

NORTHWEST COLLEGE
FINANCIAL AND COMPLIANCE REPORT
JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Northwest College
Powell, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Northwest College (the "College") as of and for the years ended June 30, 2015 and 2014, and the discretely presented component unit as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2015 and 2014, and December 31, 2014 and 2013, respectively, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – Change in Accounting Principle

As discussed in Notes 1 and 5 to the financial statements, in 2015 the College adopted new accounting guidance with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB 27 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 3 through 8, the Schedule of the College’s Proportionate Share of the Net Pension Liability on page 36, the Schedule of the College’s Contributions on page 37, and the Notes to Required Supplementary Information on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College’s basic financial statements. The combining schedules and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015 on our consideration of the College’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College’s internal control over financial reporting and compliance.

Mc Gee, Hearne & Paiz, LLP

Cheyenne, Wyoming
December 2, 2015

NORTHWEST COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is designed to assist readers in understanding the accompanying financial statements and provide an overview of Northwest College's financial position and activities for the fiscal year ended June 30, 2015, with selected comparative information for the year ended June 30, 2014. It has been prepared by management to be read in conjunction with the financial statements and the notes thereto, which follow this section.

This financial report focuses on Northwest College as the primary entity but also includes the Northwest College Foundation financial information as a component unit. Analysis in this section will focus on the College financials without drawing any conclusion about the Foundation financials. It is important to note that the College operates on a July to June fiscal year while the Foundation uses the calendar year as its fiscal year.

Accountability is the primary objective of institutional financial reporting. It is the College's duty to be accountable to the public and to provide information that responds to the three primary groups of users of our financial reports:

- The citizenry
- The governing board, Wyoming Community College Commission, and oversight bodies
- Investors and creditors

Financial reports and accompanying notes provide information useful for assessing financial condition and results of operations, assisting in determining compliance with finance related laws, rules, and regulations, and evaluating the uses of monetary resources.

FINANCIAL STATEMENTS

The College's annual financial report consists of three components in accordance with required reporting standards: 1) This section – Management's Discussion and Analysis (MD&A); 2) financial statements; and 3) notes to the financial statements. The College's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Certain inter-fund eliminations, adjustments for capital items and depreciation, and the recognition of scholarship allowances (discounts) against tuition and fee revenues are necessary in the preparation of these entity-wide financial statements.

Statement of Net Position

The Statement of Net Position reflects the College's financial and capital resources. This statement presents the financial position of the College at the end of the fiscal year, includes all assets and liabilities of the College, and segregates the assets and liabilities into current and noncurrent components. The difference between assets and liabilities – net position – is displayed in three components: net investment in capital assets; restricted; and unrestricted.

- **Net investment in capital assets** represents the College's total investment at historical cost in capital assets; property, plant, equipment, and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets. The College capitalizes assets that have a value in excess of \$5,000 for equipment, \$25,000 for land and site improvements, and \$50,000 for buildings and building improvements.

- **Restricted net position (nonexpendable)** consists 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 be either expended or added to principal.
- **Restricted net position (expendable)** includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties and/or donors.
- **Unrestricted net position** represents all other funds available to the institution, which may be used for the operation of the College at the discretion of the Board.

Net position is one indicator of the current financial condition of the College, while the change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year.

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account, regardless of when cash is actually received or paid. Assets and liabilities are generally measured using current values; one exception is capital assets, which are stated at historical cost less an allowance for depreciation.

A condensed Statement of Net Position at June 30, 2015, 2014 and 2013 is presented below.

	2015	2014	2013
Assets			
Current assets	\$ 19,693,699	\$ 18,967,247	\$ 20,800,752
Noncurrent assets	46,451,538	46,220,999	33,733,761
Total assets	66,145,237	65,188,246	54,534,513
Deferred Outflows of Resources			
Pension related deferred outflows	896,391	-	-
Debt defeasance	158,267	-	-
Total deferred outflows of resources	1,054,658	-	-
Liabilities			
Current liabilities	2,764,811	2,959,227	3,199,730
Noncurrent liabilities	10,547,913	5,026,349	5,227,855
Total liabilities	13,312,724	7,985,576	8,427,585
Deferred Inflows of Resources			
Pension related deferred inflows	118,995		
Property taxes	4,348,207	4,358,473	4,363,868
Total deferred inflows of resources	4,467,202	4,358,473	4,363,868
Net Assets			
Invested in capital assets	29,438,211	28,625,197	18,786,223
Restricted nonexpendable	9,948,519	11,024,944	8,130,044
Restricted expendable	3,319,177	805,645	1,750,390
Restricted for capital asset purchases	5,510,020	5,535,152	3,902,436
Unrestricted net position	1,204,042	6,853,259	9,173,967
Total net position	\$ 49,419,969	\$ 52,844,197	\$ 41,743,060

Total net position decreased \$3,424,228 in fiscal year 2015 to a total of \$49,419,969. In fiscal year 2014, total net position increased \$11,195,590 from fiscal year 2013 to a total of \$52,844,197. This will be discussed in more detail in the next sections of this analysis. The unrestricted net position, \$1,204,042 in 2015 and \$6,853,259 in 2014, were available for future operating and capital needs of the College.

Current assets include cash, cash equivalents, investments, accounts receivable and inventories. During 2014, unrestricted cash decreased from 2013 levels. In 2015, the unrestricted cash of the College increased by \$1.6 million. Park County property and mineral values decreased in 2015, decreasing the property tax receivable from \$4,585,473 in 2014 to \$4,348,207 in 2015.

Noncurrent assets, \$46,352,507, are made up of land, buildings, improvements, construction in progress, equipment, library books, and endowment challenge. These values are stated based on original amounts less depreciation. In 2013, the College and the State of Wyoming started construction of the Yellowstone Building which was completed in August, 2014. In 2014, the College used a variety of sources to fund approximately \$2.1 in improvements to College properties. Projects included the updating of the Facility Master Plan, restroom upgrades in two residence halls, upgrading of buildings computer networks and switches, and HVAC controls upgrades in several buildings. The increase in noncurrent assets also includes \$7.7 million contributed by the State for the construction of the Yellowstone Building and \$1.9 million increase in College endowment that is held by the Foundation. In 2015, \$2,515,842 was spent on new capital projects or improvements that included the Yellowstone Building conclusion, Intercultural House remodel, Orendorff and Oliver roofing and abatement and various smaller projects including campus paving projects. Depreciation expense absorbed the increase in capital assets resulting in a net increase of \$260,012. The College endowment continued to grow resulting in an increase of \$1,409,352 for the year.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position present the College's results of operations and support the total change in net position for the year. Revenues and expenses are classified as operating or non-operating. "Operating" is defined by the Governmental Accounting Standards Board (GASB) as resulting from transactions involving exchanges of goods or services for payment. The College receives revenue from several sources; operating revenues are directly related to the operation of the College and include: tuition and fees, Federal grants, State and Local grants and contracts and auxiliary enterprises.

"Non-operating" is defined by GASB as resulting from transactions not involving the exchange of goods or services for payment. Non-operating revenues are not directly related to or derived from a College operation and include: State and Local appropriations and endowments from the State. Northwest College shows a substantial "operating loss" in the Statement of Revenues, Expenses, and Changes in Net Position primarily because GASB requires that State Appropriation and District Levy revenues must be reported as "non-operating."

Reported tuition and fee revenues are offset by the amount of scholarship allowance which represents the discount that the College awards and must be netted against the tuition charged to the students. Scholarship allowance was \$1,767,234 in 2014 and \$1,907,033 in 2015.

State appropriations make up the bulk of our total revenues and represent approximately 46% in 2015 and 43% in 2014 of the respective budgets. During 2015, total State appropriations increased by \$1,364,868 compared to 2014. Major maintenance funds of \$973,509 comprised the majority of those funds with the balance related to enrollment growth for the operating fund. Fiscal year 2013 appropriations reflected \$864,000 of one time only enrollment growth funds and \$1,184,000 of biennial major maintenance funds. State appropriations for the College's operating fund increased \$58,730. Local appropriations decreased \$144,269 from 2014 and represent approximately 14% in 2015 and 15% in 2014 of their respective budgets.

Auxiliary Enterprise revenues are also reported less scholarship allowances. Currently, the auxiliary allowance is calculated at 35% of the institutional, Foundation and Hathaway scholarships. In July of 2013, the College leased its bookstore operation to Follett Higher Education Group. In 2014, total auxiliary revenues were down \$636,500 from 2013, of which \$689,000 was the elimination of the bookstore and expenses were down \$855,400 from 2013, of which \$917,000 was from the bookstore. In 2015, auxiliary revenue remained relatively flat but expenditures increased by \$583,763.

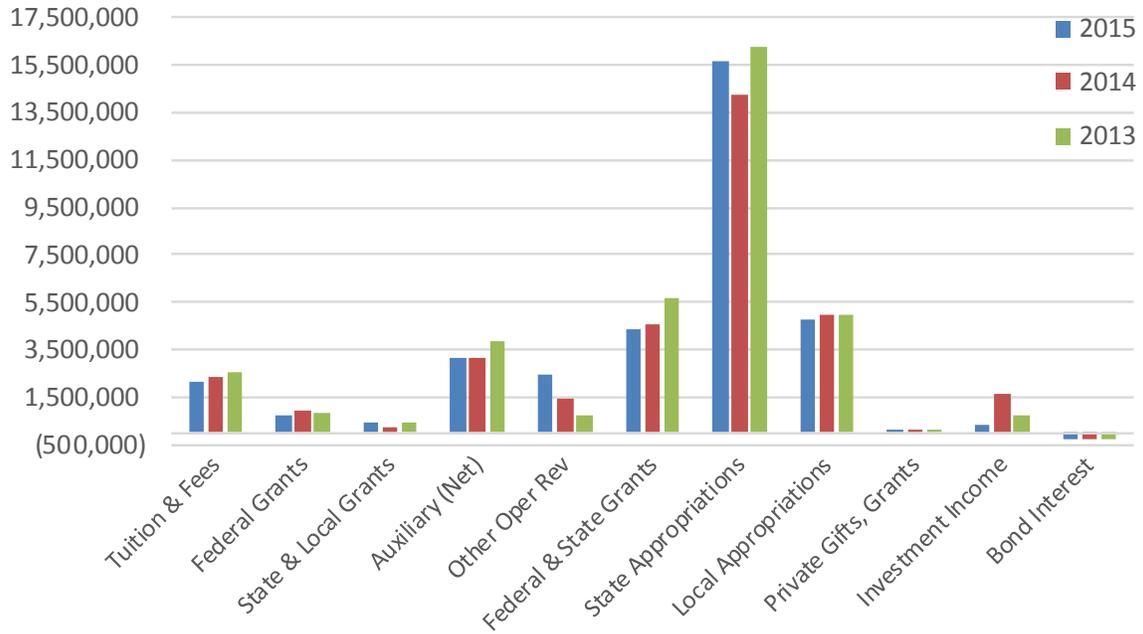
In 2015, the Wyoming Challenge Match Endowment cost basis had an increase of \$1,502,684 compared to \$615,249 increase in 2014. The net effect of revenues and decrease in market values resulted in a net loss of \$136,499. In 2014, the net effect was a market gain on investments of \$1,332,802. The College portion of the Wyoming Challenge Match Endowment held by the Foundation had a book value of \$10,446,855 and market value of \$12,434,296 as of June 30, 2015.

The following shows the change in net position from revenues and expenses.

	2015	2014	2013
Operating Revenues			
Tuition and fees (net allowances)	\$ 2,136,852	\$ 2,328,282	\$ 2,527,052
Federal grants and contracts	783,835	976,304	868,703
State and local grants and contracts	421,067	263,561	424,208
Auxiliary enterprises (net allowances)	3,204,524	3,189,581	3,826,079
Other	2,445,135	1,409,504	755,287
Total operating revenues	8,991,413	8,167,232	8,401,329
Operating Expenses			
Instruction	9,889,414	9,712,726	10,043,636
Public service	174,700	171,548	234,319
Academic support	2,564,893	2,470,729	2,580,033
Student services	3,510,301	3,335,651	3,141,695
Institutional support	4,291,474	4,171,785	4,553,105
Operation and maintenance of plant	4,536,582	2,792,422	2,797,716
Scholarships	2,553,370	2,976,167	4,117,080
Auxiliary enterprises	4,113,663	3,529,900	4,385,316
Depreciation expense	2,254,684	1,922,686	1,847,314
Total operating expense	33,889,081	31,083,614	33,700,214
Operating loss	(24,897,668)	(22,916,382)	(25,298,885)
Non-Operating Revenues	25,000,167	25,306,878	27,565,124
State Endowment Appropriation	1,488,416	532,178	379,945
Capital Appropriations	-	8,273,316	629,624
Increase in net position	\$ 1,590,915	\$ 11,195,990	\$ 3,275,808

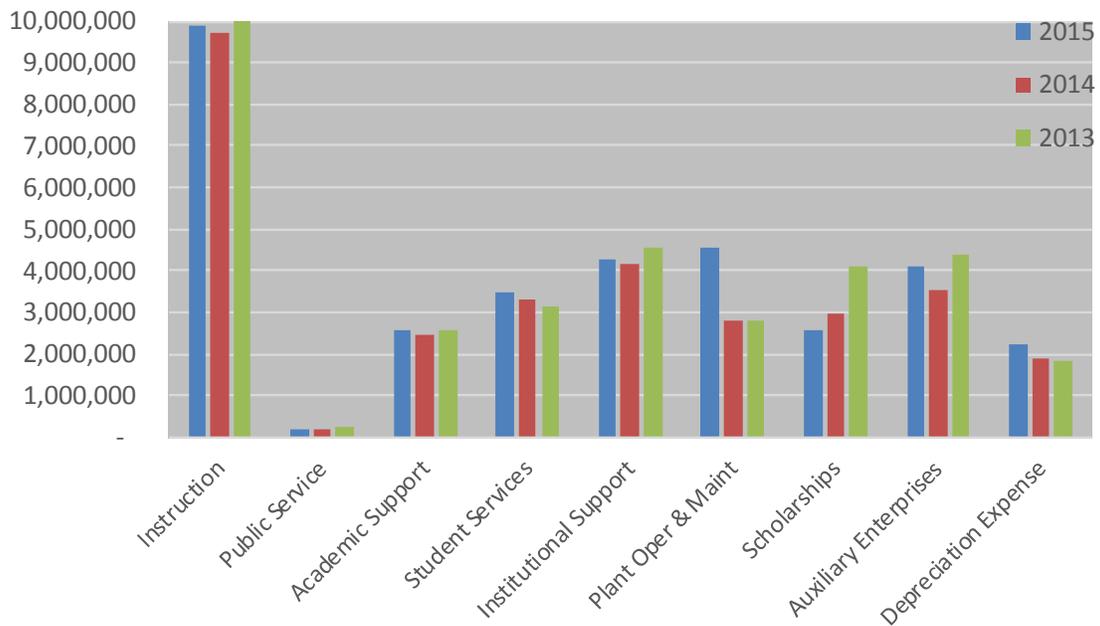
The chart below reflects operating and non-operating revenues for fiscal years 2015, 2014 and 2013.

SOURCES OF REVENUE



The chart below reflects operating expenses by their functions for fiscal years 2015, 2014 and 2013.

EXPENSES BY FUNCTION



STATEMENT OF CASH FLOWS

Information from the Statement of Cash Flows reflects our operating cash flow. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the institution during the fiscal year. Below is a summary of the cash flow statement found on page 14.

	2015	2014	2013
Cash provided by (used in):			
Operating activities	\$ (21,633,019)	\$ (21,124,230)	\$ (22,978,818)
Non-capital financing activities	25,059,472	23,799,458	27,164,110
Capital and related financing activities	(4,903,900)	(4,778,233)	(2,351,078)
Investing activities	2,311,130	300,861	299,141
Net increase (decrease) in cash	833,683	(1,802,144)	2,133,355
Cash, beginning of year	13,076,429	14,878,573	12,745,218
Cash, end of year	<u>\$ 13,910,112</u>	<u>\$ 13,076,429</u>	<u>\$ 14,878,573</u>

In summary, the cash provided by non-capital financing activities was more than the cash used in operating, capital and investing activities by \$833,683. In 2014, the cash provided by non-capital financing activities was less than the cash used in operating, capital and investing activities by \$1,802,144.

OTHER CONSIDERATIONS

During the spring of 2013, the College and the State completed the design for the new Yellowstone Building which was designed to serve as a classroom and meeting building and house the nursing, criminal justice, communication, and social science programs. The State appropriated \$9.1 million of the construction costs for the new building and the College paid for the remainder out of reserves. The building was complete in the fall of 2014.

The Northwest Building Authority, a component unit of the College, refinanced its bond obligations on May 27, 2015 into a fixed term note payable. Interest on the bonds ranged from 4.00% to 5.625%. The new interest rate on the note is 2.56%. The requirement for restricted reserves associated with the bonds was eliminated thereby allowing this money to be reinvested into lowering the payable balance. The term of the debt remains the same with a maturity of 2033. The lower interest rate has reduced the annual debt payment by over \$103,000.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented in fiscal 2015. GASB 68 requires the recognition of long-term obligations for pension benefits. Pension related outflows of \$896,391, inflows of \$118,995 and a net pension liability of \$6,097,890 were recorded on the Statements of Net Position.

Funding from State and local appropriations remained stable during fiscal 2014. Recent market declines however, have decreased oil and gas valuations and has resulted in decreased oil and gas revenue collection. These reduced revenues could potentially have a large effect on the College's receipt of state and local revenues sources starting as soon as Spring 2016. During the upcoming legislative session legislators may choose to reduce State appropriations to the community colleges and local county assessors, faced with reduced local county valuations, will have reduced levy fund revenue to distribute. Overall, these reductions in revenues could result in the College having less funds for operations.

NORTHWEST COLLEGE

STATEMENTS OF NET POSITION

June 30, 2015 and 2014

ASSETS	2015	2014
Current Assets		
Cash and cash equivalents (Note 2)	\$ 8,506,457	\$ 6,842,376
Cash and cash equivalents, restricted (Note 2)	5,403,655	6,226,534
Accounts receivable, net allowance of \$200,000 for 2015 and 2014	1,118,302	1,187,606
Property taxes receivable	4,445,144	4,500,634
Prepays	220,141	210,097
Total current assets	19,693,699	18,967,247
Noncurrent Assets		
Restricted cash (Notes 2 and 8)	-	7,519
Restricted investments (Notes 2 and 8)	-	523,342
Advance construction payments	99,031	1,006,995
Capital assets, net of accumulated depreciation (Note 3)	33,918,211	33,658,199
Investments held by others (Note 2)	12,434,296	11,024,944
Total noncurrent assets	46,451,538	46,220,999
Total assets	66,145,237	65,188,246
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows (Note 5)	896,391	-
Debt Defeasance	158,267	-
Total deferred outflows of resources	1,054,658	-
LIABILITIES		
Current Liabilities		
Accounts payable	710,295	783,455
Payroll and related liabilities	864,038	855,618
Liability for voluntary termination (Note 4)	87,747	86,196
Accrued compensated absences (Note 4)	363,410	361,040
Accrued interest payable	21,490	22,043
Advance payments	200,271	252,378
Custodial deposits (Note 10)	319,830	427,025
Current maturities of bonds and notes payable (Note 4)	197,730	171,472
Total current liabilities	2,764,811	2,959,227
Noncurrent Liabilities (Note 4)		
Liability for voluntary termination (Note 4)	46,616	44,473
Accrued compensated absences	121,137	120,346
Long-term bonds and notes payable (Note 4)	4,282,270	4,861,530
Net pension liability (Note 5)	6,097,890	-
Total noncurrent liabilities	10,547,913	5,026,349
Total liabilities	13,312,724	7,985,576
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows of Resources (Note 5)	118,995	-
Property Taxes	4,348,207	4,358,473
Total deferred inflows of resources	4,467,202	4,358,473
NET POSITION		
Net Investment in Capital Assets	29,438,211	28,625,197
Restricted for:		
Nonexpendable	9,948,519	8,460,103
Expendable:		
Scholarships	3,319,177	3,370,486
Capital projects	5,510,020	5,535,152
Unrestricted	1,204,042	6,853,259
Total net position	\$ 49,419,969	\$ 52,844,197

See Notes to Financial Statements.

NORTHWEST COLLEGE

COMPONENT UNIT - NORTHWEST COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

ASSETS	2014	2013
Cash and cash equivalents, including \$28,684 and \$26,687 respectively, held for Boys and Girls Club (Note 2)	\$ 381,785	\$ 340,072
Investments (Note 2)	1,282,369	1,879,603
Contributions receivable	352,132	345,193
Accounts receivable	4,963	-
Cash and cash equivalents restricted by donors for long-term purposes (Note 2)	1,110,304	1,224,436
Investments for long-term purposes, including \$1,058,269 and \$1,114,140, respectively, held for Boys and Girls Club (Note 2)	30,121,165	26,788,052
Beneficial interest in perpetual trust	945,555	958,943
Other assets	904,782	711,782
Total assets	\$ 35,103,055	\$ 32,248,081
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 46,619	\$ 47,146
Investments held for others (Note 2)	12,496,881	10,655,175
Assets held in trust	1,058,796	1,128,371
Liabilities associated with charitable gift annuities	227,751	238,986
Total liabilities	13,830,047	12,069,678
Net Assets		
Unrestricted	2,118,325	2,000,636
Temporarily restricted	2,394,577	3,985,913
Permanently restricted	16,760,106	14,191,854
Total net assets	21,273,008	20,178,403
Total liabilities and net assets	\$ 35,103,055	\$ 32,248,081

See Notes to Financial Statements.

NORTHWEST COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Tuition and fees, net of scholarship allowance of 2015 \$1,907,033; 2014 \$1,767,234	\$ 2,136,852	\$ 2,328,282
Federal grants and contacts	783,835	976,304
State and local grants and contracts	421,067	263,561
Auxiliary enterprise charges, net of scholarship allowance of 2015 \$1,026,864; 2014 \$951,587	3,204,524	3,189,581
Other operating revenues	2,445,135	1,409,504
Total operating revenues	8,991,413	8,167,232
Operating Expenses (Note 11)		
Instruction	9,889,414	9,712,726
Public service	174,700	171,548
Academic support	2,564,893	2,470,729
Student services	3,510,301	3,335,651
Institutional support	4,291,474	4,171,785
Operation and maintenance of plant	4,536,582	2,792,422
Scholarships	2,553,370	2,976,167
Auxiliary enterprises	4,113,663	3,529,900
Depreciation	2,254,684	1,922,686
Total operating expenses	33,889,081	31,083,614
Operating (loss)	(24,897,668)	(22,916,382)
Nonoperating Revenues (Expenses)		
Non-exchange Federal and state grants	4,381,930	4,581,557
State appropriations	15,658,071	14,293,203
Local appropriations	4,818,886	4,963,155
Private gifts, grants and contracts	109,938	67,867
Net investment gain (loss)	299,372	1,676,246
Interest expense	(268,030)	(275,150)
Total nonoperating revenues	25,000,167	25,306,878
Income before other revenue, expenses, gains or losses	102,499	2,390,496
Other Revenue, Expenses, Gains or Losses		
State endowment appropriation	1,488,416	532,178
Capital appropriations	-	8,273,316
Total other revenue, expenses, gains or losses	1,488,416	8,805,494
Increase in net position	1,590,915	11,195,990
Net Position, beginning, as previously reported	52,844,197	41,648,207
Adjustment to prior years (Note 5)	(5,015,143)	-
Net Position, beginning, as restated	47,829,054	41,648,207
Net Position, ending	\$ 49,419,969	\$ 52,844,197

See Notes to Financial Statements.

NORTHWEST COLLEGE

COMPONENT UNIT - NORTHWEST COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2014 and 2013

	2014	2013
Unrestricted Net Assets		
Revenue, gains and other support:		
Contributions	\$ 9,755	\$ 4,947
Investment income (loss), net	13,991	28,372
In-kind contributions	182,648	146,932
Administrative fees	274,231	239,081
Miscellaneous	159,561	51,236
Net assets released from restrictions	2,029,601	1,074,427
Total unrestricted revenue, gains and other support	2,669,787	1,544,995
Expenses and losses:		
Program services:		
Scholarships for students	857,235	765,992
Program support for College	1,149,954	329,686
Total program expenses	2,007,189	1,095,678
Management and fundraising:		
Salaries and benefits	387,376	342,939
Development activities	26,869	12,960
Office expense	63,741	76,861
Legal and accounting	16,400	16,538
Real property expense	5,203	6,835
Miscellaneous	25,979	18,068
Printing	13,749	14,868
Training expense	3,792	855
Depletion	-	2,680
Travel expense	1,800	1,800
Total management and fundraising expenses	544,909	494,404
Total expenses	2,552,098	1,590,082
Increase (decrease) in unrestricted net assets	117,689	(45,087)

Continued

NORTHWEST COLLEGE

COMPONENT UNIT - NORTHWEST COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES (Continued)
Years Ended December 31, 2014 and 2013

	2014	2013
<hr/>		
Temporarily Restricted Net Assets		
Contributions	\$ 498,642	\$ 386,033
Investment income, net	825,418	2,781,579
Change in liabilities associated with charitable gift annuities	11,235	(3,031)
Change in present value of beneficial interest in perpetual trusts	(13,388)	66,897
Miscellaneous income	420	537
Net assets released from restrictions	(2,029,601)	(1,074,427)
Modification of contribution restricted by donors	(884,062)	-
	<hr/>	
Increase (decrease) in temporarily restricted net assets	(1,591,336)	2,157,588
	<hr/>	
Permanently Restricted Net Assets		
Contributions	1,665,920	591,856
Royalty	18,270	18,641
Modification of contribution restricted by donors	884,062	-
	<hr/>	
Increase in permanently restricted net assets	2,568,252	610,497
	<hr/>	
Increase in net assets	1,094,605	2,722,998
	<hr/>	
Net Assets, beginning of year	20,178,403	17,455,405
	<hr/>	
Net Assets, end of year	\$ 21,273,008	\$ 20,178,403
	<hr/>	

See Notes to Financial Statements.

NORTHWEST COLLEGE

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Received from students and customers	\$ 8,963,187	\$ 8,047,130
Payments to employees and benefits	(18,339,987)	(18,011,695)
Payments to vendors and suppliers	(9,595,654)	(8,140,227)
Payments for scholarships	(2,553,370)	(2,976,167)
Other receipts (payments)	(107,195)	(43,271)
Net cash (used in) operating activities	(21,633,019)	(21,124,230)
Cash Flows from Noncapital Financing Activities		
Non-exchange Federal and state grants	4,381,930	4,581,557
State appropriations	15,703,494	14,307,422
Local appropriations	4,864,110	4,842,612
Gifts, endowments and grants for other than capital purchase	109,938	67,867
Net cash provided by noncapital financing activities	25,059,472	23,799,458
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	-	8,273,316
Purchases of capital assets	(2,515,842)	(11,597,683)
Advance construction payments	-	(1,006,995)
Proceeds from sale of capital assets	1,146	275
Interest paid on bonds	(265,050)	(272,146)
Payment of bond principal	(175,000)	(175,000)
Funds placed in escrow for bond defeasance	(539,802)	-
Distributions from investments held by others	(1,409,352)	-
Net cash (used in) capital and related financing activities	(4,903,900)	(4,778,233)
Cash Flows from Investing Activities		
State endowment appropriation	1,488,416	532,178
Purchase of investment	295,837	(1,904,884)
Proceeds from sale and maturities of investments	526,877	1,673,567
Net cash provided by investing activities	2,311,130	300,861
Net increase (decrease) in cash and cash equivalents	833,683	(1,802,144)
Cash and Cash Equivalents		
Beginning of year	13,076,429	14,878,573
End of year	\$ 13,910,112	\$ 13,076,429
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities		
Operating (loss)	\$ (24,897,668)	\$ (22,916,382)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	2,254,684	1,922,686
Net pension expenses	305,351	-
Loss on disposal of capital assets	-	7,118
Changes in assets and liabilities:		
Receivables, net	23,881	(135,293)
Inventories	-	279,996
Prepays	(10,044)	(12,344)
Accounts payable and related liabilities	(168,241)	(315,762)
Advance payments	855,857	15,189
Accrued compensated absences	3,161	30,562
Total adjustments	3,264,649	1,792,152
Net cash (used in) operating activities	\$ (21,633,019)	\$ (21,124,230)
Noncash Financing and Investment Activity Information		
Note payable proceeds placed directly in escrow for bond defeasance	\$ 4,480,000	\$ -

See Notes to Financial Statements.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Northwest College (the “College”) is a public institution of higher education created in 1946. The College’s main campus is located in Powell, Wyoming with outreach centers in Cody and Worland, Wyoming. It is governed by a Board of Trustees (the “Board”) comprised of seven elected trustees and is subject to the laws of the State of Wyoming. The College is a municipal corporation formed under and subject to the requirements of the Wyoming State Statutes.

The Northwest College Foundation (the “Foundation”) is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization and supplements the resources that are available to the College. The Board of the Foundation is self-perpetuating. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College. The Foundation’s year end is December 31. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

Financial statements for the Foundation can be obtained by calling the Foundation at (307) 754-6110.

The Northwest College Building Authority (the “Authority”) was created July 2, 2008 as a public benefit corporation for the purpose of financing construction, ownership and operation of real and personal property to be used by the College. The Authority is a separate legal entity from the College but is treated as a blended component unit of the College due to its financial dependence on the College and is reported in its financial statements.

Northwest College:

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 presented 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.

Nonexchange transactions, in which the College receives value without directly giving equal value in return, include property taxes; most private gifts and grants; state appropriations, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grants, state appropriations, and other contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the College must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

Investments: The College accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under GASB 31, unrealized gains and losses on investments are included in the statement of revenues, expenses and changes in net position.

Accounts receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Accounts receivable are recorded net of estimated uncollectible amounts.

Capital assets: The College capitalizes assets that have a donated value or cost in excess of \$5,000 for equipment, \$50,000 for building improvements, \$25,000 for land and site improvements, and \$50,000 for buildings at the date of acquisition and an expected useful life of more than one year. Library books are generally not considered to have a useful life of more than one year, unless they are part of a collection and are expensed in the year of acquisition.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

The College does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to 14 years for equipment, 15-20 years for building improvements, 20 years for site improvements, and 40 years for buildings.

Impairments: The College evaluates prominent events or changes in circumstances that affect capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The College will consider an asset impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. The College will recognize an impairment loss when the College considers a capital asset impaired, and will recognize the capital asset at the lower of carrying value or fair value.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Compensated absences: It is the College's policy to allow non-academic full-time and eligible part-time employees sick leave, personal leave, and vacation. Faculty are allowed sick leave and personal leave. Accrued sick leave is paid upon termination to benefited non-faculty employees. All employees are entitled to accrued vacation leave upon termination. All leave pay is accrued when incurred and a liability for these amounts is reported in compliance with GASB Statement No. 16, *Accounting for Compensated Absences*. The College considers approximately 75% of this liability current and due within one year.

Bond issuance costs: Bond issuance costs are expensed when incurred.

Deferred property taxes: Deferred property taxes consist of property taxes assessed for the year which will be levied and recognized as revenue in the subsequent year.

Noncurrent liabilities: Noncurrent liabilities include estimated amounts for accrued compensated absences, voluntary terminations, and bonds and notes payable that will not be paid within the next fiscal year.

Net position: The College's net position is classified as follows:

Net investment in capital assets – This represents the College's total investment in capital assets, net of accumulated depreciation and debt related to the purchase or construction of those assets.

Restricted net position – nonexpendable – This includes amounts for the endowment challenge, of which the corpus is not to be spent, but earnings are used for scholarships. Accounts are held by the Foundation.

Restricted net position – expendable – This includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources when they are needed.

Restricted for capital projects – This includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties for the purchase of capital assets.

Unrestricted net position – This includes resources derived from student tuition and fees, state and local appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Classification of revenues: The College classified its revenue 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) sale and services of auxiliary enterprises, and (3) Federal, state and local grants and contracts considered to be exchange activities.

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 Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, such as state and local appropriations, certain Federal and state programs, and investment income.

Property taxes: Property taxes attach as an enforceable lien on property as of January 1 of the preceding levy year. Taxes are levied on or about September 1 and payable in two installments on November 1 and May 1 or the tax may be paid in full by December 31. The County bills and collects its own property taxes and also taxes for all municipalities and political subdivisions within the County, including Northwest College. The College’s property tax revenues are recognized when levied. Property taxes receivable include property taxes assessed for the year that will be levied and billed in the subsequent year and delinquent property taxes.

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 statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for the goods and services provided by the College, and the amount that is paid by students and/or third parties making payment 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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Student loan revenue recognition: Under the Federal Direct Loan Program, the College recognizes equal amounts of revenue and expenses. For the years ended June 30, 2015 and 2014, the College recognized revenue and expenses in the amount of \$1,791,599 and \$1,980,050, respectively.

Defined benefit pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wyoming Retirement System (WRS) and additions to/deductions from the WRS’s fiduciary net position have been determined on the same basis as they are reported by the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Recent pronouncements: In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which replaces GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, for most government pensions. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual cost of the pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This statement is effective for years beginning after June 15, 2014. Accounting changes adopted to conform to the provisions of this statement were applied beginning in the year ended June 30, 2015 retroactively by restating the beginning net position. While June 30, 2014 is presented, this column was not restated as the information to do so was not readily available. See discussion of prior period restatement in Note 5.

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. This statement was issued to address accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition, this statement provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for years beginning after June 15, 2015.

Component Unit – Northwest College Foundation:

Nature of activities: The Foundation is a nonprofit corporation promoting, assisting, and extending financial support to the College located in Powell, Wyoming and its various educational programs and other services, and providing students with scholarships and other financial aid. The Foundation complies with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as required under Wyoming law effective July 1, 2009.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting: The Foundation conforms to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities. Financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Codification Topic 958, *Not-for-Profit Organizations*. Revenue is recognized when earned and expenses are recorded when incurred. The financial statements reflect unrestricted, temporarily restricted and permanently restricted net assets and activities. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board designated or appropriated amounts, are reported as part of the unrestricted class.

Cash and cash equivalents: For purposes of reporting cash flows, the Foundation considers all demand deposits, money market funds and highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Investments: The Foundation carries investments in marketable securities and investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change of net assets in the accompanying statement of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification establishes a framework for fair value measurement and disclosure. It requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The Foundation has valued its investments utilizing the Level 1 (\$29,379,627) and Level 2 (\$2,023,907) approaches.

Investment pool: The Foundation maintains master investment accounts for its donor-restricted endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated to the individual endowments based on the relationship of the value of each endowment to the total value of the master investment accounts, as adjusted for additions to or deductions from those accounts. These gains and losses are accounted for in temporarily restricted net asset category that correspond to each endowment unless the temporary restricted net asset category corresponding to endowments is reduced to zero at which time any remaining losses are allocated to unrestricted net assets.

Contributions receivable: The Foundation receives pledges of support to the endowment fund and for other non-endowment purposes from various individuals and organizations. These pledges are recorded as revenue when the pledge is received. The Foundation has not experienced losses from uncollectible pledges and does not expect future losses.

Property and equipment: Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment is recorded at estimated fair market value at the date of donation or at cost if purchased. Depreciation is computed on the straight-line method and is based on expected useful lives of five years.

Contributions: The Foundation reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as permanently restricted. When a donor restriction expires (such as when a stipulated time restriction ends), temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Net assets are released from donor restrictions primarily as time restrictions are satisfied.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Foundation's activities).

Donated services and materials: To the extent that contributions of materials made to the Foundation are objectively measurable and represent program or support expenditures, they are reflected in the financial statements at their fair market value. No amounts have been reflected in the statements for donated services since the services do not require specialized skills.

Donated assets: Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Board designated net assets: The Board of Directors for the Foundation has designated \$1,000,000 to be maintained in investments and treated as unavailable for Foundation operations.

Pass-through contributions: Donor-restricted funds designated for immediate use of the College are received by the Foundation and remitted to the College shortly after receipt. Such contributions are reported as increases in temporarily restricted net assets. When the assets are remitted to the College, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Split-interest agreements: The Foundation is the beneficiary of trusts and annuities. The Foundation's interest in these split-interest agreements is reported as a contribution in the year received at its net present value based upon market values.

Real estate: The Foundation invests in real estate that is adjacent to the campus to provide for possible future expansion. Donated real estate that is not located in this manner is promptly sold when favorable market conditions occur.

Income tax matters: The Foundation is an exempt organization for income tax purposes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustments to the financial statements. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities except for the last three years' filings.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits with Financial Institutions and Investments

Northwest College:

The statutes of the State of Wyoming authorize agencies of the State to deposit public funds in financial institutions authorized to do business in the State of Wyoming. These deposits must be fully insured by the Federal Deposit Insurance Corporation (FDIC) or secured by a pledge of assets including any bonds, debentures and other securities in which the State Treasurer may by law invest or a depository may pledge conventional real estate mortgages and notes connected with mortgages at a ratio of one and one-half to one of the value of public funds secured by the securities. The College has restricted deposits for the agency funds, Federal funds received to be expended, and funds restricted for the purchase of capital assets, totaling \$5,403,655 and \$6,226,534 as of June 30, 2015 and 2014, respectively.

Custodial credit risk: Custodial credit risk for deposits of the College is the risk that in the event of a bank failure, the College's deposits may not be returned to them. At June 30, 2015, the carrying amount of the College's deposits was \$13,910,112 and the bank balance was \$15,185,512, of which all was insured or secured by pledged assets.

Northwest College Foundation:

Investments in marketable securities, including agency investment held for Boys & Girls Clubs, consists of the following at December 31, 2014 and 2013:

	Cost	Fair Value
	2014	
U.S. Treasury securities	\$ 1,519,071	\$ 1,527,633
Other U.S. Government bonds	317,082	317,567
Corporate bonds	952,451	1,012,812
Mutual/index funds	3,800,401	4,241,098
Equity	17,876,344	22,280,517
Investment in hedge fund	2,000,000	2,023,907
	\$ 26,465,349	\$ 31,403,534
	2013	
U.S. Treasury securities	\$ 1,466,436	\$ 1,411,414
Other U.S. Government bonds	935,622	933,359
Corporate bonds	2,449,203	3,159,344
Mutual/index funds	3,374,106	3,202,770
Equity	14,447,758	19,960,768
	\$ 22,673,125	\$ 28,667,655

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Reported under the following captions:

	<u>2014</u>	<u>2013</u>
Investments	\$ 1,282,369	\$ 1,879,603
Investments restricted by donors for long-term purposes and investments held for others	<u>30,121,165</u>	26,788,052
	<u>\$ 31,403,534</u>	<u>\$ 28,667,655</u>

The Foundation maintains cash balances in one financial institution located in Powell, Wyoming and with several investment service firms. The carrying amount of cash with the investment firms totaling \$948,374 was fully insured by the Securities Investor Protection Corporation (SIPC).

The bank balances of cash with the financial institution were \$522,018 and \$885,091 at December 31, 2014 and 2013, respectively. At December 31, 2014, \$250,000 was insured by the Federal Deposit and Insurance Corporation (FDIC).

Concentration of credit risk: The Foundation's investment policy is as follows. The Foundation expects the investment managers to maintain diversified portfolios by using the following guidelines in accordance with investment policies.

Diversification: The portfolio should be diversified among cash and cash equivalents, high-quality equity, and fixed-income securities.

Equity investments: Equity investments may range from a minimum of 45% of the value of the fund to a maximum of 75% of the value of the fund.

At the time of purchase, small-cap equities shall not comprise more than 10% of fund assets.

Investments in international equities shall not represent more than 20% of the fund assets at the time of purchase.

Equity investments may include common stocks and mutual funds that invest in equity securities.

Benchmarks: The benchmark for measuring equity performance shall be the S&P 500 Index.

In the event that asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Investment Committee will instruct the Investment Manager(s) to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible.

Interest rate risk: The Foundation is also exposed to investment fair value loss arising from increased interest rates. The Foundation's policy for fixed-income portfolios is as follows:

Fixed income investments may represent a minimum of 33% of fund assets and a maximum of 43% of fund assets. Fixed income obligations other than cash equivalents and high-yield securities shall have an average quality rating of "A" or better by Moody's Standard and Poor's or another nationally recognized bond-rating agency. No more than 10% of fund assets may be invested in high-yield (junk) bonds. The investment committee requests that investment managers advise it in writing prior to initiating purchases of high-yield bonds or high-yield bond funds.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Permissible fixed income investments include U.S. Government and agency bonds, investment-grade corporate bonds and fixed income securities of foreign governments and corporations.

Managers may also elect to use mutual funds that invest in these securities. However, mutual funds charge fees that add to the total cost of operating the fund. Therefore, if investment managers choose to utilize mutual funds, they should consider whether the additional cost is warranted in order to carry out their particular strategy.

The benchmark for measuring fixed-income performance shall be the Lehman Government/Credit Intermediate Index.

At June 30, 2015 and 2014, the following tables show the fixed-income investments by type, amount and maturity for the endowed scholarship fund that includes the endowment challenge funds:

	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 5	More than 5
2015				
Investment Type:				
U.S. Treasury	\$ 1,200,955	\$ 137,836	\$ 283,725	\$ 779,394
Government obligations	553,470	-	231,601	321,869
	\$ 1,754,425	\$ 137,836	\$ 515,326	\$ 1,101,263
2014				
Investment Type:				
U.S. Treasury	\$ 1,035,743	\$ -	\$ 507,575	\$ 528,168
Government obligations	814,948	308,052	132,285	374,611
	\$ 1,850,691	\$ 308,052	\$ 639,860	\$ 902,779

The quality rating of debt securities in the Foundation's investment portfolio at fair value as of June 30, 2015 is as follows:

U.S. Government investments (S&P rating AA+)	<u><u>\$ 1,754,425</u></u>
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As of December 31, 2014 and 2013, the Foundation held \$12,496,881 and \$10,655,175, respectively, of investments for the College.

Investments held for others: The Foundation has received funds from the College to invest on its behalf pursuant to the requirements of the Wyoming Community College Endowment Challenge Program under Wyoming Session Laws, Chapter 117. Under the terms of this program, the Foundation has solicited contributions for its endowment fund. These contributions were reported to the State of Wyoming which made a matching contribution to the College. The College invested these funds with the Foundation as required by statute. The Foundation is required to invest the money and use the investment earnings to fund the same endowments consistent with the original donor's intent.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets

A summary of changes in the capital assets for the years ended June 30, 2015 and 2014 is as follows:

	Balance June 30, 2014	Additions	Deletions	Transfers In (Out)	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$ 1,464,663	\$ -	\$ -	\$ -	\$ 1,464,663
Art, literature and artifacts	50,000	-	-	-	50,000
Construction in progress	10,951,156	286,204	-	(10,951,157)	286,203
Total capital assets not being depreciated	\$ 12,465,819	\$ 286,204	\$ -	\$ (10,951,157)	\$ 1,800,866
Other capital assets:					
Land improvements	\$ 869,609	\$ 36,871	\$ -	\$ -	\$ 906,480
Buildings	50,061,128	1,840,348	-	10,951,157	62,852,633
Machinery and equipment	6,285,582	352,419	(183,218)	-	6,454,783
Total other capital assets	57,216,319	2,229,638	(183,218)	10,951,157	70,213,896
Less accumulated depreciation for:					
Land improvements	127,273	50,703	-	-	177,976
Buildings	31,810,526	1,588,587	-	-	33,399,113
Machinery and equipment	4,086,140	615,394	(182,072)	-	4,519,462
Total accumulated depreciation	36,023,939	2,254,684	(182,072)	-	38,096,551
Other capital assets, net	\$ 21,192,380	\$ (25,046)	\$ (1,146)	\$ 10,951,157	\$ 32,117,345
Capital asset summary:					
Capital assets not being depreciated	\$ 12,465,819	\$ 286,204	\$ -	\$ (10,951,157)	\$ 1,800,866
Other capital assets, at cost	57,216,319	2,229,638	(183,218)	10,951,157	70,213,896
Total cost of capital assets	69,682,138	2,515,842	(183,218)	-	72,014,762
Less accumulated depreciation	36,023,939	2,254,684	(182,072)	-	38,096,551
Capital assets, net	\$ 33,658,199	\$ 261,158	\$ (1,146)	\$ -	\$ 33,918,211

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

	Balance June 30, 2013	Additions	Deletions	Transfers In (Out)	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 1,464,663	\$ -	\$ -	\$ -	\$ 1,464,663
Art, literature and artifacts	50,000	-	-	-	50,000
Construction in progress	1,695,825	11,100,630	(7,120)	(1,838,179)	10,951,156
Total capital assets not being depreciated	\$ 3,210,488	\$ 11,100,630	\$ (7,120)	\$ (1,838,179)	\$ 12,465,819
Other capital assets:					
Land improvements	\$ 652,645	\$ -	\$ -	\$ 216,964	\$ 869,609
Buildings	49,012,219	119,006	-	929,903	50,061,128
Machinery and equipment	5,267,805	378,047	(51,582)	691,312	6,285,582
Total other capital assets	54,932,669	497,053	(51,582)	1,838,179	57,216,319
Less accumulated depreciation for:					
Land improvements	90,683	36,590	-	-	127,273
Buildings	30,521,940	1,288,586	-	-	31,810,526
Machinery and equipment	3,539,937	597,510	(51,307)	-	4,086,140
Total accumulated depreciation	34,152,560	1,922,686	(51,307)	-	36,023,939
Other capital assets, net	\$ 20,780,109	\$ (1,425,633)	\$ (275)	\$ 1,838,179	\$ 21,192,380
Capital asset summary:					
Capital assets not being depreciated	\$ 3,210,488	\$ 11,100,630	\$ (7,120)	\$ (1,838,179)	\$ 12,465,819
Other capital assets, at cost	54,932,669	497,053	(51,582)	1,838,179	57,216,319
Total cost of capital assets	58,143,157	11,597,683	(58,702)	-	69,682,138
Less accumulated depreciation	34,152,560	1,922,686	(51,307)	-	36,023,939
Capital assets, net	\$ 23,990,597	\$ 9,674,997	\$ (7,395)	\$ -	\$ 33,658,199

Note 4. Long-Term Liabilities

Voluntary termination: The College has established an arrangement for certain classes of employees. The plan is based on a predetermined formula computed with regard to length of service, attained age at termination, and salary schedule previous to the year of termination. Payments will usually be made over a period of five years from inception in equal, monthly installments for one class. Payments for the other class are made in a lump-sum payment. All voluntary termination contracts granted under the plan benefits must be reviewed and signed by the President with Board approval. During the years ended June 30, 2015 and 2014, the College had paid \$91,198 and \$101,038, respectively, under the plan. The accompanying financial statements reflect an obligation as of June 30, 2015 and 2014 of \$134,363 and \$130,669, respectively, for voluntary termination benefits to former employees who elected to receive and who were approved to receive voluntary termination benefits.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

The following summarizes scheduled future liquidation of June 30 obligations:

Fiscal year ending June 30,	Imputed Interest	Present Value	Total
2016	\$ 4,720	\$ 87,747	\$ 92,467
2017	3,227	29,225	32,452
2018	2,600	15,292	17,892
2019	473	2,099	2,572
	<u>\$ 11,020</u>	<u>\$ 134,363</u>	<u>\$ 145,383</u>

The Authority issued \$6,000,000 of revenue bonds on July 1, 2008 for construction of certain College facilities. The bonds were limited obligations of the Authority and did not constitute an obligation or guarantee of the College or of its agencies or political subdivisions. The bonds were secured by the leased assets and repayments were to be made through lease payments by the College for the use of the assets.

Interest on the bonds ranged from 4.00% to 5.625% and was payable semi-annually. The bonds required annual principal payments through June 1, 2033.

On May 27, 2015, proceeds from the note payable were used to defease the Series 2008 Revenue Bonds. Additional funds were provided by the Authority to fully fund the defeasance. The defeasance resulted in an economic gain of \$1,411,851 and a net cash flow savings of \$1,539,142. The deferred outflows of resources will be recognized as an adjustment to interest expense through June 7, 2033. On July 1, 2015, the Series 2008 Revenue Bonds were refunded for \$4,998,000, which includes a redemption price premium of 2%, plus accrued interest using funds held in trust by a third party.

The Authority issued a \$4,480,000 lease revenue note payable Series 2015 on May 26, 2015. The note is a limited obligation of the Authority and does not constitute an obligation or guarantee of the College or of its agencies or political subdivisions. The note is secured by the leased assets and repayments will be made through lease payments by the College for the use of the assets.

Interest on the note is 2.56% and is payable semi-annually. The note requires annual principal payments through June 1, 2033.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Aggregate principal including interest required on the note at June 30, 2015 is as follows:

	Principal	Interest
2016	\$ 197,730	\$ 115,962
2017	204,067	109,626
2018	209,291	104,402
2019	214,648	99,044
2020	220,143	93,549
2021 - 2025	1,188,194	380,269
2026 - 2030	1,348,272	220,192
2031 - 2033	897,655	46,392
	<u>\$ 4,480,000</u>	<u>\$ 1,169,436</u>

Long-term liability activity other than bonds payable and notes payable for the years ended June 30, 2015 and 2014 was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due within One Year
Other liabilities:					
Liability for voluntary termination	\$ 130,669	\$ 94,892	\$ (91,198)	\$ 134,363	\$ 87,747
Accrued compensated absences	481,386	620,625	(617,464)	484,547	363,410
Total other liabilities	<u>\$ 612,055</u>	<u>\$ 715,517</u>	<u>\$ (708,662)</u>	<u>\$ 618,910</u>	<u>\$ 451,157</u>

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due within One Year
Other liabilities:					
Liability for voluntary termination	\$ 185,228	\$ 46,479	\$ (101,038)	\$ 130,669	\$ 86,196
Accrued compensated absences	450,824	587,047	(556,485)	481,386	361,040
Total other liabilities	<u>\$ 636,052</u>	<u>\$ 633,526</u>	<u>\$ (657,523)</u>	<u>\$ 612,055</u>	<u>\$ 447,236</u>

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Note 5. Retirement Commitment – Wyoming Retirement System

Fiscal year 2014 (pre-implementation of GASB Statement No. 68): Participants in the Wyoming Retirement System (WRS) who retire at age 60 with four years of credited service are entitled to a retirement benefit according to predetermined formulas and are allowed to select one of five optional methods for receiving benefits. Early retirement is allowed provided the employee has completed four years of service and attained the age of 50, but will result in a reduction of benefits based on the length of time remaining to normal retirement age. WRS also provides death and disability benefits. Benefits are established by State statutes. The WRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002 or by calling (307) 777-7691.

Statutes require that 14.62% (effective September 1, 2013) of the covered employee's salary be contributed to the plan. After July 1, 2014 (and through June 30, 2015), this percentage increases to 15.87%. For the years ended June 30, 2014 and 2013, the College's contributions to the WRS were \$794,148 and \$762,630, respectively, which equals the required contribution for the years then ended.

Fiscal year 2015 (post implementation of GASB Statement No. 68): On July 1, 2014, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which recognizes a long-term obligation for pension benefits. The accounting change adopted to conform to the provisions of GASB 68 has been applied retroactively by restating the beginning net position for the fiscal year ended June 30, 2015 by \$5,015,143, which included recording an initial net pension liability of \$5,412,217 and an initial deferred outflows of resources of \$397,074. As the data needed to implement this standard for all periods presented was not available for periods prior to July 1, 2014, the College has elected to not restate information presented for the period ended June 30, 2014.

Plan description: Substantially all employees of the College excluding those participating in the TIAA/CREF defined contribution plan, are provided with pensions through the Public Employee Pension Plan - a statewide cost-sharing multiple-employer defined benefit pension plan administered by the Wyoming Retirement System (WRS). The authority to establish and amend benefits and contributions rates rests with the Legislature of the State of Wyoming. WRS is granted the authority to administer the Plan by Wyoming State Statutes 9-3-401 through 432. WRS issues a publicly available financial report that can be obtained at <http://retirement.state.wy.us/home/index.html>.

Benefits provided: The determination of retirement benefits is dependent upon the employee's initial employment date.

Service Retirement Tier 1: Full retirement at age 60 or qualifies for the Rule of 85. Early retirement is permitted at age 50 or 25 years of service. Formula for retirement equals 2.125% times the number of years of service times the three-year highest average salary for the first 15 years and 2.25% times the number of years of service times the three-year highest average over 15 years.

Service Retirement Tier 2: Full retirement at age 65 or qualifies for the Rule of 85. Early retirement is permitted at age 55 or 25 years of service. Formula for retirement equals 2% times the number of years of service times the five-year highest average salary.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Contributions: Per Title 9-3-412 and 413 of State Statutes, for the year ended June 30, 2015, member contributions were required to be 8.25% of compensation and employer contributions were required to be 7.62% of compensation. In accordance with Title 9-3-412 (c) (ii) of State Statutes, the College has elected to pay 6.19% of the members contribution in addition to the employers contribution. Effective July 1, 2015, the participant's contribution percentage increased to 8.37%. Total contributions to the pension plan from the College were \$884,811 for the year ended June 30, 2015.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2015, the College reported a liability of \$6,097,890 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The College's proportion of the net pension liability was based on the relationship of the College's total contributions to the plan for the year ended December 31, 2014 to the contributions of all participating employers for the same period. At December 31, 2014, the College's proportion was 0.3455497830%, which was a decrease from its December 31, 2013 proportion of 0.3559731380%.

For the year ended June 30, 2015, the College recognized pension expense of \$735,279. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 499,974	\$ -
Changes in proportionate share of contributions	-	118,995
Contributions subsequent to the measurement date	396,417	-
	<u>\$ 896,391</u>	<u>\$ 118,995</u>

An amount of \$396,417 reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 85,511
2017	85,511
2018	85,511
2019	124,446
	<u>\$ 380,979</u>

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Actuarial assumptions: The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25% – 6.0%, including inflation
Investment rate of return	4.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

Long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	15.00%	.98%
Equity	55.00%	6.66%
Marketable alternatives	15.50%	4.19%
Private markets	12.00%	7.13%
Cash	<u>2.50%</u>	.50%
Total	<u>100.00%</u>	

Experience analysis: An experience study was conducted on behalf of all WRS's plans covering the five-year period ended December 31, 2011. That study provided a detailed analysis concerning the development of the long-term inflation rate, real rate of return and discount rate. The study also analyzed each major actuarial assumption (e.g., mortality, salary increases, retirement, termination and disability) and proposed assumptions consistent with the findings.

Discount rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate: The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$ 9,529,152	\$ 6,097,890	\$ 3,216,421

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued WRS financial report available from the Wyoming Retirement System, 6101 Yellowstone Road, Cheyenne, Wyoming 82002 or at <http://retirement.state.wy.us/home/index.html>.

Note 6. Retirement Commitments – TIAA/CREF

Eligible College employees may elect to participate in the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF) instead of the Wyoming Retirement System. TIAA/CREF is a private defined contribution pension plan, which is portable to other institutions and states. For the years ended June 30, 2015, 2014 and 2013, the College's contributions to TIAA/CREF were \$713,622, \$673,540 and \$735,232, respectively.

Note 7. Leasing Arrangements

Operating leases: The College has entered into several operating leases for office equipment. To comply with State Statutes, all leases contain a nonappropriations clause which allows the College to cancel the lease in the event that resources are not available for future appropriation. Rent expense for these operating leases was \$30,071 and \$41,920 for the years ended June 30, 2015 and 2014, respectively. The College has also entered into two leases for outreach locations which were extended and are included in the following commitments. Rent expense for these leases was \$99,195 and \$96,306 for the years ended June 30, 2015 and 2014, respectively. In addition, the College entered into a lease for space on a broadcast tower to house an antenna/broadcasting system. Rent expense for this lease was approximately \$14,000 and \$12,000 for the years ended June 30, 2015 and 2014, respectively.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Future obligations consist of the following:

2016	\$	76,694
2017		32,364
2018		19,394
2019		16,800
2020		2,800
		<hr/>
	\$	148,052
		<hr/>

Note 8. Commitments and Contingencies

Voluntary termination: As discussed in Note 4, the College offers voluntary termination benefits to employees of the College who meet certain employment, age and service requirements. As of June 30, 2015, approximately 36 employees have met the employment, age and term requirements of the plan, but have not applied for benefits under the plan nor has the Board considered approval of any payments to these individuals.

No liability for payment of incentive benefits to these employees has been recorded in the accompanying financial statements in as much as the Board has not approved payment and such approval is subject to various factors such as employment needs, available funding, and Board objectives. The estimated benefit payment requirement for these employees if they were approved for receiving payments as of June 30, 2015 was approximately \$1,120,951.

Amounts expended under the terms of certain grants are subject to audit and possible adjustment by governmental agencies. In the opinion of College management, adjustments, if any, will not have a material effect on the accompanying financial statements.

Bond reserve fund: The Indenture of Trust agreement with the bond trustee required the Authority to deposit \$528,125 into a separate account with the trustee. These funds may only be used to fund deficiencies in meeting bond debt service payments. Funds withdrawn from the reserve account are to be repaid in equal monthly payments over the next 12 months. All funds were withdrawn as of June 30, 2015 as part of the defeasance of the bonds.

Note 9. Risk Management

The College is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended June 30, 2015, the College contracted with various insurance companies for property insurance (including machinery), general liability insurance, professional insurance, and vehicle insurance. The coverage under each type of insurance policy varies in amounts and deductibles. The College has not had significant settlements exceeding insurance coverage in any of the past three fiscal years. The College has had no significant reductions in insurance coverage from coverage in the prior year.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Note 10. Custodial Deposits

The College holds in trust funds collected by various student groups. A liability for these funds is included in current liabilities in the accompanying financial statements. The following summarizes activity within the Student Activity Funds during the year ended June 30, 2015 and 2014.

Student Activity Funds:

	2015	2014
Beginning of year	\$ 427,025	\$ 470,296
Additions:		
Student fees	178,770	170,308
Interest	24,736	62,798
Donations	45,703	58,820
Other	347,369	391,998
Scholarships and grants	1,164,041	1,074,768
Total additions	1,760,619	1,758,692
Deductions:		
Supplies	102,302	86,611
Printing	2,414	1,477
Contractual	41,604	55,857
Scholarships and grants	1,153,646	1,056,869
Various	567,848	601,149
Total deductions	1,867,814	1,801,963
End of Year	\$ 319,830	\$ 427,025

Note 11. Natural Classifications with Functional Classifications

The College's operating expenses by natural classification were as follows for June 30, 2015 and 2014:

Functional Classification	Natural Classification				
	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships	Total
	2015				
Instruction	\$ 9,084,113	\$ 805,301	\$ -	\$ -	\$ 9,889,414
Public service	37,780	136,920	-	-	174,700
Academic support	1,256,517	1,308,376	-	-	2,564,893
Student services	2,647,049	863,252	-	-	3,510,301
Institutional support	2,662,547	1,628,927	-	-	4,291,474
Operation of plant	1,577,916	2,958,666	-	-	4,536,582
Scholarships	-	-	-	2,553,370	2,553,370
Auxiliary enterprises	1,394,691	2,718,972	-	-	4,113,663
Depreciation	-	-	2,254,684	-	2,254,684
Total expenses	\$ 18,660,613	\$ 10,420,414	\$ 2,254,684	\$ 2,553,370	\$ 33,889,081

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Functional Classification	Natural Classification				Total
	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships	
	2014				
Instruction	\$ 8,912,406	\$ 800,320	\$ -	\$ -	\$ 9,712,726
Public service	35,992	135,556	-	-	171,548
Academic support	1,173,483	1,297,246	-	-	2,470,729
Student services	2,448,545	887,106	-	-	3,335,651
Institutional support	2,498,341	1,673,444	-	-	4,171,785
Operation of plant	1,497,897	1,294,525	-	-	2,792,422
Scholarships	-	-	-	2,976,167	2,976,167
Auxiliary enterprises	1,387,131	2,142,769	-	-	3,529,900
Depreciation	-	-	1,922,686	-	1,922,686
Total expenses	\$ 17,953,795	\$ 8,230,966	\$ 1,922,686	\$ 2,976,167	\$ 31,083,614

REQUIRED SUPPLEMENTARY INFORMATION

NORTHWEST COLLEGE

**SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

Public Employee Pension Plan

Years Ended June 30, 2015 and 2014 *

	2015	2014
College's proportion of the net pension liability (asset)	0.3455497830%	0.3559731380%
College's proportionate share of the net pension liability (asset)	\$ 6,097,890	\$ 5,412,217
College's covered employee payroll	\$ 6,042,994	\$ 6,111,538
College's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	100.91%	88.56%
Plan fiduciary net position as a percentage of the total pension liability	79.08%	N/A

** The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.*

See Notes to Required Supplementary Information

NORTHWEST COLLEGE

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS

Public Employee Pension Plan

Years Ended June 30, 2015 and 2014

	2015	2014
Contractually required contribution	\$ 452,233	\$ 440,321
Contributions in relation to the contractually required contribution	452,233	440,321
<i>Contribution deficiency (excess)</i>	\$ -	\$ -
College's covered employee payroll	\$ 5,934,819	\$ 6,184,286
Contributions as a percentage of covered employee payroll	7.62%	7.12%

See Notes to Required Supplementary Information

NORTHWEST COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms between the December 31, 2013 measurement date and the December 31, 2014 measurement date.

Changes in assumptions: There were no changes in assumptions between the December 31, 2013 measurement date and the December 31, 2014 measurement date.

SUPPLEMENTARY INFORMATION

NORTHWEST COLLEGE

COMBINING SCHEDULE OF NET POSITION

June 30, 2015

ASSETS	Northwest College	Northwest College Building Authority	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 8,506,457	\$ -	\$ -	\$ 8,506,457
Cash and cash equivalents, restricted	5,403,655	-	-	5,403,655
Accounts receivable, net	1,118,302	-	-	1,118,302
Current maturities of lease	-	184,382	(184,382)	-
Interest receivable	-	96,983	(96,983)	-
Property taxes receivable	4,445,144	-	-	4,445,144
Prepays	220,141	-	-	220,141
Total current assets	19,693,699	281,365	(281,365)	19,693,699
Noncurrent Assets				
Restricted cash	-	-	-	-
Restricted investments	-	-	-	-
Long-term lease	-	4,131,358	(4,131,358)	-
Advance construction payments	99,031	-	-	99,031
Capital assets, net of accumulated depreciation	33,918,211	-	-	33,918,211
Investments held by others	12,434,296	-	-	12,434,296
Total noncurrent assets	46,451,538	4,131,358	(4,131,358)	46,451,538
Total assets	66,145,237	4,412,723	(4,412,723)	66,145,237
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	896,391	-	-	896,391
Debt Defeasance	-	158,267	-	158,267
Total deferred outflows of resources	896,391	158,267	-	1,054,658
LIABILITIES				
Current Liabilities				
Accounts payable	710,295	-	-	710,295
Payroll and related liabilities	864,038	-	-	864,038
Liability for voluntary termination	87,747	-	-	87,747
Accrued compensated absences	363,410	-	-	363,410
Accrued interest payable	96,983	21,490	(96,983)	21,490
Advance payments	200,271	-	-	200,271
Custodial deposits	319,830	-	-	319,830
Capital lease obligation	184,382	-	(184,382)	-
Current maturities of bonds payable	-	197,730	-	197,730
Total current liabilities	2,826,956	219,220	(281,365)	2,764,811
Noncurrent Liabilities				
Liability for voluntary termination	46,616	-	-	46,616
Accrued compensated absences	121,137	-	-	121,137
Capital lease obligation	4,131,358	-	(4,131,358)	-
Long-term bonds payable	-	4,282,270	-	4,282,270
Net pension liability	6,097,890	-	-	6,097,890
Total noncurrent liabilities	10,397,001	4,282,270	(4,131,358)	10,547,913
Total liabilities	13,223,957	4,501,490	(4,412,723)	13,312,724
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows of Resources	118,995	-	-	118,995
Property Taxes	4,348,207	-	-	4,348,207
Total deferred inflows of resources	4,467,202	-	-	4,467,202
NET POSITION				
Net Investment in Capital Assets	29,602,471	(164,260)	-	29,438,211
Restricted for:				-
Nonexpendable	9,948,519	-	-	9,948,519
Expendable:				
Scholarships	3,319,177	-	-	3,319,177
Capital projects	5,510,020	-	-	5,510,020
Unrestricted	970,282	233,760	-	1,204,042
Total net position	\$ 49,350,469	\$ 69,500	\$ -	\$ 49,419,969

NORTHWEST COLLEGE

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2015

	Northwest College	Northwest College Building Authority	Eliminations	Total
Operating Revenues				
Tuition and fees	\$ 2,136,852	\$ -	\$ -	\$ 2,136,852
Federal grants and contacts	783,835	-	-	783,835
State and local grants and contracts	421,067	-	-	421,067
Auxiliary enterprise charges	3,204,524	-	-	3,204,524
Other operating revenues	2,445,135	-	-	2,445,135
Total operating revenues	8,991,413	-	-	8,991,413
Operating Expenses				
Instruction	9,889,414	-	-	9,889,414
Public service	174,700	-	-	174,700
Academic support	2,564,893	-	-	2,564,893
Student services	3,510,301	-	-	3,510,301
Institutional support	4,291,474	-	-	4,291,474
Operation and maintenance of plant	4,498,591	37,991	-	4,536,582
Scholarships	2,553,370	-	-	2,553,370
Auxiliary enterprises	4,113,663	-	-	4,113,663
Depreciation	2,254,684	-	-	2,254,684
Total operating expenses	33,851,090	37,991	-	33,889,081
Operating (loss)	(24,859,677)	(37,991)	-	(24,897,668)
Nonoperating Revenues (Expenses)				
Non-exchange Federal and state grants	4,381,930	-	-	4,381,930
State appropriations	15,658,071	-	-	15,658,071
Local appropriations	4,818,886	-	-	4,818,886
Private gifts, grants and contracts	109,938	-	-	109,938
Net investment income	287,760	11,612	-	299,372
Direct financing income	-	175,240	(175,240)	-
Interest expense	(175,240)	(268,030)	175,240	(268,030)
Total nonoperating revenues	25,081,345	(81,178)	-	25,000,167
Income (loss) before other revenue, expenses, gains or losses	221,668	(119,169)	-	102,499
Other Revenue, Expenses, Gains or Losses				
State endowment appropriation	1,488,416	-	-	1,488,416
Capital appropriations	-	-	-	-
Total other revenue, expenses, gains or losses	1,488,416	-	-	1,488,416
Increase (decrease) in net position	1,710,084	(119,169)	-	1,590,915
Net Position				
Beginning, as previously reported	52,655,528	188,669	-	52,844,197
Adjustment to prior years	(5,015,143)	-	-	(5,015,143)
Beginning, as restated	47,640,385	188,669	-	47,829,054
Ending	\$ 49,350,469	\$ 69,500	\$ -	\$ 49,419,969

NORTHWEST COLLEGE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Grantor's Number	Catalog of Federal Domestic Assistance Number	Federal Award Expenditures
<u>Student Financial Aid Cluster:</u>			
U.S. Department of Education:			
Federal Direct Student Loans		84.268	\$ 1,791,599
Federal Pell Grant Program	P063P112457	84.063	1,911,926
Federal Work-Study Program	P033A104574	84.033	49,188
Federal Supplemental Educational Opportunity Gr	P007A114574	84.007	28,440
<i>Total Student Financial Aid Cluster</i>			3,781,153
<u>Other Programs:</u>			
U.S. Department of Education:			
Trio - Student Support Services	P042A050506	84.042A	257,686
College Access Challenge Grant Program	P378A130038	84.378A	9,665
			267,351
Passed through Wyoming Department of Education:			
Vocational Education - Basic Grants to States	121550PPS00	84.048A	79,276
Child Care Food Program		10.558	8,917
Temporary Assistance for Needy Families		93.558	13,234
<i>Total passed through Wyoming Department of Education</i>			101,427
Passed through Wyoming Community College Commission:			
Adult Education Basic Grants to States	ABE13R07	84.002A	59,552
Passed through University of Wyoming:			
Gear-Up	DOINPS42511	84.334S	235,316
<i>Total other programs - U.S. Department of Education</i>			663,646
Total U.S. Department of Education			4,444,799
U.S. Department of Agriculture:			
Risk Management Education and Outreach			
HOPS Grant		10.170	3,258
Total U.S. Department of Agriculture			3,258
U.S. Department of Health and Human Services:			
Passed through University of Wyoming			
National Center for Research Resources	DHHSNIHLC4090	93.389	51,260
Total U.S. Department of Health and Human Services			51,260
U.S. Department of Forest Service:			
Shoshone National Forest Biology Interns	14-CS-11021400-018	None	3,733
Total U.S. Department of Forest Service			3,733

Continued

NORTHWEST COLLEGE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Grantor's Number	Catalog of Federal Domestic Assistance Number	Federal Award Expenditures
National Park Service:			
Passed through University of Wyoming			
Big Horn Canyon - Recreation Area		None	\$ 10,300
Big Horn Canyon - Intern	1001628-NWC	None	6,688
Big Horn Canyon - Visual Database	DOINPS40371	None	2,847
<i>Total passed through University of Wyoming</i>			<u>19,835</u>
Passed through St. Cloud University			
BICA - Tree Ring Analysis	P13AC00216	None	134
BICA - Crow/Northern Cheyenne Field School	P14AC00478	None	931
BICA - Bad Pass Trail		None	22,627
<i>Total passed through St. Cloud University</i>			<u>23,692</u>
Total National Park Service			<u>43,527</u>
Total Federal award expenditures			<u><u>\$ 4,546,577</u></u>

See Note to Schedule of Expenditures of Federal Awards.

NORTHWEST COLLEGE

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The purpose of the schedule of expenditures of Federal awards (the “Schedule”) is to present a summary of the activities of the Northwest College (the “College”) for the year ended June 30, 2015, which have been financed by the U.S. Government. The Schedule is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

For purposes of the Schedule, Federal awards have been classified into two types:

1. Direct Federal awards consisting of Federal assistance and Federal student financial aid, and
2. Pass-through funds received from non-Federal organizations made under federally sponsored programs conducted by those organizations.

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

To the Board of Trustees
Northwest College
Powell, Wyoming

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of Northwest College (the "College"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 2, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "McGee, Hearne & Paiz, LLP". The signature is written in a cursive style.

Cheyenne, Wyoming
December 2, 2015

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

To the Board of Trustees
Northwest College
Powell, Wyoming

Report on Compliance for Each Major Federal Program

We have audited Northwest College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major Federal programs for the year ended June 30, 2015. The College's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular No. A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001. Our opinion on each major Federal program is not modified with respect to this matter.

The College's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 that we consider to be a significant deficiency.

The College's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

McGee, Heurne & Paiz, LLP

Cheyenne, Wyoming
December 2, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

B. Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Type of auditor's report issued on compliance for major Federal programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes No

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
Cluster	Student Financial Aid

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

NORTHWEST COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2015

II. FINANCIAL STATEMENT FINDINGS

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2015-001 - Student Financial Aid Cluster

Catalog of Federal Assistance (CFDA) Number and Title: 84.268 Federal Direct Student Loans, 84.063 Federal Pell Grant Program
Federal Agency Name: Department of Education
Pass-Through Entity Name (if applicable): N/A
Award Number/Name: N/A
Award Year(s): July 1, 2014 – June 30, 2015

Campus Level Reporting:

Of the nine withdrawn students tested for Campus Level Enrollment Reporting, we noted:

- One instance where the student's status change was inaccurately reported as less than half time instead of withdrawn.
- Two instances in which the student's withdrawn status change was not reported as of the correct effective date.

Of the six graduate students tested for Campus Level Enrollment Reporting, we noted:

- Two instances in which the student's graduate status change was not reported.

The error did not result in any questioned costs.

Program Level Reporting:

Of the nine withdrawn students tested for Program Level Enrollment Reporting, we noted:

- Three instances in which the student's withdrawn status change was not reported as of the correct effective date.

Of the six graduate students tested for Program Level Enrollment Reporting, we noted:

- Two instances in which the student's graduate status change was not reported.
- One instance in which the student had no history of enrollment information.
- Three instances in which the student's graduate status change was not reported of the correct effective date.

The errors did not result in any questioned costs.

NORTHWEST COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) Year Ended June 30, 2015

Criteria – Per 2.3.1 of the National Student Loan Data System Enrollment Reporting Guide, “...schools are required to report all Title IV aid recipients’ enrollment at the program-level in addition to the campus-level.”

Per 2.4 of the National Student Loan Data System Enrollment Reporting Guide, “The accurate administration of the Title IV aid programs depends heavily on the accuracy of the enrollment information reported by schools. Schools must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting roster file...”

Per 4.4.2 of the National Student Loan Data System Enrollment Reporting Guide, “The implementation of the 150% subsidized loan limit makes the reporting of a Withdrawn ‘W’ or Graduated ‘G’ status even more critical. The completion of a program protects the student’s interest subsidy. A withdrawal indicates that the program was not completed or that the student is not currently taking coursework in the program. The effective date for a withdrawn (‘W’ status) is the last date the student attended any classes or otherwise was engaged in an academically related activity at the school or in the program. The effective date for the completion/graduation (‘G’ status) is the date that the school assigns to the completion/graduation and can be either the same as the effective date of a previously reported ‘W’ or sometime after that date.”

Cause – The College reports four times a semester to the Clearinghouse. It has submitted records following the new College level and Program level requirements while being short staffed and not aware that the Ellucian system and the Clearinghouse were receiving data subsequent files that overrode the systems. These student withdrawal and graduate records were not receiving the level of detailed review due to a shortage of staff and lack of training.

Campus Level Reporting:

The identified errors in withdrawn students were caused by the following:

- In one instance, a student completed a short course, resulting in the submission of a less than half time status by Registration and Records. However, as the student ceased attendance prior to the end of the enrollment period, the student should have been reported as withdrawn.
- In two instances, the students were originally reported to the National Student Loan Database System by Financial Aid and Scholarships as of the correct date; however, a subsequent enrollment submission by Records and Registration overrode the correct date with an incorrect date.

The identified errors in graduate students was caused by lack of controls in place to ensure proper monitoring of both accurate status changes and information submitted by the College’s third-party service provider utilized for reporting student status changes. As a result, Financial Aid and Scholarships and Records and Registration was unaware their third-party service provider was not reporting students accurately to the National Student Loan Database System.

NORTHWEST COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) Year Ended June 30, 2015

Program Level Reporting:

The identified errors in withdrawn students were caused by the following:

- In two instances, the students were originally reported to the National Student Loan Database System by Financial Aid and Scholarships as of the correct date; however, a subsequent enrollment submission by Records and Registration overrode the correct date with an incorrect date. In one instance, a student withdrew from the College in Fall 2014; however, subsequently enrolled at the College in Spring 2015 and, as such, Fall 2014 information was overwritten by Spring 2015 enrollment information.

The identified errors in graduate students was caused by lack of controls in place to ensure proper monitoring of both accurate status changes and information submitted by the College's third-party service provider utilized for reporting student status changes. As a result, Financial Aid and Scholarships and Records and Registration was unaware their third-party service provider was not reporting students accurately to the National Student Loan Database System.

Recommendation – We recommend Financial Aid and Scholarships and Records and Registration implement controls to ensure: 1) enrollment data submitted to the College's third-party servicer is accurate, and 2) that enrollment data reported to the College's third-party service provider is appropriately reported to National Student Loan Data System. Additionally, we recommend Records and Registration strengthen their monitoring of third-party service providers to ensure they have proper controls in place (i.e. obtain and review their SOC 1 report).

Questioned Costs – \$0

College's Response – Northwest College has a Registrar and Assistant Registrar managing student files. Effective immediately, the Registrar and Assistant Registrar have developed a report and have implemented a secondary review to their process of Clearinghouse submissions and will manually check all submissions that relate to R2T4 reporting. At semester end, another report will be run and reviewed for all students who have failed in order to ensure their records are recorded correctly for the Clearinghouse. Procedures relating to campus and program level review will be examined over the next semester and training has been conducted to review these errors and ensure no further errors occur. Additionally, Northwest College has implemented the use of Degree Verify with the Clearinghouse. This process will alleviate graduate reporting errors from happening.

NORTHWEST COLLEGE

**SUMMARY SCHEDULE OF PRIOR YEAR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2015**

Finding	Status					
<p>2014-001 - Student Financial Aid Cluster</p> <table border="1" data-bbox="172 552 862 741"> <tr> <td>Catalog of Federal Assistance (CFDA) Number and Title: Student Financial Aid Cluster</td> </tr> <tr> <td>Federal Agency Name: Department of Education</td> </tr> <tr> <td>Pass-Through Entity Name (if applicable): N/A</td> </tr> <tr> <td>Award Number/Name: N/A</td> </tr> <tr> <td>Award Year(s): July 1, 2013 – June 30, 2014</td> </tr> </table> <p>During testing of the FISAP report, data in Part VI Section A Line 25 “Total less-than-full-time students” and Line 26 “Total ‘Automatic’ Zero EFC students” was erroneously omitted.</p>	Catalog of Federal Assistance (CFDA) Number and Title: Student Financial Aid Cluster	Federal Agency Name: Department of Education	Pass-Through Entity Name (if applicable): N/A	Award Number/Name: N/A	Award Year(s): July 1, 2013 – June 30, 2014	<p>The FISAP filed during the year ended June 30, 2105 was printed and compared to hard copy data reports from Ellucian Colleague by two Financial Aid staff members to ensure there were no erroneous omissions.</p> <p><i>Auditor’s Comment</i> – Based on audit work performed, the corrective procedures were implemented.</p>
Catalog of Federal Assistance (CFDA) Number and Title: Student Financial Aid Cluster						
Federal Agency Name: Department of Education						
Pass-Through Entity Name (if applicable): N/A						
Award Number/Name: N/A						
Award Year(s): July 1, 2013 – June 30, 2014						
<p>2014-002 - Student Financial Assistance Cluster – Eligibility</p> <table border="1" data-bbox="172 957 862 1146"> <tr> <td>Catalog of Federal Assistance (CFDA) Number and Title: Student Financial Aid Cluster</td> </tr> <tr> <td>Federal Agency Name: U.S. Department of Education</td> </tr> <tr> <td>Pass-Through Entity Name (if applicable): N/A</td> </tr> <tr> <td>Award Number/Name: N/A</td> </tr> <tr> <td>Award Year(s): July 1, 2013 – June 30, 2014</td> </tr> </table> <p>Of the 25 students selected for general eligibility testing within the Student Financial Assistance Cluster, four students cost of attendance was not originally calculated correctly, with one of the four being detected and corrected by the school when a student showed interest in summer school. Of the remaining three miscalculations, two of the miscalculations resulted in incorrect amounts of PELL being awarded and one had no effect on the student’s awards.</p>	Catalog of Federal Assistance (CFDA) Number and Title: Student Financial Aid Cluster	Federal Agency Name: U.S. Department of Education	Pass-Through Entity Name (if applicable): N/A	Award Number/Name: N/A	Award Year(s): July 1, 2013 – June 30, 2014	<p>The College implemented two procedures to ensure accurate cost of attendance calculations. To ensure cost of attendance is calculated on the correct enrollment status, the College implemented a two-step reconciliation process. To ensure cost of attendance is calculated at the correct residency status, the College created a custom report to compare multiple databases.</p> <p><i>Auditor’s Comment</i> – Based on audit work performed, the corrective procedures were implemented.</p>
Catalog of Federal Assistance (CFDA) Number and Title: Student Financial Aid Cluster						
Federal Agency Name: U.S. Department of Education						
Pass-Through Entity Name (if applicable): N/A						
Award Number/Name: N/A						
Award Year(s): July 1, 2013 – June 30, 2014						