-
Total Operating Expenses	<u>7,912,563.77</u>	<u>1,058,872.29</u>	<u>127,928.45</u>	<u>64,667.02</u>
Operating Income (Loss)	(6,259,795.97)	(593,809.60)	(21,554.45)	10,302.49
Nonoperating Revenues (Expenses)				
State Appropriations	2,037,972.00	-	-	-
County Out of District Aid	208,782.00	-	-	-
County Appropriations	3,316,459.89	15.12	8,060.76	-
Investment Income	1,471,089.02	-	-	-
Debt Service	(82,332.81)	-	-	-
Operating Transfers	(591,338.56)	603,017.22	5,218.98	(10,302.49)
Net Nonoperating Revenues (Expenses)	<u>6,360,631.54</u>	<u>603,032.34</u>	<u>13,279.74</u>	<u>(10,302.49)</u>
Increase (Decrease) in Net Assets	100,835.57	9,222.74	(8,274.71)	-
Net Assets - Beginning of Year	<u>1,275,576.14</u>	<u>(332.43)</u>	<u>1,429.97</u>	<u>-</u>
Net Assets - End of Year	<u>\$ 1,376,411.71</u>	<u>\$ 8,890.31</u>	<u>\$ (6,844.74)</u>	<u>\$ -</u>

AUXILIARY ENTERPRISE STUDENT UNION	AUXILIARY ENTERPRISE BOOKSTORE	FEDERAL WORK STUDY	SUPPLEMENTAL EDUCATION OPPORTUNITY GRANT	PELL GRANT	TITLE III GRANT
\$ 450,290.18	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	26,813.84	35,396.00	1,301,722.00	-
-	-	-	-	-	-
702,748.06	592,826.56	-	-	-	-
-	-	-	-	-	-
<u>1,153,038.24</u>	<u>592,826.56</u>	<u>26,813.84</u>	<u>35,396.00</u>	<u>1,301,722.00</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	26,813.84	35,396.00	1,301,722.00	-
468,594.50	639,501.55	-	-	-	-
-	-	-	-	-	-
<u>468,594.50</u>	<u>639,501.55</u>	<u>26,813.84</u>	<u>35,396.00</u>	<u>1,301,722.00</u>	<u>-</u>
684,443.74	(46,674.99)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
82.26	-	-	-	-	-
-	-	-	-	-	-
(413,494.34)	-	-	-	-	-
<u>(413,412.08)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
271,031.66	(46,674.99)	-	-	-	-
9,246.18	212,289.88	-	-	402.00	1.33
<u>\$ 280,277.84</u>	<u>\$ 165,614.89</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402.00</u>	<u>\$ 1.33</u>

NEOSHO COUNTY COMMUNITY COLLEGE

Chanute, Kansas

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Primary Institution

For the Year Ended June 30, 2005

	OTHER GRANT FUNDS	TITLE IV LOAN FUNDS	BARBEE LIBRARY BEQUEST	ALL-FAITH CHAPEL
REVENUES				
Operating Revenues				
Student Tuition and Fees	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	729,438.11	-	-	-
State Grants and Contracts	-	-	-	-
Sales and Services of Auxiliary Enterprises	-	-	-	-
Other Operating Revenues	-	-	-	-
Total Operating Revenues	<u>729,438.11</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES				
Educational and General				
Instruction	-	-	-	-
Public Service	-	-	-	-
Academic Support	-	-	-	-
Student Services	838,567.53	-	-	-
Institutional Support	-	-	-	-
Operation and Maintenance	-	-	13,497.82	-
Scholarships and Awards	-	-	-	-
Auxiliary Enterprises	-	-	-	-
Depreciation Expense	-	-	-	-
Total Operating Expenses	<u>838,567.53</u>	<u>-</u>	<u>13,497.82</u>	<u>-</u>
Operating Income (Loss)	(109,129.42)	-	(13,497.82)	-
Nonoperating Revenues (Expenses)				
State Appropriations	-	-	-	-
County Out of District Aid	-	-	-	-
County Appropriations	-	-	-	-
Investment Income	-	-	76,252.97	-
Debt Service	-	-	-	-
Operating Transfers	-	-	(60,000.00)	-
Net Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>16,252.97</u>	<u>-</u>
Increase (Decrease) in Net Assets	(109,129.42)	-	2,755.15	-
Net Assets - Beginning of Year	<u>77,270.27</u>	<u>5,321.00</u>	<u>307,271.08</u>	<u>205.64</u>
Net Assets - End of Year	<u>\$ (31,859.15)</u>	<u>\$ 5,321.00</u>	<u>\$ 310,026.23</u>	<u>\$ 205.64</u>

GRAHAM EDUCATIONAL TRUST	KIM GOODARD MEMORIAL	ROWLAND MEMORIAL	JEWELL OLSON MEMORIAL	EARL HEMINGER MEMORIAL	GRIMES MEMORIAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	500.00	-	800.00
-	-	-	-	-	-
-	-	-	500.00	-	800.00
-	-	-	(500.00)	-	(800.00)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
45.34	9.67	-	97.27	(1,054.06)	639.99
-	-	-	-	-	-
-	-	-	-	-	-
45.34	9.67	-	97.27	(1,054.06)	639.99
45.34	9.67	-	(402.73)	(1,054.06)	(160.01)
3,167.88	1,187.23	3,302.58	6,875.27	33,850.81	69,829.17
\$ 3,213.22	\$ 1,196.90	\$ 3,302.58	\$ 6,472.54	\$ 32,796.75	\$ 69,669.16

NEOSHO COUNTY COMMUNITY COLLEGE

Chanute, Kansas

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Primary Institution

For the Year Ended June 30, 2005

	<u>CAPITAL OUTLAY</u>	<u>RETIREMENT OF INDEBTEDNESS</u>	<u>INVESTMENT IN PLANT</u>	<u>SUB-TOTAL PRIMARY INSTITUTION</u>
REVENUES				
Operating Revenues				
Student Tuition and Fees	\$ -	\$ 107,250.00	\$ -	\$ 2,383,818.51
Federal Grants and Contracts	-	-	-	2,293,456.95
State Grants and Contracts	-	-	-	225,498.71
Sales and Services of Auxiliary Enterprises	-	-	-	1,295,574.62
Other Operating Revenues	-	-	-	47,309.96
Total Operating Revenues	<u>-</u>	<u>107,250.00</u>	<u>-</u>	<u>6,245,658.75</u>
EXPENSES				
Educational and General				
Instruction	-	-	(110,997.07)	3,026,816.48
Public Service	-	-	-	12,594.91
Academic Support	-	-	-	452,492.49
Student Services	-	-	-	1,824,414.55
Institutional Support	-	-	(74,680.00)	1,410,760.02
Operation and Maintenance	-	-	(2,075,673.05)	869,120.81
Scholarships and Awards	-	-	-	1,523,779.34
Auxiliary Enterprises	-	-	-	1,108,096.05
Depreciation Expense	-	-	416,192.80	416,192.80
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>(1,845,157.32)</u>	<u>10,644,267.45</u>
Operating Income (Loss)	-	107,250.00	1,845,157.32	(4,398,608.70)
Nonoperating Revenues (Expenses)				
State Appropriations	-	-	-	2,037,972.00
County Out of District Aid	-	-	-	208,782.00
County Appropriations	7.93	-	-	3,324,543.70
Investment Income	-	6,295,000.00	(7,745,673.05)	96,489.41
Debt Service	-	(6,614,249.83)	5,712,663.59	(983,919.05)
Operating Transfers	(50,000.00)	516,899.19	-	-
Net Nonoperating Revenues (Expenses)	<u>(49,992.07)</u>	<u>197,649.36</u>	<u>(2,033,009.46)</u>	<u>4,683,868.06</u>
Increase (Decrease) in Net Assets	(49,992.07)	304,899.36	(187,852.14)	285,259.36
Net Assets - Beginning of Year	<u>106,576.63</u>	<u>495,586.06</u>	<u>386,724.38</u>	<u>2,995,781.07</u>
Net Assets - End of Year	<u>\$ 56,584.56</u>	<u>\$ 800,485.42</u>	<u>\$ 198,872.24</u>	<u>\$ 3,281,040.43</u>

<u>ELIMINATING INTER-COMPANY SCHOLARSHIPS</u>	<u>TOTALS - PRIMARY INSTITUTION</u>
\$ (393,488.50)	\$ 1,990,330.01
-	2,293,456.95
-	225,498.71
-	1,295,574.62
-	47,309.96
<u>(393,488.50)</u>	<u>5,852,170.25</u>

-	3,026,816.48
-	12,594.91
-	452,492.49
-	1,824,414.55
-	1,410,760.02
-	869,120.81
(393,488.50)	1,130,290.84
-	1,108,096.05
-	416,192.80
<u>(393,488.50)</u>	<u>10,250,778.95</u>

- (4,398,608.70)

-	2,037,972.00
-	208,782.00
-	3,324,543.70
-	96,489.41
-	(983,919.05)
-	-
<u>-</u>	<u>4,683,868.06</u>

- 285,259.36

-	2,995,781.07
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\$ - \$ 3,281,040.43

NEOSHO COUNTY COMMUNITY COLLEGE
Chanute, Kansas

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

For the Year Ended June 30, 2005

Schedules 3 to 9 are prepared in accordance with Kansas cash basis and budget laws (Budget 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.

Neosho County Community College

Chanute, Kansas

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

Current Funds - Unrestricted

General Fund - Legal Basis

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	Prior Year Budget Basis	Actual GAAP Basis	Adjustments Budget Basis	Current Year		Variance Favorable (Unfavorable)
				Actual Budget Basis	Budget	
REVENUES						
Student Tuition and Fees						
Student Tuition	\$ 685,095.99	\$ 935,600.52	\$ 63,328.46	\$ 998,928.98	\$ 1,110,865.00	\$ (111,936.02)
Other Student Fees	18,643.00	447,579.61	-	447,579.61	-	447,579.61
Total Student Tuition and Fees	703,738.99	1,383,180.13	63,328.46	1,446,508.59	1,110,865.00	335,643.59
Federal Sources						
Federal Grant Administration	4,970.00	30,708.00	-	30,708.00	55,000.00	(24,292.00)
State Sources						
State Operating Grant	1,653,416.00	2,037,972.00	-	2,037,972.00	2,036,221.00	1,751.00
Other State Sources	-	191,674.71	(191,674.71)	-	-	-
Total State Sources	1,653,416.00	2,229,646.71	(191,674.71)	2,037,972.00	2,036,221.00	1,751.00
County Sources						
Out-of-District Tuition	200,244.00	208,782.00	-	208,782.00	198,524.00	10,258.00
Local Sources						
Ad Valorem Tax	3,460,571.17	2,686,050.52	-	2,686,050.52	2,982,409.00	(296,358.48)
Motor Vehicle Tax	530,653.29	533,459.94	-	533,459.94	527,501.00	5,958.94
Recreational Vehicle Tax	6,744.71	6,802.00	-	6,802.00	7,103.00	(301.00)
Delinquent Tax	78,112.55	76,823.91	-	76,823.91	44,597.00	32,226.91
In Lieu of Taxes	20,043.93	13,323.52	-	13,323.52	10,962.00	2,361.52
Total Local Sources	4,096,125.65	3,316,459.89	-	3,316,459.89	3,572,572.00	(256,112.11)
Use of Property and Money						
Interest	13,541.67	20,415.97	-	20,415.97	12,000.00	8,415.97
Capital Lease Proceeds	-	1,450,673.05	-	1,450,673.05	-	1,450,673.05
Total Use of Property and Money	-	1,471,089.02	-	1,471,089.02	12,000.00	1,459,089.02
Other Sources						
Facilities Use	4,650.00	6,290.00	-	6,290.00	-	6,290.00
Commissions	2,505.77	8,649.13	-	8,649.13	-	8,649.13
Miscellaneous	31,659.68	32,265.83	-	32,265.83	200,000.00	(167,734.17)
Total Other Sources	38,815.45	47,204.96	-	47,204.96	200,000.00	(152,795.04)

Neosho County Community College
Chanute, Kansas
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds - Unrestricted
General Fund - Legal Basis
For the Year Ended June 30, 2005
With Comparative Actual Amounts for the Year Ended June 30, 2004

	Prior Year Budget Basis	Actual GAAP Basis	Adjustments Budget Basis	Current Year		Variance Favorable (Unfavorable)
				Actual Budget Basis	Budget	
REVENUES (Continued)						
Operating Transfers From:						
Barbee Library Bequest Fund	\$ -	\$ 60,000.00	\$ -	\$ 60,000.00	\$ -	\$ 60,000.00
Capital Outlay Fund	-	50,000.00	-	50,000.00	-	50,000.00
Adult Supplemental Fund	54,609.74	10,302.49	-	10,302.49	-	10,302.49
Total Operating Transfers	54,609.74	120,302.49	-	120,302.49	-	120,302.49
TOTAL REVENUES	6,751,919.83	8,807,373.20	(128,346.25)	8,679,026.95	7,185,182.00	1,493,844.95
EXPENDITURES						
Instruction	1,571,430.73	1,886,345.79	(190,577.33)	1,695,768.46	1,659,593.00	(36,175.46)
Public Service	83.31	12,594.91	(716.16)	11,878.75	12,470.00	591.25
Academic Support	367,769.23	452,492.49	(66.82)	452,425.67	480,345.00	27,919.33
Student Services	868,007.28	985,847.02	(762.08)	985,084.94	1,088,438.00	103,353.06
Institutional Support	1,581,152.48	1,485,440.02	(6,070.51)	1,479,369.51	1,695,810.00	216,440.49
Operation and Maintenance	670,776.23	2,931,296.04	(662.56)	2,930,633.48	881,066.00	(2,049,567.48)
Scholarships	118,858.00	158,547.50	-	158,547.50	125,000.00	(33,547.50)
Debt Service						
Principal	93,888.59	67,465.21	-	67,465.21	-	(67,465.21)
Interest	1,022.55	14,867.60	-	14,867.60	-	(14,867.60)
Operating Transfers To:						
Vocational Fund	587,056.95	706,422.07	-	706,422.07	1,297,978.00	591,555.93
Adult Education Fund	5,389.69	5,218.98	-	5,218.98	-	(5,218.98)
Retirement of Indebtedness (Bond and Interest) Fund	26,309.80	-	-	-	-	-
Total Certified Budget					7,240,700.00	(1,266,982.17)
Adjustments for Qualifying Budget Credits					1,450,673.05	1,450,673.05
TOTAL EXPENDITURES	5,891,744.84	8,706,537.63	(198,855.46)	8,507,682.17	8,691,373.05	183,690.88
Excess of Revenues Over (Under) Expenditures and Other Additions (Deductions)	873,716.66	100,835.57	70,509.21	171,344.78	(1,506,191.05)	1,677,535.83
Unencumbered Cash - Beginning of Year	375,024.92	1,275,576.14	(26,834.56)	1,248,741.58	1,666,323.00	(417,581.42)
End of Year	<u>\$ 1,248,741.58</u>	<u>\$ 1,376,411.71</u>	<u>\$ 43,674.65</u>	<u>\$ 1,420,086.36</u>	<u>\$ 160,131.95</u>	<u>\$ 1,259,954.41</u>

Note: Due to the change in distribution dates of taxes, the College has collected \$885,073.50 in 2005/06 County Ad Valorem Tax in the current fiscal year.

Neosho County Community College
Chanute, Kansas
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds - Unrestricted
Vocational Education Fund - Legal Basis
For the Year Ended June 30, 2005
With Comparative Actual Amounts for the Year Ended June 30, 2004

	Prior Year Budget Basis	Actual GAAP Basis	Adjustments Budget Basis	Current Year		Variance Favorable (Unfavorable)
				Actual Budget Basis	Budget	
REVENUES						
Student Tuition and Fees						
Student Tuition	\$ 362,502.02	\$ 349,928.69	\$ (9,777.60)	\$ 340,151.09	\$ 374,430.00	\$ (34,278.91)
Other Student Fees	8,542.00	18,200.00	-	18,200.00	-	18,200.00
Total Student Tuition and Fees	<u>371,044.02</u>	<u>368,128.69</u>	<u>(9,777.60)</u>	<u>358,351.09</u>	<u>374,430.00</u>	<u>(16,078.91)</u>
Federal Sources						
Federal Grants	<u>91,266.00</u>	<u>96,934.00</u>	<u>-</u>	<u>96,934.00</u>	<u>95,829.00</u>	<u>1,105.00</u>
Local Sources						
Delinquent Tax	<u>499.17</u>	<u>15.12</u>	<u>-</u>	<u>15.12</u>	<u>-</u>	<u>15.12</u>
Total Local Sources	<u>499.17</u>	<u>15.12</u>	<u>-</u>	<u>15.12</u>	<u>-</u>	<u>15.12</u>
Operating Transfer from: General Fund	<u>587,056.95</u>	<u>706,422.07</u>	<u>-</u>	<u>706,422.07</u>	<u>-</u>	<u>706,422.07</u>
Total Local Sources	<u>587,056.95</u>	<u>706,422.07</u>	<u>-</u>	<u>706,422.07</u>	<u>-</u>	<u>706,422.07</u>
TOTAL REVENUES	<u>1,049,866.14</u>	<u>1,171,499.88</u>	<u>(9,777.60)</u>	<u>1,161,722.28</u>	<u>470,259.00</u>	<u>691,463.28</u>
EXPENDITURES						
Instruction	946,511.78	1,058,872.29	(555.09)	1,058,317.20	1,261,267.00	202,949.80
Operating Transfers To: Retirement of Indebtedness (Bond and Interest) Fund	<u>103,354.36</u>	<u>103,404.85</u>	<u>-</u>	<u>103,404.85</u>	<u>-</u>	<u>(103,404.85)</u>
TOTAL EXPENDITURES	<u>1,049,866.14</u>	<u>1,162,277.14</u>	<u>(555.09)</u>	<u>1,161,722.05</u>	<u>1,261,267.00</u>	<u>99,544.95</u>
Excess of Revenues Over (Under) Expenditures	-	9,222.74	(9,222.51)	0.23	(791,008.00)	791,008.23
Unencumbered Cash - Beginning of Year	<u>-</u>	<u>(332.43)</u>	<u>332.43</u>	<u>-</u>	<u>33,058.00</u>	<u>(33,058.00)</u>
End of Year	<u>\$ -</u>	<u>\$ 8,890.31</u>	<u>\$ (8,890.08)</u>	<u>\$ 0.23</u>	<u>\$ (757,950.00)</u>	<u>\$ 757,950.23</u>

Neosho County Community College
Chanute, Kansas
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds - Unrestricted
Adult Education Fund - Legal Basis
For the Year Ended June 30, 2005
With Comparative Actual Amounts for the Year Ended June 30, 2004

	Prior Year Budget Basis	Actual GAAP Basis	Adjustments Budget Basis	Current Year		Variance Favorable (Unfavorable)
				Actual Budget Basis	Budget	
REVENUES						
Federal Sources						
Adult Basic Education Grant	\$ 60,658.00	\$ 72,445.00	\$ -	\$ 72,445.00	\$ 64,789.00	\$ 7,656.00
State Sources						
Adult Basic Education Grant	31,236.00	33,824.00	-	33,824.00	33,824.00	-
Local Sources						
Ad Valorem Tax	8,615.72	6,492.95	-	6,492.95	7,200.00	(707.05)
Motor Vehicle Tax	438.87	1,302.88	-	1,302.88	1,330.00	(27.12)
Recreational Vehicle Tax	-	16.65	-	16.65	18.00	(1.35)
Delinquent Tax	225.60	214.71	-	214.71	112.00	102.71
In Lieu of IRB	48.20	33.57	-	33.57	28.00	5.57
Total Local Sources	9,328.39	8,060.76	-	8,060.76	8,688.00	(627.24)
Other Sources						
Miscellaneous	-	105.00	-	105.00	5,400.00	(5,295.00)
Operating Transfers From:						
General Fund	5,389.69	5,218.98	-	5,218.98	-	5,218.98
TOTAL REVENUES	106,612.08	119,653.74	-	119,653.74	112,701.00	6,952.74
EXPENDITURES						
Instruction	103,251.40	127,928.45	(3,954.88)	123,973.57	113,030.00	(10,943.57)
Excess of Revenues Over (Under) Expenditures	3,360.68	(8,274.71)	3,954.88	(4,319.83)	(329.00)	(3,990.83)
Unencumbered Cash						
Beginning of Year	959.15	1,429.97	2,889.86	4,319.83	4,316.00	3.83
End of Year	\$ 4,319.83	\$ (6,844.74)	\$ 6,844.74	\$ -	\$ 3,987.00	\$ (3,987.00)

Note: Due to the change in distribution dates of taxes, the College has collected \$2,133.97 in 2005/06 County Ad Valorem Tax in the current fiscal year.

Neosho County Community College
Chanute, Kansas
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds - Unrestricted
Adult Supplemental Education Fund - Legal Basis
For the Year Ended June 30, 2005
With Comparative Actual Amounts for the Year Ended June 30, 2004

	Prior Year Budget Basis	Current Year				Variance Favorable (Unfavorable)
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Budget	
REVENUES						
Student Tuition and Fees						
Course Fees	\$ 81,760.33	\$ 74,101.51	\$ -	\$ 74,101.51	\$ 99,000.00	\$ (24,898.49)
Other Student Fees	2,585.00	868.00	-	868.00	1,000.00	(132.00)
TOTAL REVENUES	84,345.33	74,969.51	-	74,969.51	100,000.00	(25,030.49)
EXPENDITURES						
Instruction	29,735.59	64,667.02	-	64,667.02	100,000.00	35,332.98
Operating Transfers To: General Fund	54,609.74	10,302.49	-	10,302.49	-	10,302.49
TOTAL EXPENDITURES	84,345.33	74,969.51	-	74,969.51	100,000.00	45,635.47
Excess of Revenues Over (Under) Expenditures	-	-	-	-	-	20,604.98
Unencumbered Cash						
Beginning of Year	-	-	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,604.98

Neosho County Community College

Chanute, Kansas

Schedule of Revenues, Expenditures, and Changes

in Unencumbered Cash - Budget and Actual

Current Funds - Unrestricted

Auxiliary Enterprise Funds (Budget Basis)

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	CURRENT YEAR										VARIANCE FAVORABLE (UNFAVORABLE)	
	PRIOR YEAR		STUDENT UNION AND DORM		TOTAL AUXILIARY ENTERPRISE FUNDS		ADJUSTMENTS TO BUDGET		TOTAL AUXILIARY ENTERPRISE FUNDS			FINAL BUDGET
	TOTAL AUXILIARY ENTERPRISE FUNDS BUDGET BASIS	BOOKSTORE GAAP	GAAP	GAAP	GAAP	GAAP	BASIS	BASIS	BUDGET BASIS	BUDGET BASIS		
REVENUES												
Sales and Services of												
Auxiliary Enterprises	\$ 1,052,900.28	\$ 564,342.57	\$ 689,934.65	\$ 1,254,277.22	\$ 1,237,204.46	\$ 1,750,000.00	\$ (17,072.76)	\$ (17,072.76)	\$ 1,237,204.46	\$ 1,750,000.00	\$	\$ (512,795.54)
Student Sources	239,740.40	-	450,290.18	450,290.18	450,290.18	-	-	-	450,290.18	-	-	450,290.18
Student Fees												
Interest	182.50	-	82.26	82.26	82.26	-	-	-	82.26	-	-	82.26
Use of Property and Money												
Other Sources	17,709.17	28,483.99	6,250.00	34,733.99	34,733.99	-	-	-	34,733.99	-	-	34,733.99
Miscellaneous	10,080.50	-	6,563.41	6,563.41	6,563.41	-	-	-	6,563.41	-	-	6,563.41
Commissions												
TOTAL REVENUES	1,320,612.85	592,826.56	1,153,120.50	1,745,947.06	1,728,874.30	1,750,000.00	(17,072.76)	(17,072.76)	1,728,874.30	1,750,000.00	\$	(21,125.70)
EXPENDITURES												
Auxiliary Enterprise												
Salaries and Benefits	133,751.27	37,387.37	119,424.77	156,812.14	157,048.89	133,023.00	236.75	236.75	157,048.89	133,023.00		(24,025.89)
General Operating Expense	682,594.52	602,114.18	349,169.73	951,283.91	951,306.76	1,203,301.00	22.85	22.85	951,306.76	1,203,301.00		251,994.24
Operating Transfers To:												
Retirement of Indebtedness												
(Bond and Interest) Fund	488,407.50	-	413,494.34	413,494.34	413,494.34	-	-	-	413,494.34	495,720.00		82,225.66
TOTAL EXPENDITURES	1,304,753.29	639,501.55	882,088.84	1,521,590.39	1,521,849.99	1,832,044.00	259.60	259.60	1,521,849.99	1,832,044.00	\$	310,194.01
Excess of Revenues Over (Under)												
Expenditures and Other	15,859.56	(46,674.99)	271,031.66	224,356.67	207,024.31	(82,044.00)	(17,332.36)	(17,332.36)	207,024.31	(82,044.00)		289,068.31
Additions (Deductions)												
Unencumbered Cash	40,302.87	212,289.88	9,246.18	221,536.06	56,162.43	82,044.00	(165,373.63)	(165,373.63)	56,162.43	82,044.00		(25,881.57)
Beginning of Year	56,162.43	165,614.89	280,277.84	445,892.73	263,186.74	-	(182,705.99)	(182,705.99)	263,186.74	-	\$	263,186.74
End of Year												

Neosho County Community College
Chanute, Kansas
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Plant Funds
Unexpended (Capital Outlay) Fund - Legal Basis
For the Year Ended June 30, 2005
With Comparative Actual Amounts for the Year Ended June 30, 2004

	Prior Year Budget Basis	Current Year				Variance Favorable (Unfavorable)
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Budget	
REVENUES						
Local Sources						
Ad Valorem Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Delinquent Tax	355.23	7.93	-	7.93	-	7.93
TOTAL REVENUES	355.23	7.93	-	7.93	-	7.93
EXPENDITURES						
Plant Equipment and Facility	-	-	-	-	106,221.00	106,221.00
Operating Transfers To: General Fund	-	50,000.00	-	50,000.00	-	(50,000.00)
TOTAL EXPENDITURES	-	50,000.00	-	50,000.00	106,221.00	56,221.00
Excess of Revenues and Transfers Over (Under) Expenditures	355.23	(49,992.07)	-	(49,992.07)	(106,221.00)	56,228.93
Unencumbered Cash						
Beginning of Year	106,221.40	106,576.63	-	106,576.63	106,221.00	355.63
End of Year	\$ 106,576.63	\$ 56,584.56	\$ -	\$ 56,584.56	\$ -	\$ 56,584.56

Neosho County Community College
Chanute, Kansas
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Plant Funds
Retirement of Indebtedness (Bond and Interest) Fund - Legal Basis
For the Year Ended June 30, 2005
With Comparative Actual Amounts for the Year Ended June 30, 2004

	Prior Year Budget Basis	Current Year				Variance Favorable (Unfavorable)
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Budget	
REVENUES						
Student Tuition and Fees						
Student Union Fees	\$ 158,663.74	\$ 107,250.00	\$ -	\$ 107,250.00	\$ 599,075.00	\$ (491,825.00)
Use of Property and Money						
Bond Proceeds	-	6,295,000.00	-	6,295,000.00	599,075.00	5,695,925.00
Operating Transfers From:						
General Fund	26,309.80	-	-	-	-	-
Vocational Fund	103,354.36	103,404.85	-	103,404.85	-	103,404.85
Auxiliary Enterprise Fund	488,407.50	413,494.34	-	413,494.34	620,573.00	(207,078.66)
TOTAL REVENUES	776,735.40	6,919,149.19	-	6,919,149.19	1,818,723.00	5,100,426.19
EXPENDITURES						
Debt Service						
Bond Principal	50,000.00	5,645,198.38	-	5,645,198.38	60,000.00	(5,585,198.38)
Bond Interest	438,407.50	967,061.31	326.00	967,387.31	435,720.00	(531,667.31)
Lease Purchase Payments	181,077.90	-	-	-	103,355.00	103,355.00
Other Debt Service Expense	-	1,990.14	197,023.36	199,013.50	-	(199,013.50)
Total Certified Budget					599,075.00	(6,212,524.19)
Adjustments for Qualifying Budget Credits					6,295,000.00	6,295,000.00
TOTAL EXPENDITURES	669,485.40	6,614,249.83	197,349.36	6,811,599.19	6,894,075.00	82,475.81
Excess of Revenues and Transfers Over (Under) Expenditures	107,250.00	304,899.36	(197,349.36)	107,550.00	1,219,648.00	(1,112,098.00)
Unencumbered Cash						
Beginning of Year	420,340.64	495,586.06	32,004.58	527,590.64	-	527,590.64
End of Year	<u>\$ 527,590.64</u>	<u>\$ 800,485.42</u>	<u>\$ (165,344.78)</u>	<u>\$ 635,140.64</u>	<u>\$ 1,219,648.00</u>	<u>\$ (584,507.36)</u>

Neosho County Community College
Chanute, Kansas
Schedule of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2005

Account Name	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
ACTIVITY FUND				
Student Services				
Alumni	\$ 50.00	\$ -	\$ -	\$ 50.00
Facility Enhancement	650.34	1,968.90	-	2,619.24
Field Biology	109.40	-	-	109.40
Forensic Conference	2,175.55	150.00	75.00	2,250.55
Honors Program	27.03	-	-	27.03
International Club	1,550.00	-	-	1,550.00
International Student Application Fee	35.00	70.00	-	105.00
Miscellaneous	945.00	-	-	945.00
Noon Hour Basketball	1,950.00	700.00	2,575.00	75.00
Open World Conference	-	5,500.00	5,309.80	190.20
Phi Beta Lambda	305.69	-	-	305.69
Phi Theta Kappa	-	-	-	-
PN Chanute	4,585.58	18,221.22	19,240.27	3,566.53
PN Independence	-	-	-	-
PN Ottawa	16,440.23	16,720.38	18,817.43	14,343.18
Science Fair	655.00	-	-	655.00
SNO Chanute	1,517.67	714.18	-	2,231.85
SNO Ottawa	390.93	52.50	-	443.43
Vehicle Fine/Service	130.00	-	-	130.00
Vending	-	-	38.15	(38.15)
Wellness	630.00	-	-	630.00
Workforce Development Center	375.00	-	-	375.00
Upward Bound Fundraising	2,816.98	799.92	3,507.90	109.00
YFC Cultural Activities	138.30	1,250.00	-	1,388.30
Total Student Services	35,477.70	46,147.10	49,563.55	32,061.25
Scholarships				
Endowment Foundation Scholarships	-	34,729.00	34,729.00	-
NCCC JUCO CLUB Scholarships	-	34,073.00	34,073.00	-
Out of District Scholarships	-	-	-	-
Barrick Emergency Fund	595.35	-	-	595.35
Total Scholarship	595.35	68,802.00	68,802.00	595.35
Accounts	595.35	68,802.00	68,802.00	595.35
Other Student Accounts				
Athletic Banquet	238.07	-	-	238.07
In/Out Chanute	1,326.92	64,172.40	65,499.32	-
Cash Over/Under	211.91	-	223.05	(11.14)

Neosho County Community College
Chanute, Kansas
Schedule of Changes in Assets and Liabilities
All Agency Funds
June 30, 2005

Account Name	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Other Student Accounts (Continued)				
Books	\$ (2,442.39)	\$ 100,395.27	\$ 97,952.88	\$ -
Incidental Fee Chanute	126,665.35	213,666.50	337,754.85	2,577.00
Incidental Computer Fee Chanute	78,940.80	95,890.50	146,938.94	27,892.36
Incidental Computer Fee Ottawa	49,336.35	78,127.50	42,616.81	84,847.04
Incidental Fee Ottawa	85,445.00	110,463.00	195,908.00	-
Pell Grant Checks	-	195.00	-	195.00
Building Fee Ottawa	67,467.23	110,905.00	35,464.38	142,907.85
Incidental Fee Outreach	15,207.92	32,434.00	47,641.92	-
Out-District Fee	154,235.23	282,753.49	436,988.72	-
Payment Plan Administrative Fee	17,857.00	22,959.25	40,816.25	-
Student Union Fee	54,258.75	67,705.00	121,963.75	-
Graduation Fee	4,857.00	7,272.00	12,129.00	-
Dorm Damages/Repairs	1,296.44	1,844.50	1,800.00	1,340.94
In/Out Insurance	-	837.65	-	837.65
Housing Internet	12,884.77	7,389.17	375.00	19,898.94
Loan Change Charges	-	-	275.00	(275.00)
Gate Receipts	-	239,294.00	239,294.00	-
Sales Tax	95.74	-	-	95.74
Library	632.49	332.85	135.00	830.34
Athletic Miscellaneous	-	700.00	700.00	-
Student Senate	(3.00)	29,525.18	29,522.18	-
Student Senate-Ottawa	5,439.77	1,195.24	494.29	6,140.72
Total Other Student Accounts	673,951.35	1,468,057.50	1,854,493.34	287,515.51
TOTAL ACTIVITY FUND	\$ 710,024.40	\$ 1,583,006.60	\$ 1,972,858.89	\$ 320,172.11
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and Investments	\$ 705,717.86	\$ 1,560,683.00	\$ 1,847,410.52	\$ 418,990.34
Other Receivables	6,786.87	29,110.47	6,786.87	29,110.47
TOTAL ASSETS	\$ 712,504.73	\$ 1,589,793.47	\$ 1,854,197.39	\$ 448,100.81
Liabilities				
Accounts Payable	\$ 2,480.33	\$ 127,928.70	\$ 2,480.33	\$ 127,928.70
Deposits Held For Others	710,024.40	1,583,006.60	2,098,307.26	320,172.11
TOTAL LIABILITIES	\$ 712,504.73	\$ 1,710,935.30	\$ 2,100,787.59	\$ 448,100.81

**NEOSHO COUNTY COMMUNITY COLLEGE
CHANUTE, KANSAS**

FEDERAL COMPLIANCE SECTION

For the Year Ended June 30, 2005

EIN NUMBER: 480698341
OPE ID NUMBER: 00193600
DUNS NUMBER: 789599172

**COMPLIANCE ATTESTATION EXAMINATION
INCLUDING TITLE IV STUDENT FINANCIAL ASSISTANCE PROGRAMS**

**CHANUTE, KANSAS
OTTAWA, KANSAS**

**FEDERAL PELL GRANT PROGRAM (PELL) (84.063)
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT (FSEOG) (84.007)
FEDERAL WORK-STUDY PROGRAM (FWS) (84.033)
FEDERAL FAMILY EDUCATION LOANS (FFEL) (84.032)**

AUDITOR INFORMATION SHEET

NEOSHO COUNTY COMMUNITY COLLEGE

800 W. 14th
CHANUTE, KANSAS 66720

EIN NUMBER: 480698341
OPE ID NUMBER: 00193600
DUNS NUMBER: 789599172

TELEPHONE: (620) 431-6222
FAX: (620) 431-0082

PRESIDENT: Vicky Smith Ed.D
CONTACT PERSON & TITLE: Sondra K. Solander, Dean of Finance and Student Affairs

LEAD AUDITOR: Neil L. Phillips, CPA
EMAIL ADDRESS: nphillips@jgppa.com
LICENSE NUMBER & HOME STATE: KS 3287
FIRM'S NAME & ADDRESS: DIEHL, BANWART, BOLTON, JARRED & BLEDSOE, CHARTERED
Certified Public Accountants
910 W. Elm
PO Box 779
Chanute, Kansas 66720

FIRM'S FEDERAL ID NUMBER : 48-0868255
TELEPHONE: (620) 431-6342
FAX: (620) 431-0724

PROGRAMS EXAMINED:	PELL	84.063
	FSEOG	84.007
	FWS	84.033
	FFELP	84.063

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

Correspondence or telecommunication courses to total courses	3.30%
Regular students enrolled in correspondence courses	3.64%
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
Chanute, Ks	Yes	Yes	Yes	1936	N/A	2004	N/A
Ottawa, Ks	Yes	Yes	Yes	1991	N/A	2004	N/A

Institution's Primary Accrediting Organization: North Center 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:

NEOSHO COUNTY COMMUNITY COLLEGE
 800 W. 14th
 CHANUTE, KANSAS 66720

For Close-Out Examination only: N/A

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

BANK
 Bank of Commerce
 PO Box 538
 Chanute, Kansas 66720

ACCOUNT
 26484

NEOSHO COUNTY COMMUNITY COLLEGE
Chanute, Kansas

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER		DISBURSE- MENTS/ EXPENDITURES
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct Programs:			
Federal Supplemental Education Opportunity	84.007	(M) \$	35,396.00
Federal Family Education Loans (1)	84.032	(M)	1,544,732.00
Federal Work-Study Program	84.033	(M)	26,813.84
Federal Pell Grant	84.063	(M)	1,301,722.00
Federal Pell Grant Admin	84.063	(M)	2,600.00
TRIO - Talent Search	84.044(a)		227,904.88
TRIO - Student Support Services	84.042(a)		278,915.31
TRIO - Upward Bound	84.047(a)		199,401.67
Passed through the State of Kansas Department of Education:			
Adult Basic Education Program	84.002		72,445.00
Carl Perkins Vocational Education Grants: Program Improvement	84.048		<u>96,934.00</u>
Total U.S. Department of Education			<u>3,786,864.70</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed through the Kansas State Department of Commerce:			
Workforce Investment Act	17.257		<u>29,730.39</u>
FEDERAL ASSISTANCE TOTALS			<u>\$ 3,816,595.09</u>

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

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

(M) Major Program

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

To the Board of Trustees
Neosho County Community College

We have audited the financial statements of Neosho County Community College as of and for the year ended June 30, 2005, and have issued our report thereon dated November 10, 2005. We conducted our audit in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


Compliance

As part of obtaining reasonable assurance about whether Neosho County Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Neosho County Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Neosho County Community College in a separate letter dated November 10, 2005.

This report is intended solely for the information and use of the Board of Trustees, management, others within the organization, 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.


DIEHL, BANWART, BOLTON, JARRED & BLEDSOE, CHTD.
Certified Public Accountants

November 10, 2005
Chanute, Kansas

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

To the Board of Trustees
Neosho County Community College

Compliance

We have audited the compliance of Neosho County Community 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, 2005. Neosho County Community College's major federal programs are identified in the summary of auditors' 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 Neosho County Community College's management. Our responsibility is to express an opinion on Neosho County Community 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 Neosho County Community 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 on Neosho County Community College's compliance with those requirements.

As described in item 2005-01 in the accompanying schedule of findings and questioned costs, Neosho County Community College did not comply with requirements regarding earmarking that are applicable to its Federal Work-Study grant. Compliance with such requirements is necessary, in our opinion, for Neosho County Community College to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Neosho County Community 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, 2005.

Internal Control Over Compliance

The management of Neosho County Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Neosho County Community College's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, others within the organization, 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.

Diehl, Banwart, Bolton, Jarred & Bledsoe, Chtd.
DIEHL, BANWART, BOLTON, JARRED & BLEDSOE, CHTD.
Certified Public Accountants

November 10, 2005
Chanute, Kansas

NEOSHO COUNTY COMMUNITY COLLEGE
Chanute, Kansas

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a unqualified opinion on the basic financial statements of Neosho County Community College.
2. There were no reportable conditions relating to the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Neosho County Community College were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported.
5. The auditors' report on compliance for the major federal award programs for the Neosho Community College expresses an qualified opinion.
6. Audit findings relative to the major federal award programs for the Neosho County Community College are reported in Part C. of this schedule.
7. The programs tested as major programs include: U.S. Department of Education 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, and Federal Work-Study Program – CFDA No. 84.033.
8. The threshold for distinguishing Types A and B programs was \$300,000.00.
9. The Neosho County Community College was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

	<u>Questioned Costs</u>
U.S. DEPARTMENT OF EDUCATION	
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

NEOSHO COUNTY COMMUNITY COLLEGE
Chanute, Kansas

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

	<u>Questioned Costs</u>
U.S. DEPARTMENT OF EDUCATION (Continued)	
Finding: 2005-01	
U.S. Department of Education	
Federal Work-Study Program – CFDA No. 84.033	\$1,569.97
Grant Period: June 30, 2005	
 Condition: The College did not meet earmarking requirement under the Federal Work-Study Program.	
 Criteria: 34CFR Section 674.8 requires an institution to use at least seven percent of the sum of its Federal Work-Study allocations for an award year to compensate students employed in community service activities unless waived by the Secretary of Education.	
 Effect: Earmarking percentages were not met and a waiver from the requirements was not obtained, resulting in questioned costs of \$1,569.97.	
 Cause: The lack of monitoring oversight for the Federal Work-Study grant caused the College to not meet Federal required percentages.	
 Recommendation: Policies and procedures should be written to provide guidance to all employees designating the staff responsible for the monitoring of all aspects of the Title IV funds regulations.	

NEOSHO COUNTY COMMUNITY COLLEGE
Chanute, Kansas

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Neosho County Community College is accredited by the Kansas State Department of Education and the North Central Association of Colleges and Secondary Schools. The audit fieldwork was conducted at the College's administrative building in Chanute, Kansas at various dates from October 31, 2005 to November 10, 2005. The following is a schedule of statistics for the year ended June 30, 2005:

TOTAL POPULATION:

	PELL	FFELP	FSEOG	FWS
Universe				
Dollars	\$ 1,301,722.00	\$1,542,507.00	\$ 35,246.00	\$ 26,814.00
Students	551	478	140	50
Sample				
Dollars	\$136,631.00	\$191,786.00	\$3,029.00	\$3,197.28
Sample	55	51	11	6

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

	PELL	FFELP	FSEOG	FWS
Universe				
Dollars	\$1,196,222.00	\$1,445,728.00	\$32,170.00	\$25,987.00
Students	497	439	128	50
Sample				
Dollars	\$ 125,549.00	\$179,964.00	\$3,554.00	\$3,197.28
Students	49	47	10	6

WITHDREW, DROPPED OR TERMINATED STUDENTS:

	PELL	FFELP	FSEOG	FWS
Universe				
Dollars	\$105,500.00	\$96,779.00	\$3,076.00	\$827.00
Students	54	39	12	3
Sample				
Dollars	\$12,082.00	\$11,822.00	\$475.00	\$ -0-
Students	6	4	1	0

WITHDREW, DROPPED OR TERMINATED STUDENTS:

	PELL	FFELP	FSEOG	FWS
Universe				
Dollars Refunded	\$ 2,843.00	\$1,256.00	\$0.00	\$ -0-
Students	10	4	0	0
Sample				
Dollars Refunded	\$275.00	\$ -0-	\$ -0-	\$ -0-
Students	6	0	0	0

NEOSHO COUNTY COMMUNITY COLLEGE
Chanute, Kansas

Schedule of Resolution of Prior Year's Audit Findings and Questioned Costs
For the Year Ended June 30, 2005

Period Ended June 30, 2004:
Findings and Questioned Costs/Resolution

Condition: Cash was drawn down from the Payments Managements System prior to expending.

Criteria: Cash management requires recipients to have procedures to reduce the time between receipt and use of federal funds.

Effect: \$64,199.71 of excess cash was on hand at June 30, 2004	\$64,199.71
---	-------------

Cause: The lack of proper drawdown procedures for the TRIO grants caused an excess amount of cash to be drawn down.

Recommendation: Policies and procedures should be written to provide guidance to all employees designating the staff responsible for the drawdown of the grant funds and outlining proper drawdown procedures.

Current Status: The excess cash has been taken care of and the College implemented written policies and procedures that provide guidance to all employees and designated the staff responsible for the draw down of the grant funds.

November 10, 2005

Cognizant or Oversight Agency for Audit

Neosho County Community College respectfully submits the following corrective action plan for the year ended June 30, 2005.

Name and address of independent public accounting firm: Diehl, Banwart, Bolton, Jarred & Bledsoe, Chartered, P.O. Box 779, 910 West Elm Street, Chanute, Kansas 66720.

Audit period: Year ended June 30, 2005.

The findings from the November 10, 2005 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

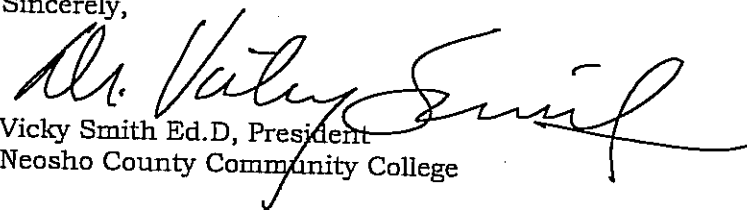
Finding 2005-01

Recommendation: Policies and procedures should be written to provide guidance to all employees designating the staff responsible for the monitoring of all aspects of the Title IV funds regulations.

Action Taken: We concur with the recommendation, and have since hired new staff, and obtained the proper training in Title IV regulations and we will write policies and procedures that provide guidance to all employees designating the staff responsible for the Title IV funds regulation monitoring.

If the Oversight Agency for Audit has questions regarding this plan, please call Sondra K. Solander, Dean of Finance, 620) 431-2820 Ext. 222.

Sincerely,


Vicky Smith Ed.D, President
Neosho County Community College