

**NORTHWEST KANSAS
TECHNICAL COLLEGE**

Goodland, Kansas

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
June 30, 2017**

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Table of Contents

	Page Number
Board Members	1
Independent Auditors' Report	2
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statement of Net Assets	12
Statement of Revenues, Expenses, and Changes in Net Assets	13
Statement of Cash Flows	14
Notes to Financial Statements	16
Combining Statements for Major Funds	
Statement of Net Assets	29
Statement of Revenues, Expenses and Changes in Net Assets	30
Statement of Cash Flows	31
Schedule of Expenses by Function and Object	32
Federal Awards Section:	
Schedule of Expenditures of Federal Awards	33
Notes to Schedule of Expenditures of Federal Awards	34
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	36
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	38
Schedule of Findings and Questioned Costs	40

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

AREA BOARD OF CONTROL

Officers

Dan Wasson

Bruce Buck

Paul Bruggeman

Frank Otter

Richard "Dick" Short

Chairman

Vice-Chairman

Secretary

Treasurer

Assistant Treasurer

Committee Chairmen

Brad Bucl

Greg Martin

Giovani Cassi

Billi Beckman

Randy Balluch

Buildings and Grounds Co-Chair

Curriculum

Faculty

Public Relations

Student Welfare

AREA ADVISORY BOARD

Ed Ackerman

Randy Balluch

Billi Beckman

Jane Brubaker

Paul Bruggeman

Bruce Buck

Brad Bucl

Giovani Cassi

Thad DeWeese

Myra Douthit

Eric Erven

Anita Gabel

Mark Hanson

Lee Ihrig

Kris Lemman

Greg Martin

Damian Melgoza

Frank Otter

Dan Patterson

Richard "Dick" Short

Tammy Simons

Shea Stewart

Alan Suter

Linda Vap

Dan Wasson

PRESIDENT

Ben Schears

President

INDEPENDENT AUDITOR'S REPORT

Area Board of Control
Northwest Kansas Technical College
Goodland, Kansas

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and component unit of Northwest Kansas Technical College, Goodland, Kansas as of and for the year ended June 30, 2017 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statements in accordance 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective net position of the business activities of Northwest Kansas Technical College, Goodland, Kansas, as of June 30, 2017 and the respective changes in net assets and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 10 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 requires supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the net position of the business activities, major funds and aggregate remaining information of the College (basic financial statement) as a whole. The supplementary information which includes the combining schedule of major funds for net position, schedule of revenues, expenses and changes in net position and cash flows for the year ended June 30, 2017 (as listed in the table of contents) are presented for analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The schedules listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statement as a whole.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2017, 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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Kansas Technical College's internal control over financial reporting and compliance.



Agler & Gaeddert Chartered
Ottawa, Kansas
December 31, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

NORTHWEST KANSAS TECHNICAL COLLEGE
Management's Discussion and Analysis (MD&A)

June 30, 2017

INTRODUCTION

Our discussion and analysis of Northwest Kansas Technical College (College) financial performance provides an overview of the College's financial activities for the fiscal year ended June 30, 2017. Since this management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts, it should be read in conjunction with the College's financial statements, which follow this section.

USING THIS ANNUAL REPORT

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; and GASB Statement No. 37, *Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001. This financial statement format (implemented in the fiscal year ended June 30, 2004) focuses on the College as a whole.

The financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus on the Statement of Net Assets is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on both the gross costs and the net costs of College activities, which are supported substantially by state aid, state and federal grants, student tuition and fees and auxiliary enterprises revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$12,816,952 at June 30, 2017. This was a decrease of \$228,790 or 2% under the prior year, the College continued to invest in its future and filled key vacant positions and added new academic and athletic positions to support enrollment growth.
- ❑ Overall revenues were \$7,589,215 which was less than expenses of \$7,818,006 by \$228,791. The annual depreciation expenses for 16-17 totaled \$384,381. The state post-secondary aid payment was reduced by 4% or \$109,077, and the Excel in CTE state program was underfunded 18% statewide, which amounted to an additional revenue loss of \$67,420 for the College. Despite the state funding challenges, the College remains financially strong and continues to invest in areas that will support enrollment growth.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the College. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ **Government-wide financial statements**, which comprise the first three statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of the College operations in more detail. The fund financial statements are presented as required supplemental information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of supplementary information that further explains and supports the financial statements.

NORTHWEST KANSAS TECHNICAL COLLEGE
Management's Discussion and Analysis (MD&A)

June 30, 2017

Government-Wide Statements

The government-wide statements report information about the College as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the College's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the College's net assets and how they have changed. Net assets, the difference between the assets and liabilities, are one way to measure the College's financial health or position.

- ❑ Over time, increases or decreases in the College's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the College, one needs to consider additional non-financial factors such as changes in enrollment, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the College include all activities. The College's basic services are included here, such as regular education, food service, housing, maintenance, and general administration. Tuition, state aid and federal and state grants finance most of these activities.

Fund Financial Statements

- ❑ The fund financial statements provide more detailed information about the College's most significant funds -- not the College as a whole. Funds are accounting devices that the College uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law. The Area Board of Control establishes other funds to control and manage money for particular purposes or to show that the College is meeting legal responsibilities for using certain revenues.

Net Position - The College's combined net assets were \$12,816,952 at June 30, 2017. This schedule is prepared from the College's Statement of Net Position, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. See below:

NORTHWEST KANSAS TECHNICAL COLLEGE
Management's Discussion and Analysis (MD&A)

June 30, 2017

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Table 1 - Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS			
CURRENT ASSETS			
Cash and demand deposits	\$ 3,340,857	\$ 2,295,745	\$ 1,246,986
Time deposits	4,772,482	4,447,041	5,114,219
Cash in agency funds	14,228	1,998	100
Cash & cash equivalents	<u>8,127,567</u>	<u>6,744,784</u>	<u>6,361,305</u>
Accounts receivable, net	489,879	424,146	330,643
Accounts receivable, other	19,755	56,839	0
Inventories	275,206	230,487	208,028
Total other current assets	<u>784,840</u>	<u>711,472</u>	<u>538,671</u>
Total current assets	<u>8,912,407</u>	<u>7,456,256</u>	<u>6,899,976</u>
NONCURRENT ASSETS			
Construction in progress	132,277	67,685	0
Capital assets, net	<u>6,815,767</u>	<u>6,771,331</u>	<u>7,069,025</u>
Total noncurrent assests	<u>6,948,044</u>	<u>6,839,016</u>	<u>7,069,025</u>
Total assets	<u>\$ 15,860,451</u>	<u>\$ 14,295,272</u>	<u>\$ 13,969,001</u>
LIABILITIES			
CURRENT LIABILITIES			
Deposits	\$ 26,400	\$ 29,790	\$ 44,200
Accounts payable and accrued liabilities	75,004	68,978	33,263
Due to agencies	14,328	1,998	100
Due to club accounts	17,311	11,558	3,686
Note Payable	192,965	153,357	191,438
Insurance proceeds payable	1,781,555	0	57,031
Deferred revenue	36,699	38,797	83,386
Total current liabilities	<u>2,144,262</u>	<u>304,478</u>	<u>413,104</u>
LONG-TERM LIABILITIES			
Note Payable	<u>899,237</u>	<u>945,052</u>	<u>1,098,409</u>
Total long term liabilities	<u>899,237</u>	<u>945,052</u>	<u>1,098,409</u>
Total liabilities	<u>\$ 3,043,499</u>	<u>\$ 1,249,530</u>	<u>\$ 1,511,513</u>
NET POSITION			
Invested in capital assets	\$ 6,815,767	\$ 6,880,950	5,779,178
Restrcited for Building Renovation	149,740	309,249	0
Unrestricted - unassigned	<u>5,851,445</u>	<u>5,855,543</u>	<u>6,678,310</u>
Total net position	<u>\$ 12,816,952</u>	<u>\$ 13,045,742</u>	<u>\$ 12,457,488</u>

NORTHWEST KANSAS TECHNICAL COLLEGE
Management's Discussion and Analysis (MD&A)

June 30, 2017

Changes in Net Assets

The College's total revenues were \$7,589,215. A majority of the revenue comes from state aid (40%). Federal and state grants and contracts accounted for another 4% of total revenues.

The total cost of all programs and services was \$7,818,006.

The College's expenses are predominately related to educating and caring for students (64%). Administrative activities accounted for just 13% of total costs. The remaining expenses were for operation of plant (maintenance and operations), cost of sales and depreciation.

Table 2 - Changes in Net Assets

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues			
Student tuition and fees	\$ 2,170,659	\$ 2,250,212	\$ 2,009,307
Charges for services	2,041,075	1,990,448	1,675,403
Operating grants & contributions	5,744	311	2,170
General revenues			
State appropriations	3,048,460	3,198,503	3,143,136
Federal grants	148,931	183,116	193,812
State and local grants	144,422	508,666	129,908
Investment income	21,364	16,714	12,312
Gain (loss) on asset dispositions	8,560	5,979	(31,931)
Total revenues	<u>7,589,215</u>	<u>8,153,949</u>	<u>7,134,117</u>
Program Expenses			
Administrative	1,045,589	922,444	1,028,101
Instruction	2,408,970	2,474,811	2,228,756
Academic support	7,121	36,370	542
Operation of plant	943,919	911,248	1,149,206
Cost of sales & services	405,609	368,486	368,411
Student activities	2,591,858	2,399,838	1,957,856
Interest expense	30,559	35,950	0
Depreciation	384,381	406,048	430,915
Transfers out	0	10,500	10,000
Total Expenses	<u>7,818,006</u>	<u>7,565,695</u>	<u>7,173,787</u>
Increase (decrease) in net position	<u>\$ (228,791)</u>	<u>\$ 588,254</u>	<u>\$ (39,670)</u>

FINANCIAL HIGHLIGHTS

As the College completed the year, its operating fund reported a net position balance of \$7,431,324 which was a decrease of \$249,168 from last year's ending fund balance of \$7,680,492. The majority of this decrease was due to state funding cuts, filling key vacant positions, and adding additional academic and athletic personnel to support enrollment growth. Also, the depreciation expense for the operating fund totaled \$313,313. Tuition and state appropriations are the primary sources of funding for the College's academic programs. During FY'17 there was a decrease of 4% (\$190,077) in state post-secondary aid and an 18% (\$67,420) state shortfall of funding for the Excel in CTE program.

NORTHWEST KANSAS TECHNICAL COLLEGE
Management's Discussion and Analysis (MD&A)

June 30, 2017

Operating Fund Budgetary Highlights

Over the course of the year, the College revises its annual budget to reflect unexpected changes in revenues and expenditures thus at year end budget equals revenues and expenses.

CAPITAL ASSETS

At June 30, 2017, the College had an investment net of depreciation of \$6,948,044 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles. See Table below for more details. More detailed information about the College's capital assets is presented in the notes to the financial statements.

Table 3 - Capital assets

	2017	2016	2015
Land improvements	\$ 311,747	\$ 311,747	\$ 311,747
Building improvements	10,788,096	10,626,452	10,626,452
Furniture and equipment	3,128,975	2,896,163	2,910,287
Construction in progress	132,277	67,685	0
	14,361,095	13,902,047	13,848,486
Total accumulated depreciation	7,413,051	7,063,031	6,779,461
	<u>\$ 6,948,044</u>	<u>\$ 6,839,016</u>	<u>\$ 7,069,025</u>

The College's board has a Capital Assets Policy which defines a capital asset as one with an initial unit cost of 2,500 or more.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the College was aware of several circumstances that could affect its future financial health:

- ☐ Enrollment growth continues to be identified as the number one goal/priority for the College. Enrollment continues to trend upward overall, and more importantly full-time enrollment in traditional technical programs is increasing. Prior year state funding cuts to post-secondary aid remain in effect, and currently the state is projecting a shortfall of over 34% for the Excel in CTE program. Enrollment growth will be key to meeting future budget needs.
- ☐ The College, through its strategic plan, reviews the viability of all its current academic and athletic programs. Discussions continue regarding low enrollment programs and the College will use data to drive any recommendations for change.
- ☐ The College maintained its flat rate tuition and fee structure with no increase for FY'18. This structure provides ease in developing tuition revenue estimates for budgeting purposes, and to provide accurate cost information and cost transparency to students. The College reviews expenditures and services closely and looks to find efficiencies to help keep tuition rates reasonable for students.
- ☐ The fiscal year 2018 budget projects spending over \$1 million in capital projects, which includes the construction of a softball complex. The 2017-18 year will be the first year for the new softball program.

NORTHWEST KANSAS TECHNICAL COLLEGE
Management's Discussion and Analysis (MD&A)

June 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - continued

- ☐ The College believes seeking federal, state, and local grants and/or support will prove essential to its future funding needs. The College hired a full-time Grant Writer mid-year during 2016-17 year. This position is proving to be a successful investment for the College.
- ☐ Insurance proceeds will be used to repair the remaining property losses incurred from the major hail storm in September 2016.
- ☐ The College is making a significant investment in its newest program, Precision Agriculture Technology, which is in its second year of operation. A second faculty member has been hired to support enrollment growth, and the College has entered into a lease agreement to provide a "live work environment" working farm to support student learning. The goal for the farm will be to provide the curriculum to the students at a break-even investment. The College will seek partners and grants to support this plan.

The college remains financially healthy by careful utilization of funds and close management of all financial accounts. The College has minimal indebtedness.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, Kansas Board of Regents, taxpayers, parents, participants, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. For further information please contact Ben Schears, President P.O. Box 668, Goodland, Kansas. For the Endowment Association also contact Ben Schears, President P.O. Box 668, Goodland, Kansas.

FINANCIAL STATEMENTS

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Statement of Net Position

June 30, 2017

	<u>Educational Services</u>	<u>Endowment Association</u>
ASSETS		
CURRENT ASSETS		
Cash and demand deposits	\$ 3,340,857	\$ 345,627
Time deposits	4,772,482	0
Cash in agency funds	14,228	0
Cash & cash equivalents	<u>8,127,567</u>	<u>345,627</u>
Accounts receivable, net	489,879	0
Accounts receivable other	19,755	0
Accrued income	0	6,765
Annuity Receivable	0	7,231
Inventories	<u>275,206</u>	<u>0</u>
Total other current assets	<u>784,840</u>	<u>13,996</u>
Total current assets	8,912,407	359,623
NONCURRENT ASSETS		
Investments	0	649,780
Annuity Receivable	0	27,919
Construction in progress	132,277	0
Capital assets, net	<u>6,815,767</u>	<u>0</u>
Total assets	<u>\$ 15,860,451</u>	<u>\$ 1,037,322</u>
LIABILITIES		
CURRENT LIABILITIES		
Deposits	\$ 26,400	\$ 0
Accounts payable and accrued liabilities	75,004	0
Due to agencies and others	14,328	0
Due to club accounts	17,311	0
Notes Payable	192,965	0
Insurance Proceeds Payable	1,781,555	0
Deferred revenue	<u>36,699</u>	<u>0</u>
Total current liabilities	<u>\$ 2,144,262</u>	<u>\$ 0</u>
LONG-TERM LIABILITIES		
Notes Payable	<u>899,237</u>	<u>0</u>
Total long term liabilities	<u>\$ 899,237</u>	<u>\$ 0</u>
NET POSITION		
Invested in capital assets	\$ 6,815,767	\$ 0
Restricted for		
Building Renovation	149,740	0
Nonexpendable		
Scholarships and fellowships	0	423,900
Expendable		
Scholarships and fellowships	0	235,848
Unrestricted - unassigned	<u>5,851,445</u>	<u>377,574</u>
Total net position	<u>\$ 12,816,952</u>	<u>\$ 1,037,322</u>

See Independent Auditor's Report.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2017

	<u>Educational Services</u>	<u>Endowment Association</u>
REVENUES		
Operating Revenues		
Student tuition and fees	\$ 2,170,659	\$ 0
Sales and services of educational departments	851,049	0
Residential life	756,143	0
Student Center	433,883	0
Gifts and Contributions	5,744	282,761
Fund raising events	<u>0</u>	<u>173,001</u>
Total operating revenues	<u>4,217,478</u>	<u>455,762</u>
EXPENSES		
Operating Expenses		
Administration	1,045,589	59,751
Instruction	2,408,970	0
Academic support	7,121	0
Operation of plant	943,919	0
Financial aid	0	435,557
Cost of sales and services of educational departments	405,609	0
Student activities	2,591,858	0
Interest Expense	30,559	0
Depreciation	<u>384,381</u>	<u>0</u>
Total operating expenses	<u>7,818,006</u>	<u>495,308</u>
Operating income (loss)	<u>(3,600,528)</u>	<u>(39,546)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	3,048,460	0
Federal grants	148,931	0
State and local grants and contributions	144,422	0
Transfers to Endowment	0	0
Farm income	0	0
Investment income	21,364	19,541
Unrealized appreciation (depreciation) on investments	0	(24,460)
Gain (loss) on asset dispositions	<u>8,560</u>	<u>88,154</u>
Net nonoperating revenues	<u>3,371,737</u>	<u>83,235</u>
Increase (Decrease) in net assets	(228,791)	43,689
NET POSITION		
Net Position - beginning of year	<u>13,045,743</u>	<u>993,633</u>
Net Position - end of year	\$ <u><u>12,816,952</u></u>	\$ <u><u>1,037,322</u></u>

See Independent Auditor's Report.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Statement of Cash Flows
For the Year Ended June 30, 2017

	Educational Services	Endowment Association
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 2,170,657	\$ 0
Residential life	752,752	0
Sales and services of educational departments	822,400	0
Auxiliary enterprises charges	433,883	0
Other receipts	1,785,201	0
Gifts and contributions	0	282,761
Fundraising Events	0	173,001
Payments to employees	(4,221,311)	0
Payments to vendors	(3,202,362)	(64,897)
Payments for financial aid	0	(435,557)
Interest Expense	(30,559)	
Net cash provided (used) by operating activities	(1,489,339)	(44,692)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	3,048,460	0
Federal and State Grants	293,353	0
Net cash provided by noncapital financing activities	3,341,813	0
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of capital assets	(382,822)	0
Proceeds from Capital Asset Dispositions	4,500	0
Disposition of Capital Assets	(106,526)	0
Loan Proceeds	6,076	0
KBOR Infrastructure Loan Repayment	(12,283)	0
Net cash used by capital financing activities	(491,055)	0
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	0	99,810
Acquisitions of Investments	0	(78,810)
Interest on investments	21,364	32,468
Net cash provided by investing activities	21,364	53,468
Net increase (decrease) in cash	1,382,783	8,776
Cash - beginning of the year	6,744,784	336,851
Cash - end of year	\$ <u>8,127,567</u>	\$ <u>345,627</u>
REFLECTED ON STATEMENT OF NET POSITION:		
Cash and demand deposits	\$ 3,340,857	\$ 345,627
Time deposits	4,772,482	0
Cash in agency funds	14,228	0
	\$ <u>8,127,567</u>	\$ <u>345,627</u>

See Independent Auditor's Report.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Statement of Cash Flows
For the Year Ended June 30, 2017

	<u>Educational Services</u>	<u>Endowment Association</u>
Reconciliation of net operating Income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (3,600,528)	\$ 43,689
Adjustments to reconcile net income (loss) to net cash:		
Depreciation expense	384,381	0
Unrealized (gain) Loss on investments	0	24,460
Realized (gain) loss	0	(88,154)
Change in assets and liabilities:		
(Increase)/Decrease in Accrued Income	0	(634)
Receivables, net	(28,648)	0
Inventories	(44,719)	0
Bond Amortization	0	8,558
Other Assets	0	5,003
Insurance Proceeds Payable	1,781,555	0
Deferred revenue	(5,489)	0
Accounts payable	<u>24,109</u>	<u>(5,146)</u>
	\$ <u><u>(1,489,339)</u></u>	\$ <u><u>(12,224)</u></u>

See Independent Auditor's Report.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northwest Kansas Technical College (College), Goodland, Kansas, a member institution of the Kansas Board of Regents system, provides a range of educational programs to meet the needs of the adult population of Northwest Kansas. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula consistent with the needs of employers in the College's service area. The College also provides various developmental education programs, support services and offering to assist students in meeting their personal and professional educational objectives.

The College was established in 1964 under the Kansas Statutes Annotated 72-4401 *et seq.* A nine member Area Board of Control, which is elected from the twenty-five member advisory board, is the College's ruling body, which establishes the policies and procedures by which the College is governed. Advisory board members are representatives from each unified school district within the geographical area served by the College.

A. Reporting Entity

The area board of control is the basic level of government, which has oversight responsibility and control over all activities related to providing educational services to students. The board receives funding from federal and state government source entities and must comply with the concomitant requirements of these funding source entities. However, the board is not included in any other governmental "reporting entity", as defined by the Governmental Accounting Standards Board pronouncement, since board members are appointed by each respective public school board and have decision making authority, the power to designate management, the ability to significantly influence operations, and have primary accountability for fiscal matters.

The college has implemented Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations are Component Units*. This pronouncement provides guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as any component unit that is financial accountable to Northwest Kansas Technical College.

There are two methods of presentation of component units:

1. Blended component units, although legally separate entity from the College, they are, in substance part of the College's operations and so data from these component units are combined with data of the College.
2. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the College.

The College has one component unit: Northwest Kansas Technical College Endowment Association. The Association is a legally separate, tax-exempt component unit of the College. The Association acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 15-member board of the Association is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Association, the majority of resources, or income thereon, which the association holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Association can only be used by, or for the benefit of, the College, the Association is considered a component unit of the College. The Association is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Association is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Association's operation and reporting model are FASB Statement 116, Accounting for Contributions Received and Contributions Made, and FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations.

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

As such, certain revenue recognition criteria and presentation features are difference from GASB revenue recognition criteria and presentation features. No modifications have been made to the Association's financial information in the College's financial reporting entity for these differences; however significant note disclosures to the Association's financial statements have been incorporated into the College's notes to the financial statements. Financial statements for the Association can be obtained by calling the Association at 785-890-3641.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial statements – and Management's Discussion and Analysis, for State and Local Governments*, Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*, issued in June and November, 1999 and Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The financial statement presentation required by GASB Statements No. 34, 35 and 37 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. Accordingly for financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Consequently, 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 and intra-fund transactions have been eliminated.

When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as needed.

Fund types and major funds consist of the following:

Governmental funds

The College has no governmental funds.

Proprietary funds

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to students. These activities are financed primarily by tuition and/or state and federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the College's activities as an enterprise fund

Non-exchange transactions, in which the College receives value without directly giving equal value in return, includes; federal, state, and local grants; state appropriations, and other contributions. On an accrual basis, 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 KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The College's reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to the current year presentation. The following is a summary of the more significant policies.

C. Cash and Cash Equivalents

Cash includes deposits held at local financial institutions plus small amounts maintained for change funds. Cash equivalents include certificates of deposit with maturities of twenty four months or less.

D. Accounts Receivable

Accounts receivable, primarily student accounts for books, fees and tuition, are considered to be fully collectible. Any account deemed to be uncollectible is charged to expense when such determination is made. A collection process has been implemented for accounts over 90 days old.

Student accounts receivable are recorded in the student revolving fund but the underlying revenue may be attributable to the operating, student center or housing funds. Inter fund receivable and payable balances result from the time lag between the dates the transactions are recorded in the accounting system and payments between funds are made.

E. Inventories and Prepaid Items

Inventories consist primarily of items held for resale by the bookstore. Value is determined by the cost method for the bookstore and the cafeteria. The bookstore and cafeteria costs are recorded as expenses as the inventory is consumed. The carpentry house cost is recorded as expense when the house is sold. Certain payments to vendors reflect costs applicable to future periods. Such payments, in the accompanying financial statements, are recorded as prepaid items and reflected as other assets.

F. Deferred Revenues and Deposits

Deferred revenues include: (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year; and (2) amounts received from contract sponsors that have not been earned.

Deposits represent miscellaneous security deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned or when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

G. Net Position

GASB Statement No. 34 reports equity as "Net Position" rather than "fund balance". Net Positions are classified according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

Net investment in capital assets represents the College's total investment in capital assets, net of accumulated depreciation.

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Net Position (continued)

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. Nonexpendable restricted net position consists of endowed scholarships and fellowships for which the corpus cannot be expended.

Restricted net position – For Building Renovation – the College has received a contribution which will be used in the future for building renovation.

Unrestricted net position – This includes resources derived from student tuition and fees, state 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.

H. Capital Assets

Capital assets include property, plant equipment, and infrastructure assets, such as parking lots and sidewalks. The College defines capital assets as assets with an initial unit cost of \$2,500 or more and an estimated useful life in excess of one year. Such 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. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the College are depreciated using the straight-line method over the following useful lives:

Building and Improvements	30-50 years
Land Improvements	15-25 years
Furniture and Equipment	5-20 years
Vehicles	5 years
Computer technology	3 years

I. Classification of Revenues

The College has classified its revenues as either Operating or Non-Operating. Operating revenues include activities that have the characteristics of exchange transactions, such as (a) student tuition and fees, and (b) sales and services of auxiliary enterprises, net of scholarship discounts and allowances. Non-operating revenue includes activities that have the characteristics of non-exchange transactions such as (a) state appropriations (b) most federal, state, and local grants and contracts and federal appropriations, and (c) gifts and contributions.

J. Federal Financial Assistance Programs

The College participates in federally funded Pell Grant, SEOG Grant, Federal Work-Study, and Federal Family Education Loans programs.

K. Financial Aid

Financial aid to students is reported in the basic financial statements under the alternative method as prescribed by the National Association of College and University Business Offices (NACUBO). Certain aid, such as loans and funds provided to students as awarded by third parties, is accounted for as a third party payment (credited to the student's account as if the student made the payment).

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Estimates

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

M. Compensated Absences

It is the College's policy to permit employees to accumulate earned but unused vacation and sick pay. Classified employees forfeit any unused vacation at year-end or when employees separate from service. Unused sick pay may be accumulated to a maximum of 55 days. Unused sick pay is forfeited when employees separate from service. Certified employees forfeit any unused vacation pay at year-end or when employees separate from service but are allowed to accumulate a maximum of fifty-five days sick leave. There is no liability for unpaid accumulated sick leave since the College does not have a policy to pay any amounts when employees separate from services. The estimated amount of accumulated but unused sick pay for classified and certified employees totaled \$293,695 at June 30, 2017.

N. Budget

In accordance with Kansas statutes, the College has prepared an annual operating budget for submission to the Kansas Board of Regents. The budget establishes the amount of post secondary aid to be received. The budget sets the level for expenditures at the fund level. As the amount of post secondary aid is established by formula, the budget is advisory only and is not legally binding. The operating budget is prepared on the cash basis of accounting. The Board of Regents did not require a budget to be submitted this fiscal year.

O. Component Unit

The Association maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net position and changes therein are classified as follows:

Permanently Restricted Net Position – Net position subject to donor-imposed stipulations that the Association permanently maintains the assets. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes.

Temporary Restricted Net Position – Net position subject to donor-imposed stipulations that will be met by actions of the Association and/or passage of time.

Unrestricted Undesignated Net Position – Net position not subject to donor-imposed restrictions.

Unrestricted Designated Net Position – Net position not subject to donor-imposed restrictions but subject to Association Board imposed stipulations.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in kind gifts from outside sources are not recorded in the Association's financial records, but are accounted for and acknowledged separately.

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Component Unit

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

P. Non-cash Transactions

During the year ended June 30, 2017 the College did not receive any donations of land, buildings or equipment.

2. DEPOSITS AND INVESTMENTS

As of June 30, 2017, the College had investments in certificates of deposit only.

K.S.A. 9-1401 establishes the depositories which may be used by the College. The statutes requires banks eligible to hold the College's funds have a main or branch in the county in which the College is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The College has no other policies that would further limit interest risk.

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

Concentration of credit risk; State statutes place no limit on the amount the College may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The College's allocation of investments as of June 30, 2017 was 100% in certificates of deposit.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes require the College's deposits in financial institution to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The College's did not have any designated peak periods for the current year. All deposits were legally secured at June 30, 2017.

At June 30, 2017 the College's carrying amount of deposits \$8,127,567 (which includes amounts maintained for cashier's change funds and petty cash totaling \$200) and the bank balance was \$8,588,267. The difference between carrying amounts and bank balances represents primarily checks that have not cleared the bank and deposits in transit. The balance was held by four banks reducing concentration of credit risk. Of the bank balance, \$1,100,000 was covered by federal deposit insurance and \$7,488,267 was collateralized with securities held by the pledging financial institution's agent in the College's name.

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

At June 30, 2017 the Endowment Association's carrying amount of deposits \$345,627 and the bank balance was \$345,627. There is no difference between the carrying amounts and the bank balances. The balance was held by two institutions reducing credit risk due to concentration. Of the bank balance, \$271,691 was covered by federal deposit insurance and \$73,936 was unsecured.

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2017

2. DEPOSITS AND INVESTMENTS – continued

Investments of the Endowment Association are as follows:

The Endowment Association determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance-sheet date. Debt securities are classified as held-to-maturity when the Association has the positive intent and ability to hold the securities to maturity. Debt securities for which the Association does not have the intent or ability to hold to maturity are classified as available-for-sale. Held-to-maturity securities are recorded as either short-term or long-term on the balance sheet, based on contractual maturity date and are stated at amortized cost. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized as earnings. Debt and marketable equity securities not classified as held-to-maturity or as trading, are classified as available-for-sale, and are carried at fair market value, with the unrealized gains and losses, included in the determination of changes in net assets.

Investments are carried at fair value on the statements of net position. Fair value is determined using quoted prices in active markets for identical assets (level 1). Available-for-sale securities at June 30, 2017 were made up of the following types of securities:

2017				
Level 1	Cost	Fair Value	Gross Unrealized Gain/(Loss)	Rating
Bonds				
Municipal Bonds	\$ 616,362	\$ 615,687	\$ (675)	A to AA
Preferred Stocks	35,091	34,093	(998)	
	<u>\$ 651,453</u>	<u>\$ 649,780</u>	<u>\$ (1,673)</u>	

2016				
Level 1	Cost	Fair Value	Gross Unrealized Gain/(Loss)	Rating
Bonds				
Municipal Bonds	\$ 591,350	\$ 603,988	\$ 12,638	A to AA

	2017	2016
Sales proceeds	\$ 0	\$ 35,000
Gross realized losses	0	(1,250)
Gross realized gains	0	0

	Estimated Fair Value	Estimated Fair Value
Due in 1-5 years	\$ 352,434	\$ 0
Due in 6-10 years	194,921	171,317
Due after 10 years	68,332	432,671
Total investments - debt securities	<u>\$ 615,687</u>	<u>\$ 603,988</u>

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2017

3. PENSION PLANS

Kansas Public Employees Retirement System

Plan Description – The College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS' provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas' law establishes and amends benefit provisions. KPERS' issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S. Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Contributions - K.S.A. 74-4919 and K.S.A. 74-49210 establish the KPERS member-employee contributions rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rate for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution through March 31, 2016 with a 0% moratorium until June 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 16.00% and 10.91%, respectively, for the fiscal year ended June 30, 2016. The actuarially determined employer contribution rate and the statutory contribution rate was 16.03% and 10.81%, respectively, for the fiscal year ended June 30, 2017. Per 2016 House Substitute for Senate Bill 161, Section 98(a) (1), state general fund and expended lottery act revenue funds for employer contributions to KPERS were deferred. The amount deferred for school contribution was \$92,917,091.

The State of Kansas is required to contribute the statutory required employers share.

Net Pension Liability – At June 30, 2017 the College's proportionate share of the collective net pension liability reported by KPERS was \$202,649. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The College's proportion of the net pension liability was based on the ratio of the College's contributions to KPERS, relative to the total employer and non-employer contributions of the State/Others subgroup within KPERS for the fiscal year ended June 30, 2016. Since the State is responsible for paying the statutory required employers share the net pension liability has not been reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of KPERS collective net pension liability to all participating employers are publicly available on the website www.kpers.org or can be obtained as described above.

Early Retirement Supplement Plan

Plan Description – The College maintains a single-employer, defined benefit early retirement supplement plan (ERSP) for qualifying faculty. The Board has authority to set benefit provisions, funding policy for the plan and to terminate the plan at any time. Should the plan be terminated, a grandfather provision exists for employees currently receiving benefits.

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2017

3. PENSION PLANS

Early Retirement Supplement Plan - continued

Certified personnel retiring or leaving in good standing from the College at age sixty, who qualify for KPERS without a reduction in benefits, will be awarded a one-time retirement supplement ranging from \$500 to \$2,000 based on years of service. In addition full-time certified personnel retiring after twenty years of service, who qualify for KPERS without a reduction in benefits, will be awarded benefits equal to ten percent of the employee's last annual contracted salary per full year until the employee reaches age sixty-five or is eligible for Medicare insurance.

Funding Policy – Benefits from this program are fully paid by the College and are funded on a pay as you go basis. Under this method, payments for benefits are recognized as expense when paid. The number of retirees currently receiving benefits is one and the number of active employees who are eligible to receive these benefits was none at June 30, 2017. The expense for supplemental retirement benefits for the year ended June 30, 2017 was \$257.

Projected benefits for the next five years are as follows:

Year ended:	One-time Supplement	Retirement Supplement	Total
June 30, 2021	\$ 0	\$ 11,782	\$ 11,782
	\$ 0	\$ 11,782	\$ 11,782

4. RELATED PARTY TRANSACTIONS

The College transferred \$0 to the Association for the year ended June 30, 2017.

College personnel perform the Association's administrative activities on College premises. The value of these activities and the use of the College premises to perform these activities have not been determined.

The Association had the following transactions with the College during the year ended June 30, 2017: it reimbursed the College \$42,951 for fund raising expenses, \$954 for farm expenses, \$2,240 for legal and accounting expenses, \$375 for meals, \$620 for printing and supplies, \$3,500 for SkillsUSA, \$830 for CASE memberships, \$250 for arts center sponsor, \$1,654 for fall conference and travel, \$138 for dress down day, \$490 for student emergency fund, \$750 for food pantry and \$500 for KPOR scholarship return.

During the year board members sometimes have students work on their vehicles to assist the student by providing hands on training.

5. POST EMPLOYMENT BENEFITS

As provided by Kansas statutes the College allows retired employees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retiree because each participant is charged a level of premium regardless of age. However the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) the College makes health care benefits available to eligible former employees and their dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured. There is no cost to the College under this program.

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2017

6. CONTINGENCIES AND COMMITMENTS

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position at June 30, 2017.

Federal Financial Aid – Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, primarily the federal government. Any disallowed costs, including amounts already collected, may constitute a liability of the College. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although College management expects such amounts, if any, to be immaterial.

State Funding – Approximately 40% of the College's resources come from the State of Kansas. Due to continued funding uncertainties at the State level, future funding for the College may be reduced. The ultimate effect of this possible reduction in funding on the College's future operations is not yet determinable.

Compliance with Kansas Statutes - References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and reports and interpretation by the County Attorney and legal representation of the College. Management is not aware of any statute violations during the year.

7. 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; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Insurance claims have not exceeded commercial insurance coverage for the past three years. There were not significant reductions in insurance coverage from coverage in prior years.

8. INTERFUND TRANSFERS

Interfund transfers are used to move revenues from the fund that collects receipts to the fund that spends them. In the year ended June 30, 2017, the College made the following transfers between funds.

	Transfer to			
	Operating	Student Revolving	Endowment	Total
Transfer From:				
Student Revolving	\$ 330,605	\$ 0	\$ 0	\$ 330,605
Student Center	2,507	0	0	2,507
	<u>\$ 333,112</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 333,112</u>

9. ENDOWMENT ASSOCIATION CONTRIBUTION

In 2005, the College approved contributing up to \$100,000 per year from the housing fund to the Endowment Association for student scholarships. Seventy percent of the contribution will be added to permanently restricted net assets until Endowment Association net assets total \$1,000,000. The remaining contribution may be used for current scholarships or added to unrestricted net assets. During the year ended June 30, 2017 the College transferred \$0 to the Endowment Association.

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2017

10. CAPITAL ASSETS

College	Balance			Balance
	June 30, 2016	Additions	Deletions	June 30, 2017
Capital Assets				
Land	\$ 209,096	\$ 0	\$ 0	\$ 209,096
Building	6,203,600	7,650	0	6,211,250
Building remodel	1,428,623	77,945	0	1,506,568
Campus	628,520	0	0	628,520
Equipment	2,207,615	135,313	5,358	2,337,570
Furniture	88,660	0	0	88,660
Parking	50,663	0	0	50,663
SC Building	113,837	0	0	113,837
SC Building Remodel	723,940	17,869	0	741,809
SC Equipment	62,419	0	0	62,419
SC Furniture	2,239	0	0	2,239
Vehicles	456,937	173,799	70,942	559,794
VV Buildings	944,535	58,180	0	1,002,715
VV Equipment	30,890	0	0	30,890
VV Furniture	47,403	0	0	47,403
VV Parking	51,988	0	0	51,988
VV2 Building	583,397	0	0	583,397
Total costs	<u>13,834,362</u>	<u>470,756</u>	<u>76,300</u>	<u>14,228,818</u>
Less Accumulated Depreciation				
Land	0	0	0	0
Building	2,231,384	113,756	0	2,345,140
Building remodel	717,971	42,326	0	760,297
Campus	565,967	0	0	565,967
Equipment	1,777,896	130,398	4,285	1,904,009
Furniture	62,855	6,211	0	69,066
Parking	35,707	4,705	0	40,412
SC Building	88,110	4,098	0	92,208
SC Building Remodel	406,091	26,169	0	432,260
SC Equipment	55,745	1,162	0	56,907
SC Furniture	2,015	0	0	2,015
Vehicles	314,624	48,693	62,850	300,467
VV Buildings	435,675	12,165	0	447,840
VV Equipment	29,951	229	0	30,180
VV Furniture	47,404	0	0	47,404
VV Parking	49,050	980	0	50,030
VV2 Building	242,586	26,263	0	268,849
Total accumulated depreciation	<u>7,063,031</u>	<u>417,155</u>	<u>67,135</u>	<u>7,413,051</u>
Net Capital Assets	<u>\$ 6,771,331</u>	<u>\$ 53,601</u>	<u>\$ 9,165</u>	<u>\$ 6,815,767</u>

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2017

11. KBOR INFRASTRUCTURE LOAN PAYABLE

The College executed a loan agreement with the Kansas Board of Regents acting on behalf of the State of Kansas for the financing of infrastructure improvement project costs. The loan, not to exceed \$338,280, which bears no interest, but carried a .25% management fee, is to be retired in annual installments of one eighth of the total loan amounts on or before December 1 of each year. No lien or other security interest is granted to the Kansas Board of Regents or the State of Kansas but the college is obligated to budget sufficient funds to make payments pursuant to this loan agreement. A summary of loan payable activity follows:

The note payable has a rate of 3.14% with a total amount of \$1,500,000 and is payable in annual installments of \$175,272 including interest.

The Kansas State Bank note payable has a rate of 3.51% with a total amount of \$147,150 and is payable in annual installments of \$52,533 including interest.

	Beginning	Additions	Payments	Ending
KBOR Loan	\$ <u>12,283</u>	\$ <u>0</u>	\$ <u>12,283</u>	\$ <u>0</u>

Loan 4/52013	\$ <u>1,086,126</u>	\$ <u>0</u>	\$ <u>141,074</u>	\$ <u>945,052</u>
--------------	---------------------	-------------	-------------------	-------------------

	Principal	Interest
2018	\$ 145,597	\$ 29,675
2019	150,169	25,103
2020	154,884	20,388
2021	159,705	15,567
2022	164,762	10,509
2023	169,935	5,335
	\$ <u>945,052</u>	\$ <u>106,577</u>

Kansas State Bank	\$ <u>0</u>	\$ <u>147,150</u>	\$ <u>0</u>	\$ <u>147,150</u>
-------------------	-------------	-------------------	-------------	-------------------

	Principal	Interest
2018	\$ 47,368	\$ 5,165
2019	49,031	3,502
2020	50,751	1,782
	\$ <u>147,150</u>	\$ <u>10,449</u>

12. OPERATING LEASE

Apple Lease Agreement

Lease payment for 2017	\$ 94,583
2018	94,583

13. SUBSEQUENT EVENTS

The College evaluated subsequent events through December 31, 2017 the date the financial statement were available to be issued. The College suffered major damage due to a storm. Insurance proceeds received as a result of that storm were \$1,781,555. As of June 30, 2017 repairs were in the process of commencing.

REQUIRED SUPPLEMENTAL INFORMATION

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Combining Schedule for Major Funds

Schedule of Net Position

June 30, 2017

	<u>Operating</u>	<u>Student Revolving</u>	<u>Student Center</u>	<u>Facilities</u>	<u>Housing</u>	<u>Total</u>
ASSETS						
CURRENT ASSETS						
Cash and demand deposits	\$ 2,868,197	\$ 313,082	\$ 72,502	\$ 7,212	\$ 79,864	\$ 3,340,857
Time deposits	1,760,586	1,248,049	301,479	600,734	861,634	4,772,482
Cash in agency funds	14,228	0	0	0	0	14,228
Accounts receivable, net	0	489,879	0	0	0	489,879
Accounts receivable other	100	19,655	0	0	0	19,755
Prepaid insurance	0	0	0	0	0	0
Inventories	0	0	275,206	0	0	275,206
Total current assets	<u>4,643,111</u>	<u>2,070,665</u>	<u>649,187</u>	<u>607,946</u>	<u>941,498</u>	<u>8,912,407</u>
NONCURRENT ASSETS						
Construction in progress	132,277	0	0	0	0	132,277
Capital assets, net	<u>5,606,762</u>	<u>0</u>	<u>336,914</u>	<u>0</u>	<u>872,091</u>	<u>6,815,767</u>
Total assets	<u>\$ 10,382,150</u>	<u>\$ 2,070,665</u>	<u>\$ 986,101</u>	<u>\$ 607,946</u>	<u>\$ 1,813,589</u>	<u>\$ 15,860,451</u>
LIABILITIES						
CURRENT LIABILITIES						
Deposits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,400	\$ 26,400
Accounts payable and accrued liabilities	62,741	9,421	918	0	1,924	75,004
Due to agency funds	14,328	0	0	0	0	14,328
Due to club accounts	0	17,311	0	0	0	17,311
KBOR Infrastructure Loan	0	0	0	0	0	0
Notes Payable	192,965	0	0	0	0	192,965
Insurance Proceeds Payable	1,781,555					1,781,555
Deferred revenue	0	36,699	0	0	0	36,699
Total current liabilities	<u>\$ 2,051,589</u>	<u>\$ 63,431</u>	<u>\$ 918</u>	<u>\$ 0</u>	<u>\$ 28,324</u>	<u>\$ 2,144,262</u>
LONG-TERM LIABILITIES						
Notes Payable	<u>\$ 899,237</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 899,237</u>
Total long term liabilities	<u>\$ 899,237</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 899,237</u>
NET POSITION						
Invested in capital assets	\$ 5,606,762	\$ 0	\$ 336,914	\$ 0	\$ 872,091	\$ 6,815,767
Unrestricted	1,674,822	2,007,234	648,269	607,946	913,174	5,851,445
Restricted for Building Renovation	<u>149,740</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>149,740</u>
Total net position	<u>\$ 7,431,324</u>	<u>\$ 2,007,234</u>	<u>\$ 985,183</u>	<u>\$ 607,946</u>	<u>\$ 1,785,265</u>	<u>\$ 12,816,952</u>

See Independent Auditor's Report.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Combining Schedule for Major Funds Schedule of Revenues, Expenses, and Changes in Net Position For the Year Ended June 30, 2017

	<u>Operating</u>	<u>Student Revolving</u>	<u>Student Center</u>	<u>Facilities</u>	<u>Housing</u>	<u>Total</u>
REVENUES						
Operating Revenues						
Student tuition and fees	\$ 1,982,487	\$ 183,842	\$ 4,330	\$ 0	\$ 0	\$ 2,170,659
Sales and services						
of educational departments	2,970	848,079	0	0	0	851,049
Residential life	0	0	423,855	0	332,288	756,143
Bookstore	0	0	433,883	0	0	433,883
Other operating revenues	0	5,744	0	0	0	5,744
	<u>1,985,457</u>	<u>1,037,665</u>	<u>862,068</u>	<u>0</u>	<u>332,288</u>	<u>4,217,478</u>
Total operating revenues						
EXPENSES						
Operating Expenses						
Administration	1,045,589	0	0	0	0	1,045,589
Instruction	2,408,970	0	0	0	0	2,408,970
Academic support	7,121	0	0	0	0	7,121
Operation of plant	661,697	54,820	34,197	0	193,205	943,919
Cost of sales and services						
of educational departments	0	405,609	0	0	0	405,609
Student activities	1,457,322	298,510	836,026	0	0	2,591,858
Interest Expense	30,559					30,559
Depreciation	313,313	0	31,430	0	39,638	384,381
	<u>5,924,571</u>	<u>758,939</u>	<u>901,653</u>	<u>0</u>	<u>232,843</u>	<u>7,818,006</u>
Total operating expenses						
Operating income (loss)	<u>(3,939,114)</u>	<u>278,726</u>	<u>(39,585)</u>	<u>0</u>	<u>99,445</u>	<u>(3,600,528)</u>
NONOPERATING REVENUES (EXPENSES)						
State appropriations	3,048,460	0	0	0	0	3,048,460
Federal grants	148,931	0	0	0	0	148,931
State and local grants	141,034	3,388	0	0	0	144,422
Transfer of Funds	333,112	(330,605)	(2,507)	0	0	0
Transfer to Endowment	0	0	0	0	0	0
Investment income	9,849	7,135	414	1,594	2,372	21,364
Gain on asset dispositions	8,560	0	0	0	0	8,560
	<u>3,689,946</u>	<u>(320,082)</u>	<u>(2,093)</u>	<u>1,594</u>	<u>2,372</u>	<u>3,371,737</u>
Net nonoperating revenues						
Increase (decrease) in net assets	(249,168)	(41,356)	(41,678)	1,594	101,817	(228,791)
NET POSITION						
Net Position - beginning of year	7,680,492	2,048,590	1,026,861	606,352	1,683,448	13,045,743
Net Position - end of year	<u>\$ 7,431,324</u>	<u>\$ 2,007,234</u>	<u>\$ 985,183</u>	<u>\$ 607,946</u>	<u>\$ 1,785,265</u>	<u>\$ 12,816,952</u>

See Independent Auditor's Report.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Combining Statement for Major Funds

Statement of Cash Flows

For the Year Ended June 30, 2017

	<u>Operating</u>	<u>Student Revolving</u>	<u>Student Center</u>	<u>Facilities</u>	<u>Housing</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Tuition and fees	\$ 1,982,485	\$ 183,842	\$ 4,330	\$ 0	\$ 0	\$ 2,170,657
Residential life	0	0	423,855	0	328,897	752,752
Sales and services of educational depa	2,870	819,501	29	0	0	822,400
Auxiliary enterprises charges	0	0	433,883	0	0	433,883
Other receipts	1,781,555	3,646	0	0	0	1,785,201
Payments to employees	(4,099,257)	(42,602)	(34,197)	0	(45,255)	(4,221,311)
Payments to vendors	(1,471,809)	(703,941)	(879,827)	0	(146,785)	(3,202,362)
Interest Expense	(30,559)	0	0	0	0	(30,559)
Net cash provided (used) by operating activities	<u>(1,834,715)</u>	<u>260,446</u>	<u>(51,927)</u>	<u>0</u>	<u>136,857</u>	<u>(1,489,339)</u>
NONCAPITAL FINANCING ACTIVITIES						
State appropriations	3,048,460	0	0	0	0	3,048,460
Federal and State grants	289,965	3,388	0	0	0	293,353
Interfund Transfers	333,112	(330,605)	(2,507)	0	0	0
Net cash provided (used) by noncapital financing activities	<u>3,671,537</u>	<u>(327,217)</u>	<u>(2,507)</u>	<u>0</u>	<u>0</u>	<u>3,341,813</u>
CAPITAL FINANCING ACTIVITIES						
Purchase of capital assets	(348,708)	0	(17,869)	0	(16,245)	(382,822)
Proceeds from Capital Assets Disposi	4,500	0	0	0	0	4,500
Disposition of Capital Assets	(106,526)	0	0	0	0	(106,526)
Loan Proceeds	6,076	0	0	0	0	6,076
KBOR Infrastructure Loan Repaymen	(12,283)	0	0	0	0	(12,283)
Net cash (used) by capital financing a	<u>(456,941)</u>	<u>0</u>	<u>(17,869)</u>	<u>0</u>	<u>(16,245)</u>	<u>(491,055)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	9,849	7,135	414	1,594	2,372	21,364
Net cash provided by investing activities	<u>9,849</u>	<u>7,135</u>	<u>414</u>	<u>1,594</u>	<u>2,372</u>	<u>21,364</u>
Net increase (decrease) in cash	1,389,730	(59,636)	(71,889)	1,594	122,984	1,382,783
Cash - beginning of the year	<u>3,253,281</u>	<u>1,620,767</u>	<u>445,870</u>	<u>606,352</u>	<u>818,514</u>	<u>6,744,784</u>
Cash - end of year	<u>\$ 4,643,011</u>	<u>\$ 1,561,131</u>	<u>\$ 373,981</u>	<u>\$ 607,946</u>	<u>\$ 941,498</u>	<u>\$ 8,127,567</u>
Reconciliation of net operating Income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ (3,939,114)	\$ 278,726	\$ (39,585)	\$ 0	\$ 99,445	\$ (3,600,528)
Adjustments to reconcile net income (loss) to net cash:						
Depreciation expense	313,313	0	31,430	0	39,638	384,381
Change in assets and liabilities:						
Receivables, net	(100)	(28,577)	29	0	0	(28,648)
Inventories	0	0	(44,719)	0	0	(44,719)
Insurance Proceeds Payable	1,781,555	0	0	0	0	1,781,555
Deferred revenue	0	(2,099)	0	0	(3,390)	(5,489)
Accounts payable	9,631	12,396	918	0	1,164	24,109
	<u>\$ (1,834,715)</u>	<u>\$ 260,446</u>	<u>\$ (51,927)</u>	<u>\$ 0</u>	<u>\$ 136,857</u>	<u>\$ (1,489,339)</u>

See Independent Auditor's Report.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Schedule of Management Information
Schedule of Expenses by Function and Object
For the Year Ended June 30, 2017

	General		Academic	Operation	Student	
	<u>Administration</u>	<u>Instruction</u>	<u>Support</u>	<u>of Plant</u>	<u>Activities</u>	<u>Total</u>
Salaries	\$ 301,647	\$ 1,823,387	\$ 5,323	\$ 181,017	\$ 917,621	\$ 3,228,995
Benefits	81,298	491,431	1,435	48,787	247,313	870,264
Services	13,088	79,114	231	7,854	39,814	140,101
Supplies	13,491	1,986	132	16,094	46,622	78,325
Utilities	0	0	0	249,465	0	249,465
Other	636,065	13,052	0	158,480	205,952	1,013,549
Interest	0	0	0	30,559	0	30,559
Depreciation	0	0	0	313,313	0	313,313
Total	\$ <u>1,045,589</u>	\$ <u>2,408,970</u>	\$ <u>7,121</u>	\$ <u>1,005,569</u>	\$ <u>1,457,322</u>	\$ <u>5,924,571</u>

See Independent Auditor's Report.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

	Federal CFDA <u>Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. Department of Education			
Direct Programs			
Pell Grant Program	84.063	\$ 869,000	\$ 869,000
College Work Study	84.033	21,690	21,690
Federal Family Education Loan	84.032	1,819,099	1,819,099
Supplemental Educational Opportunity Grant	84.007	<u>12,000</u>	<u>12,000</u>
		<u>2,721,789</u>	<u>2,721,789</u>
Passed through Kansas Department of Education			
Carl D. Perkins Vocational	84.048	<u>148,931</u>	<u>148,931</u>
		<u>148,931</u>	<u>148,931</u>
Total Federal Assistance		\$ <u><u>2,870,720</u></u>	\$ <u><u>2,870,720</u></u>

See Independent Auditor's Report.
See following notes to this schedule.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2017

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Northwest Kansas Technical College under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Northwest Kansas Technical College, it is not intended to and does not present the statements of net position, changes in net position or cash flows of Northwest Kansas Technical College.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the basis of U.S. generally accepted accounting principles. Expenditures as reported on the Schedule are recognized under the basis described above and follow the cost principles contained in the Uniform Guidance regarding *Cost Principles* wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE C. INDIRECT COST RATES

Northwest Kansas Technical College has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D. SUBRECIPIENTS

The College does not have any subrecipients.

SPECIAL REPORTS

**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***

Area Board of Control
Northwest Kansas Technical College
Goodland, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Northwest Kansas Technical College as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Northwest Kansas Technical College financial statements, and have issued our report there on dated December 31, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 than a material weakness, yet important enough to merit attention by those charged with governance.

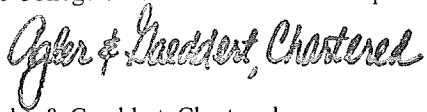
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, 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 Northwest Kansas Technical College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Agler & Gaeddert, Chartered

Ottawa, Kansas

December 31, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Area Board of Control
Northwest Kansas Technical College
Goodland, Kansas

Report on Compliance for Each Major Federal Program

We have audited the Northwest Kansas Technical College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northwest Kansas Technical College's major federal programs for the year ended June 30, 2017. Northwest Kansas Technical College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a tests basis, evidence about Northwest Kansas Technical College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Northwest Kansas Technical College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

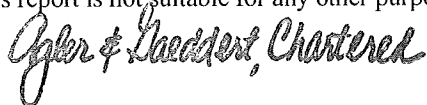
Report on Internal Control over Compliance

Management of Northwest Kansas Technical College is responsible for establishing and maintaining effective internal control over compliance with the types of 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Northwest Kansas Technical College's internal control over compliance.

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

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

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 the testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Agler & Gaeddert, Chartered
Ottawa, Kansas
December 31, 2017

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP.	<u>Unmodified</u>
Internal control over financial reporting	
Material weakness(es) identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses:	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses:	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 cFR 200.516(a)?	<u>No</u>

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount</u>
<u>SFA Cluster</u>		
84.063	Federal Pell Grant Program	\$ 869,000
84.033	College Work Study	21,690
84.268	Federal Direct Student Loans	1,819,099
84.007	Supplemental Educational Opportunity Grant	<u>12,000</u>
		<u>\$ 2,721,789</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
--	-------------------

Auditee qualified as a low-risk auditee?	<u>Yes</u>
--	------------