NORTHWEST COLLEGE

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2016

CONTENTS

McGee, Hearne & Paiz, LLP
Certified Public Accountants and Consultants

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, 2016 and 2015, and the discretely presented component unit, Northwest College Foundation (the "Foundation"), as of and for the years ended December 31, 2015 and 2014, 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. 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, 2016 and 2015, and December 31, 2015 and 2014, 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.

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 37, the Schedule of the College's Contributions on page 38, and the Notes to Required Supplementary Information on page 39 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 November 17, 2016 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.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
November 17, 2016

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, 2016, with selected comparative information for the year ended June 30, 2015. 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, deferred outflows, liabilities, and deferred inflows of the College, and segregates the assets and liabilities into current and noncurrent components. The difference between assets, deferred outflows, liabilities, and deferred inflows – 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, deferred outflows, liabilities, and deferred inflows 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, 2016, 2015 and 2014 is presented below.

	2016	2015	2014
Assets			
Current assets	$ 20,567,442	$ 19,693,699	$ 18,967,247
Noncurrent assets	46,768,368	46,451,538	46,220,999
Total assets	67,335,810	66,145,237	65,188,246
Deferred Outflows of Resources			
Pension related deferred outflows	2,055,991	896,391	-
Debt defeasance	149,474	158,267	-
Total deferred outflows of resources	2,205,465	1,054,658	-
Liabilities			
Current liabilities	4,526,670	2,764,811	2,959,227
Noncurrent liabilities	12,167,921	10,547,913	5,026,349
Total liabilities	16,694,591	13,312,724	7,985,576
Deferred Inflows of Resources			
Pension related deferred inflows	400,229	118,995	
Property taxes	3,200,601	4,348,207	4,358,473
Total deferred inflows of resources	3,600,830	4,467,202	4,358,473
Net Position			
Net investment in capital assets	29,517,913	29,438,211	28,625,197
Restricted nonexpendable	10,689,631	9,948,519	11,024,944
Restricted expendable - scholarship	3,509,782	3,710,380	805,645
Restricted expendable - capital asset purchases	2,068,840	1,393,915	5,535,152
Unrestricted net position	3,459,688	4,928,944	6,853,259
Total net position	$ 49,245,854	$ 49,419,969	$ 52,844,197

Total net position decreased $174,115 in fiscal year 2016 to a total of $49,245,854. In fiscal year 2015, total net position decreased $3,424,228 from fiscal year 2014 to a total of $49,419,969. This will be discussed in more detail in the next sections of this analysis. The unrestricted net position, $3,459,688 in 2016 and $4,928,944 in 2015, were available for future operating and capital needs of the College.

Current assets include cash and cash equivalents, accounts and property tax receivables, and prepaid expenses. During 2015, unrestricted cash increased by $1.6 million from 2014 levels. In 2016, the unrestricted cash of the College increased by $1.1 million. Park County property and mineral values decreased in 2016, decreasing the property tax receivable from $4,445,144 in 2015 to $3,345,190 in 2016.The 2016 decrease in Park County property and mineral values was in addition to the 2015 decrease where the property tax receivable decreased from $4,585,473 in 2014 to $4,445,144 in 2015. The decrease in the property tax receivable for both years was due to a decrease in the assessed value of mineral values in Park County.

Noncurrent assets, $46,768,368 and $46,451,538 for the period ended June 30, 2016 and 2015, respectively, 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 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. In 2016, $2,348,566 was spent on new capital or improvements which included the Ag Pavilion Phase 2, Science and Math Controls, Dining Services Upgrade including Einstein Bagels, Cabre Gym Parking Lot Paving, Trapper Village West Paving and various equipment purchases. Depreciation expense absorbed the increase in capital assets resulting in a net increase of $118,028. The College endowment continued to grow resulting in an increase of $434,858 for the year ended June 30, 2016 compared to a $1,409,352 increase for the year ended June 30, 2015.

Total Liabilities for the period ended June 30, 2016 were $16,694,591 compared to $13,312,724 as of June 30, 2015. Included in this increase is $1.14M related to a special offering early retirement where employees who met certain requirements committed to retiring on June 30, 2016 or December 31, 2016 at which time they will receive either a lump sum benefit or paid over the course of 12 months. The remaining increase is related to a change in the net pension liability as discussed below.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented in fiscal 2015. GASB 68 required the recognition of long-term obligations for pension benefits. Pension related outflows of $2,055,991, inflows of $400,229 and a net pension liability of $7,625,467 were recorded on the Statements of Net Position. This is in comparison to fiscal year 2015 when the pension related outflows $896,391, inflows $118,995 and net pension liability of $6,097,890. Increases and decreases in pension related accounts are a direct reflection of Actuarial Assumptions and Investment Decisions made by the Wyoming Retirement System.

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. The 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 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 $1,907,033 in 2015 and $1,938,099 in 2016.

State appropriations make up the bulk of our total revenues and represent approximately 48% in 2016 and 46% in 2015 of the respective budgets. During 2016, total State appropriations increased by $564,476 compared to 2015. Major maintenance funds increased $274,000 which comprised the majority of increase. The remaining increase in those funds related to enrollment growth completion funding within the operating fund. State appropriations for the College's operating fund increased $58,730. Local appropriations increased $260,171 from 2015 and represents approximately 15% in 2016 and 14% in 2015 of total revenue.

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 2015, auxiliary revenue remained relatively flat but expenditures increased by $584,000. In 2016, Auxiliary Enterprise revenue decreased by $302,192 while expenses continued to remain stable.

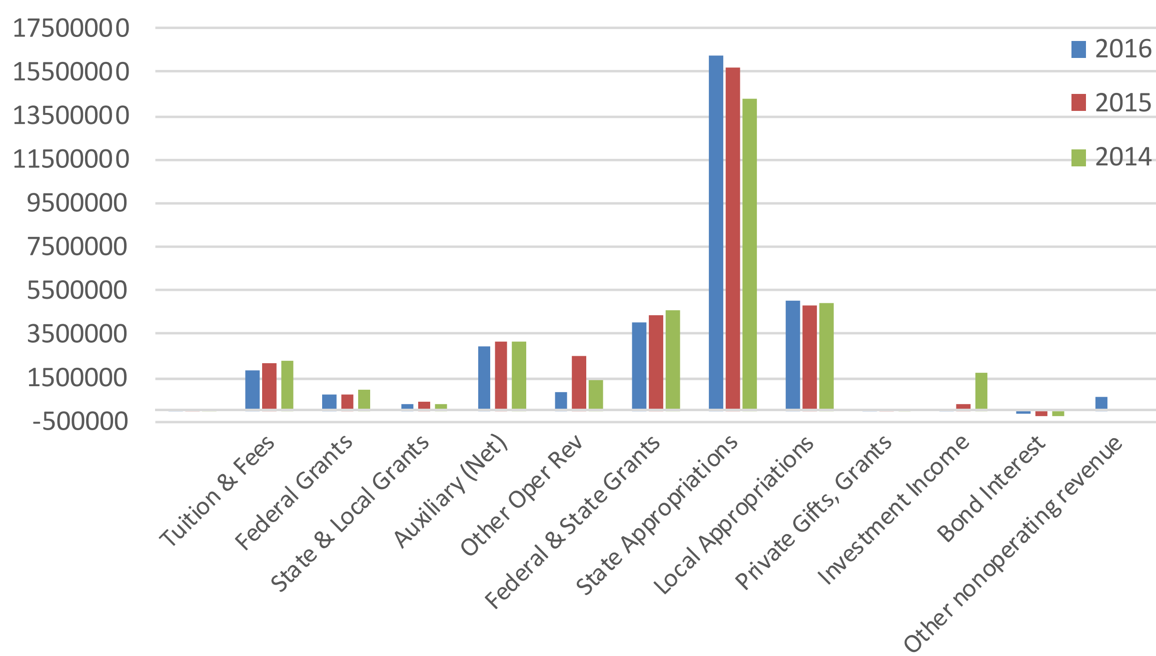
In 2016, the Wyoming Challenge Match Endowment cost basis had an increase of $744,952 compared to $1,502,684 increase in 2015. The net effect of revenues and decrease in market values resulted in a net loss of $310,844. In 2015, the net effect was a market loss on investments of $136,499. The College portion of the Wyoming Challenge Match Endowment held by the Foundation had a book value of $11,191,807 and market value of $12,869,154 as of June 30, 2016.

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

	2016	**2015**	**2014**
Operating Revenues			
Tuition and fees (net allowances)	$ 1,830,909	$ 2,136,852	$ 2,328,282
Federal grants and contracts	754,524	783,835	976,304
State and local grants and contracts	246,636	421,067	263,561
Auxiliary enterprises (net allowances)	2,902,332	3,204,524	3,189,581
Other	831,539	2,445,135	1,409,504
Total operating revenues	6,565,940	8,991,413	8,167,232
Operating Expenses			
Instruction	11,065,446	9,889,414	9,712,726
Public service	105,562	174,700	171,548
Academic support	2,621,769	2,564,893	2,470,729
Student services	3,239,823	3,510,301	3,335,651
Institutional support	4,733,374	4,291,474	4,171,785
Operation and maintenance of plant	3,207,421	4,536,582	2,792,422
Scholarships	2,053,144	2,553,370	2,976,167
Auxiliary enterprises	4,095,404	4,113,663	3,529,900
Depreciation expense	2,451,396	2,254,684	1,922,686
Total operating expense	33,573,339	33,889,081	31,083,614
Operating loss	(27,007,399)	(24,897,668)	(22,916,382)
Non-Operating Revenues	26,092,172	25,000,167	25,306,878
State Endowment Appropriation	741,112	1,488,416	532,178
Capital Appropriations	-	-	8,273,316
Increase in net position	$ (174,115)	$ 1,590,915	$ 11,195,990

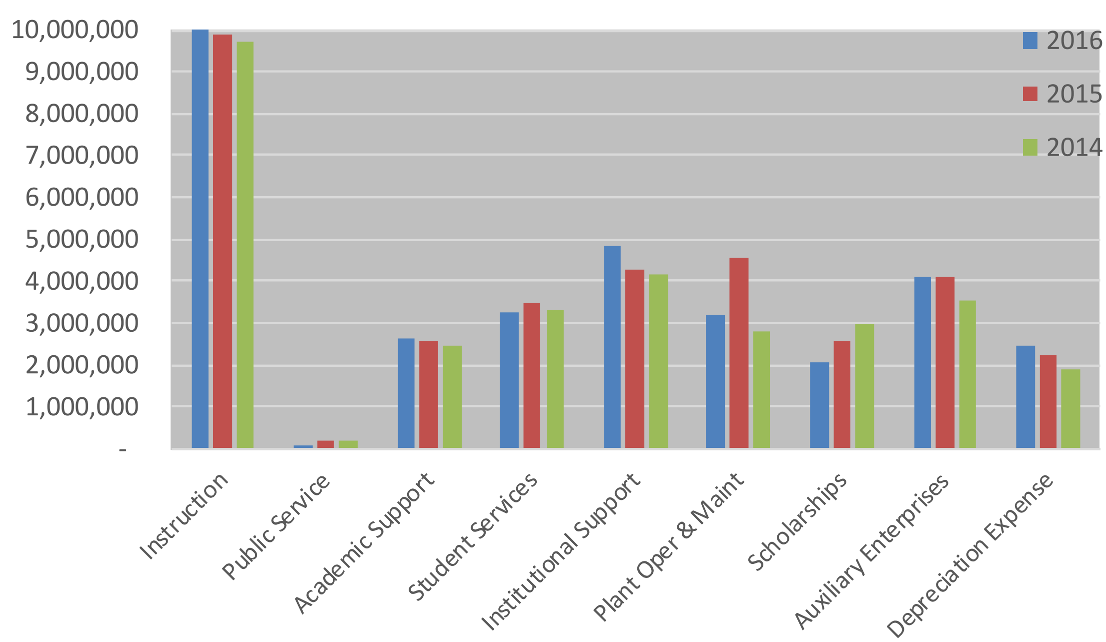
The chart below reflects operating and non-operating revenues for fiscal years 2016, 2015 and 2014.

SOURCES OF REVENUE



The chart below reflects operating expenses by their functions for fiscal years 2016, 2015 and 2014.

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.

	2016	2015	2014
Cash provided by (used in):			
Operating activities	$ (22,103,972)	$ (21,633,019)	$ (21,124,230)
Non-capital financing activities	25,332,669	25,059,472	23,799,458
Capital and related financing activities	(2,409,627)	(4,903,900)	(4,778,233)
Investing activities	827,170	2,311,130	300,861
Net increase (decrease) in cash	1,646,240	833,683	(1,802,144)
Cash, beginning of year	13,910,112	13,076,429	14,878,573
Cash, end of year	$ 15,556,352	$ 13,910,112	$ 13,076,429

In summary, the cash provided by non-capital financing activities was more than the cash used in operating, capital and investing activities by $1,646,240. In 2015, the cash provided by non-capital financing activities was more than the cash used in operating, capital and investing activities by $833,683.

OTHER CONSIDERATIONS

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.

Funding received from State and local appropriations remained stable during fiscal year 2016. However recent decreases in oil and gas valuations and have resulted in decreased oil and gas revenue collection by the State of Wyoming. These reduced revenues have had a large effect on the College’s receipt of state and local revenues sources for fiscal year 2017. During the upcoming 2017 legislative session, legislators may choose to reduce State appropriations to the community colleges. In addition, local county assessors are faced with reduced local county valuations, which has reduced levy fund revenue to distribute. Overall, these reductions in revenues have resulted in the College having less funds for operations in the foreseeable future but has also created the College with a new baseline for operations.

NORTHWEST COLLEGE

STATEMENTS OF NET POSITION
June 30, 2016 and 2015

ASSETS	2016	2015
Current Assets		
Cash and cash equivalents (Note 2)	$ 11,927,073	$ 10,841,697
Cash and cash equivalents, restricted (Note 2)	3,629,279	3,068,415
Accounts receivable, net allowance of $200,000 for 2016 and 2015	1,351,001	1,118,302
Property taxes receivable	3,345,190	4,445,144
Prepaids	314,899	220,141
Total current assets	20,567,442	19,693,699
Noncurrent Assets		
Advance construction payments	99,031	99,031
Capital assets, net of accumulated depreciation (Note 3)	33,800,183	33,918,211
Investments held by others (Note 2)	12,869,154	12,434,296
Total noncurrent assets	46,768,368	46,451,538
Total assets	67,335,810	66,145,237
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows (Note 5)	2,055,991	896,391
Debt Defeasance (Note 4)	149,474	158,267
Total deferred outflows of resources	2,205,465	1,054,658
LIABILITIES		
Current Liabilities		
Accounts payable	1,256,738	710,295
Payroll and related liabilities	1,259,501	864,038
Liability for voluntary termination (Note 4)	840,469	87,747
Accrued compensated absences (Note 4)	362,857	363,410
Accrued interest payable	9,135	21,490
Advance payments	252,199	200,271
Custodial deposits (Note 10)	341,704	319,830
Current maturities of bonds and notes payable (Note 4)	204,067	197,730
Total current liabilities	4,526,670	2,764,811
Noncurrent Liabilities		
Liability for voluntary termination (Note 4)	343,299	46,616
Accrued compensated absences (Note 4)	120,952	121,137
Long-term bonds and notes payable (Note 4)	4,078,203	4,282,270
Net pension liability (Note 5)	7,625,467	6,097,890
Total noncurrent liabilities	12,167,921	10,547,913
Total liabilities	16,694,591	13,312,724
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows of Resources (Note 5)	400,229	118,995
Unavailable Property Taxes	3,200,601	4,348,207
Total deferred inflows of resources	3,600,830	4,467,202
NET POSITION		
Net Investment in Capital Assets	29,517,913	29,438,211
Restricted for:		
Nonexpendable	10,689,631	9,948,519
Expendable:		
Scholarships	3,509,782	3,710,380
Capital projects	2,068,840	1,393,915
Unrestricted	3,459,688	4,928,944
Total net position	$ 49,245,854	$ 49,419,969

See Notes to Financial Statements.

NORTHWEST COLLEGE

COMPONENT UNIT - NORTHWEST COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

ASSETS	2015	2014
Cash and cash equivalents, including $3,178 and $28,684 respectively, held for Boys and Girls Club (Note 2)	**$ 343,196**	$ 381,785
Investments (Note 2)	**1,012,446**	1,282,369
Contributions receivable	**274,412**	352,132
Accounts receivable	**299,215**	4,963
Cash and cash equivalents restricted by donors for long-term purposes (Note 2)	**1,625,205**	1,110,304
Investments for long-term purposes, including $1,006,101 and $1,058,269, respectively, held for Boys and Girls Club (Note 2)	**30,153,564**	30,121,165
Beneficial interest in perpetual trust	**856,931**	945,555
Other assets	**675,782**	904,782
Total assets	**$ 35,240,751**	$ 35,103,055
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	**$ 7,282**	$ 46,619
Investments held for others (Note 2)	**12,919,099**	12,496,881
Assets held in trust	**986,915**	1,058,796
Liabilities associated with charitable gift annuities	**204,856**	227,751
Total liabilities	**14,118,152**	13,830,047
Net Assets		
Unrestricted	**2,158,821**	2,118,325
Temporarily restricted	**2,819,558**	2,394,577
Permanently restricted	**16,144,220**	16,760,106
Total net assets	**21,122,599**	21,273,008
Total liabilities and net assets	**$ 35,240,751**	$ 35,103,055

See Notes to Financial Statements.

NORTHWEST COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenues		
Tuition and fees, net of scholarship allowance of 2016 $1,938,099; 2015 $1,907,033	**$ 1,830,909**	$ 2,136,852
Federal grants and contacts	**754,524**	783,835
State and local grants and contracts	**246,636**	421,067
Auxiliary enterprise charges, net of scholarship allowance of 2016 $1,043,592; 2015 $1,026,864	**2,902,332**	3,204,524
Other operating revenues	**831,539**	2,445,135
Total operating revenues	**6,565,940**	8,991,413
Operating Expenses (Note 11)		
Instruction	**11,065,446**	9,889,414
Public service	**105,562**	174,700
Academic support	**2,621,769**	2,564,893
Student services	**3,239,823**	3,510,301
Institutional support	**4,733,374**	4,291,474
Operation and maintenance of plant	**3,207,421**	4,536,582
Scholarships	**2,053,144**	2,553,370
Auxiliary enterprises	**4,095,404**	4,113,663
Depreciation	**2,451,396**	2,254,684
Total operating expenses	**33,573,339**	33,889,081
Operating (loss)	**(27,007,399)**	(24,897,668)
Nonoperating Revenues (Expenses)		
Non-exchange Federal and state grants	**4,024,086**	4,381,930
State appropriations	**16,222,547**	15,658,071
Local appropriations	**5,079,057**	4,818,886
Private gifts, grants and contracts	**126,940**	109,938
Net investment gain (loss)	**86,058**	299,372
Interest expense	**(103,608)**	(268,030)
In-kind contributions (Chartwell) of capital assets	**672,291**	-
Loss on sale of assets	**(15,199)**	-
Total nonoperating revenues	**26,092,172**	25,000,167
Income (loss) before other revenue, expenses, gains or losses	**(915,227)**	102,499
Other Revenue, Expenses, Gains, or Losses		
State endowment appropriation	**741,112**	1,488,416
Total other revenue, expenses, gains, or losses	**741,112**	1,488,416
Increase (decrease) in net position	**(174,115)**	1,590,915
Net Position, beginning, as previously reported	**49,419,969**	52,844,197
Adjustment to prior years (Note 5)	**-**	(5,015,143)
Net Position, beginning, as restated	**49,419,969**	47,829,054
Net Position, ending	**$ 49,245,854**	$ 49,419,969

See Notes to Financial Statements.

NORTHWEST COLLEGE

COMPONENT UNIT - NORTHWEST COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014

	2015	2014
Unrestricted Net Assets		
Revenue, gains, and other support:		
Contributions	**$ 24,240**	$ 9,755
Investment income (loss), net	**(29,377)**	13,991
In-kind contributions	**128,151**	182,648
Administrative fees	**303,816**	274,231
Miscellaneous	**55,506**	159,561
Net assets released from restrictions	**1,384,428**	2,029,601
Total unrestricted revenue, gains, and other support	**1,866,764**	2,669,787
Expenses and losses:		
Program services:		
Scholarships for students	**855,434**	857,235
Program support for College	**514,125**	1,149,954
Total program expenses	**1,369,559**	2,007,189
Management and fundraising:		
Salaries and benefits	**316,482**	387,376
Development activities	**22,858**	26,869
Office expense	**60,763**	63,741
Legal and accounting	**17,660**	16,400
Real property expense	**6,841**	5,203
Miscellaneous	**13,210**	25,979
Printing	**8,981**	13,749
Training expense	**6,014**	3,792
Travel expense	**3,900**	1,800
Total management and fundraising expenses	**456,709**	544,909
Total expenses	**1,826,268**	2,552,098
Increase in unrestricted net assets	**40,496**	117,689

Continued

NORTHWEST COLLEGE

COMPONENT UNIT - NORTHWEST COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES (Continued)
Years Ended December 31, 2015 and 2014

	2015	2014
Temporarily Restricted Net Assets		
Contributions	**$ 307,399**	$ 498,642
Investment income, net	**(84,250)**	825,418
Change in liabilities associated with charitable gift annuities	**22,895**	11,235
Change in present value of beneficial interest in perpetual trusts	**(88,624)**	(13,388)
Miscellaneous income	**602**	420
Net assets released from restrictions	**(1,384,428)**	(2,029,601)
Modification of contribution restricted by donors	**1,651,387**	(884,062)
Increase (decrease) in temporarily restricted net assets	**424,981**	(1,591,336)
Permanently Restricted Net Assets		
Contributions	**1,027,792**	1,665,920
Royalty	**7,709**	18,270
Modification of contribution restricted by donors	**(1,651,387)**	884,062
(Decrease) increase in permanently restricted net assets	**(615,886)**	2,568,252
Increase (decrease) in net assets	**(150,409)**	1,094,605
Net Assets, beginning of year	**21,273,008**	20,178,403
Net Assets, end of year	**$ 21,122,599**	$ 21,273,008

See Notes to Financial Statements.

NORTHWEST COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Received from students and customers	**$ 6,442,279**	$ 8,963,187
Payments to employees and benefits	**(18,292,584)**	(18,339,987)
Payments to vendors and suppliers	**(8,222,397)**	(9,595,654)
Payments for scholarships	**(2,053,144)**	(2,553,370)
Other receipts (payments)	**21,874**	(107,195)
Net cash (used in) operating activities	**(22,103,972)**	(21,633,019)
Cash Flows from Noncapital Financing Activities		
Non-exchange Federal and state grants	**4,024,086**	4,381,930
State appropriations	**16,165,437**	15,703,494
Local appropriations	**5,031,405**	4,864,110
Gifts, endowments and grants for other than capital purchase	**111,741**	109,938
Net cash provided by noncapital financing activities	**25,332,669**	25,059,472
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	**(1,676,275)**	(2,515,842)
Proceeds from sale of capital assets	**15,199**	1,146
Interest paid on note	**(115,963)**	-
Payment of note principal	**(197,730)**	-
Interest paid on bonds	**-**	(265,050)
Payment of bond principal	**-**	(175,000)
Funds placed in escrow for bond defeasance	**-**	(539,802)
Distributions from investments held by others	**(434,858)**	(1,409,352)
Net cash (used in) capital and related financing activities	**(2,409,627)**	(4,903,900)
Cash Flows from Investing Activities		
State endowment appropriation	**741,112**	1,488,416
Purchase of investment	**86,058**	295,837
Proceeds from sale and maturities of investments	**-**	526,877
Net cash provided by investing activities	**827,170**	2,311,130
Net increase (decrease) in cash and cash equivalents	**1,646,240**	833,683
Cash and Cash Equivalents		
Beginning of year	**13,910,112**	13,076,429
End of year	**$ 15,556,352**	$ 13,910,112
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities		
Operating (loss)	**$ (27,007,399)**	$ (24,897,668)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	**2,451,396**	2,254,684
Net pension expenses	**649,210**	305,351
Changes in assets and liabilities:		
Receivables, net	**(175,589)**	23,881
Prepaids	**(94,758)**	(10,044)
Accounts payable and related liabilities	**2,013,185**	(168,241)
Advance payments	**51,928**	855,857
Accrued compensated absences	**(738)**	3,161
Bond defeasance amortization	**8,793**	-
Total adjustments	**4,903,427**	3,264,649
Net cash (used in) operating activities	**$ (22,103,972)**	$ (21,633,019)
Noncash Financing and Investment Activity Information		
Note payable proceeds placed directly in escrow for bond defeasance	**$ -**	$ 4,480,000
In-kind capital contributions (Chartwell)	**$ 672,291**	$ -

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.

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.

Fair value measurements: The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The College has the following recurring fair value measurements as of June 30, 2016 and 2015:

- Investments held by the Foundation of $12,869,154 and $12,434,296 are valued using significant other observable inputs (Level 2 inputs)

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 acquisition 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.

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.

Unavailable property taxes: Unavailable 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, net pension liability, 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.

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, 2016 and 2015, the College recognized revenue and expenses in the amount of $1,612,537 and $1,791,599, 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.

Recent pronouncements:

Adopted:

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73.* This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for years beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier adoption is allowed. Management has elected to adopt this update for the fiscal year ended June 30, 2016. The impact of adopting this update is reflected in the financial statements.

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. The impact of adopting this update is reflected in the financial statements.

Not yet adopted:

In January 2016, the GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement 14.* This statement clarifies the financial statement presentation requirements for certain component units. Specifically, this statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement is effective for years beginning after June 15, 2016. Earlier adoption is encouraged. The College is currently evaluating the impact that the provisions of this statement will have on the College's financial statements.

Reclassification: Certain components of net position in the Statement of Net Position for the year ended June 30, 2015 have been reclassified, with no effect on the change in net position, to be consistent with the year ended June 30, 2016.

NOTES TO FINANCIAL STATEMENTS

***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.

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 ($28,256,053) and Level 2 ($2,909,957) 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.

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 receipted 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.

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 $3,629,279 and $3,068,415 as of June 30, 2016 and 2015, 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, 2016, the carrying amount of the College's deposits was $15,491,710 and the bank balance was $15,939,216, of which all was insured or secured by pledged assets.

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

***Northwest College Foundation*:**

Investments in marketable securities, including agency investment held for Boys & Girls Clubs, consists of the following at December 31, 2015 and 2014:

		Cost		Fair Value
		2015		
U.S. Treasury securities	**$**	**1,064,383**	**$**	**1,066,975**
Other U.S. Government bonds		**183,100**		**182,417**
Corporate bonds		**511,851**		**485,027**
Mutual/index funds		**3,467,272**		**3,635,774**
Equity		**19,498,270**		**22,885,860**
Investment in hedge fund		**3,131,211**		**2,909,957**
	$	**27,856,087**	**$**	**31,166,010**
		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

Reported under the following captions:

		2015		2014
Investments	**$**	**1,012,446**	$	1,282,369
Investments restricted by donors for long-term purposes and investments held for others		**30,153,564**		30,121,165
	$	**31,166,010**	$	31,403,534

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 $975,660 was fully insured by the Securities Investor Protection Corporation (SIPC).

The bank balances of cash with the financial institution were $1,001,510 and $522,018 at December 31, 2015 and 2014, respectively. At December 31, 2015, $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.

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, 2016 and 2015, the following tables show the fixed-income investments by type, amount and maturity for the endowed scholarship fund that includes the endowment challenge funds:

		Investment Maturities (in Years)		
	Fair Value	Less than 1	1 to 5	More than 5
		2016		
Investment Type:				
U.S. Treasury	**$ 685,000**	**$ -**	**$ 90,000**	**$ 595,000**
Government obligations	**621,000**	**-**	**130,000**	**491,000**
	$ 1,306,000	**$ -**	**$ 220,000**	**$ 1,086,000**
		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

The quality rating of debt securities in the Foundation's investment portfolio at fair value as of June 30, 2016 is as follows:

U.S. Government investments (S&P rating AA+)	$ 1,306,000

As of December 31, 2015 and 2014, the Foundation held $12,919,099 and $12,496,881, respectively, of investments for the College.

<u>Investments held for others</u>: 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, 2016 and 2015 is as follows:

	Balance June 30, 2015	Additions	Deletions	Transfers In (Out)	Balance June 30, 2016
Capital assets not being depreciated:					
Land	$ 1,464,663	$ -	$ -	$ -	$ 1,464,663
Art, literature and artifacts	50,000	-	-	-	50,000
Construction in progress	286,203	1,292,733	-	(980,016)	598,920
Total capital assets not being depreciated	$ 1,800,866	$ 1,292,733	$ -	$ (980,016)	$ 2,113,583
Other capital assets:					
Land improvements	$ 906,480	$ -	$ -	$ 570,221	$ 1,476,701
Buildings	62,852,633	576,814	-	409,795	63,839,242
Machinery and equipment	6,454,783	479,019	(163,355)	-	6,770,447
Total other capital assets	70,213,896	1,055,833	(163,355)	980,016	72,086,390
Less accumulated depreciation for:					
Land improvements	177,976	77,625	-	-	255,601
Buildings	33,399,113	1,764,718	-	-	35,163,831
Machinery and equipment	4,519,462	609,053	(148,157)	-	4,980,358
Total accumulated depreciation	38,096,551	2,451,396	(148,157)	-	40,399,790
Other capital assets, net	$ 32,117,345	$ (1,395,563)	$ (15,198)	$ 980,016	$ 31,686,600
Capital asset summary:					
Capital assets not being depreciated	$ 1,800,866	$ 1,292,733	$ -	$ (980,016)	$ 2,113,583
Other capital assets, at cost	70,213,896	1,055,833	(163,355)	980,016	72,086,390
Total cost of capital assets	72,014,762	2,348,566	(163,355)	-	74,199,973
Less accumulated depreciation	38,096,551	2,451,396	(148,157)	-	40,399,790
Capital assets, net	$ 33,918,211	$ (102,830)	$ (15,198)	$ -	$ 33,800,183

	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

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, 2016 and 2015, the College had paid $256,234 and $91,198, respectively, under the plan. The accompanying financial statements reflect an obligation as of June 30, 2016 and 2015 of $1,183,768 and $134,363, respectively, for voluntary termination benefits to former employees who elected to receive and who were approved to receive voluntary termination benefits.

The following summarizes scheduled future liquidation of June 30 obligations:

Fiscal year ending June 30,	
2017	$ 840,469
2018	340,728
2019	2,571
	$ 1,183,768

The Authority issued $6,000,000 of revenue bonds on July 1, 2008. 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 (Note 6) 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 $1,035,213 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.

NOTES TO FINANCIAL STATEMENTS

Aggregate principal including interest required on the note at June 30, 2016 is as follows:

	Principal	Interest
2017	$ 204,067	$ 109,626
2018	209,291	104,402
2019	214,648	99,044
2020	220,143	93,549
2021	225,779	87,913
2022 - 2026	1,218,612	349,852
2027 - 2031	1,382,787	185,676
2032 - 2033	606,943	23,413
	$ 4,282,270	$ 1,053,475

Long-term liability activity other than bonds payable and notes payable for the years ended June 30, 2016 and 2015 was as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due within One Year
Other liabilities:					
Liability for voluntary termination	$ 134,363	$ 1,305,639	$ (256,234)	$ 1,183,768	$ 840,469
Accrued compensated absences	484,547	656,800	(657,538)	483,809	362,857
Total other liabilities	$ 618,910	$ 1,962,439	$ (913,772)	$ 1,667,577	$ 1,203,326

	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	$ 612,055	$ 715,517	$ (708,662)	$ 618,910	$ 451,157

Note 5. Retirement Commitment – Wyoming Retirement System

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.

Plan description: Substantially all employees of the College, excluding those participating in the TIAA 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.

Disability Benefits: Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his/her duties. To qualify, the member must have at least 10 years of service and must be “in service” at the time of application for disability retirement. Upon retirement for a partial disability, the member receives a monthly disability retirement benefit for the period of his/her disability equal to 50% of the normal benefit payable to the member, as if the member was eligible for normal retirement benefits. Upon retirement for a total disability, the member receives a monthly disability benefit equal to 100% of his service retirement benefit as if the member was eligible for normal retirement benefits. Disability benefits are payable for the life of the member or until death.

Survivor’s Benefits: Certain surviving dependents receive benefits based on the deceased member’s compensation and their relationship to the deceased, as well as the benefit option selected by the member at the date of retirement.

Contributions: Per Title 9-3-412 and 413 of State Statutes, for the year ended June 30, 2016, member contributions were required to be 8.25% of compensation and employer contributions were required to be 8.37% of compensation. In accordance with Title 9-3-412 (c) (ii) of State Statutes, the College has elected to pay 6.195% of the members contribution in addition to the employers contribution. Total contributions to the pension plan from the College were $853,272 and $884,811 for the years ended June 30, 2016 and 2015.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2016 and 2015, the College reported a liability of $7,625,467 and $6,097,890, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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, 2015 to the contributions of all participating employers for the same period. At December 31, 2015, the College's proportion was 0.3273648830%, which was a decrease from its December 31, 2014 proportion of 0.3455497830%.

For the years ended June 30, 2016 and 2015, the College recognized pension expense of $1,122,653 and $735,279, respectively. At June 30, 2016 and 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	**$ -**	**$ 161,320**
Changes in assumptions	**-**	**-**
Net difference between projected and actual earnings on pension plan investments	**1,432,601**	**-**
Changes in proportion and differences between employer contributions and proportionate share of contributions	**374,981**	**238,909**
Contributions subsequent to the measurement date	**248,409**	**-**
	$ 2,055,991	**$ 400,229**

	2015	
	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	-
	$ 896,391	$ 118,995

An amount of $248,409 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:		
2017	$	326,174
2018		326,174
2019		376,976
2020		378,029
	$	1,407,353

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	7.75%, net of pension plan investment expense

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	15.00%	0.87%
Equity	59.00%	5.13%
Marketable alternatives	15.50%	4.75%
Private markets	8.00%	5.84%
Cash	2.50%	0.25%
Total	100.00%	

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.

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	$ 10,947,472	$ 7,625,467	$ 4,817,004

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

Eligible College employees may elect to participate in the Teachers Insurance and Annuity Association (TIAA) instead of the Wyoming Retirement System. TIAA is a private defined contribution pension plan, which is portable to other institutions and states. For the years ended June 30, 2016, 2015, and 2014, the College's contributions to TIAA were $812,517, $713,622 and $673,540, 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 $17,323 and $30,071 for the years ended June 30, 2016 and 2015, respectively. 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 $16,800 and $12,000 for the years ended June 30, 2016 and 2015, respectively.

The College has entered into two leases for outreach locations. These include the Cody Center and Worland Center. The total rent expense was $107,800 and $105,400 for the years ended June 30, 2016 and 2015, respectively.

Future obligations consist of the following:

2017	$	134,261
2018		123,736
2019		123,646
2020		112,211
2021		55,354
	$	549,208

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, 2016, 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, 2016 was approximately $217,676.

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.

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, 2016, 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.

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, 2016 and 2015.

Student Activity Funds:

	2016	2015
Beginning of year	**$ 319,830**	$ 427,025
Additions:		
Student fees	**187,647**	178,770
Interest	**25,684**	24,736
Donations	**43,118**	45,703
Other	**360,915**	347,369
Scholarships and grants	**1,236,801**	1,164,041
Total additions	**1,854,165**	1,760,619
Deductions:		
Supplies	**75,558**	102,302
Printing	**2,839**	2,414
Contractual	**10,054**	41,604
Scholarships and grants	**1,268,890**	1,153,646
Various	**474,950**	567,848
Total deductions	**1,832,291**	1,867,814
End of Year	**$ 341,704**	$ 319,830

NORTHWEST COLLEGE

NOTES TO FINANCIAL STATEMENTS

Note 11. Natural Classifications with Functional Classifications

The College’s operating expenses by natural classification were as follows for June 30, 2016 and 2015:

	Natural Classification				
Functional Classification	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships	Total
			2016		
Instruction	$10,239,819	$ 825,627	$ -	$ -	$11,065,446
Public service	20,571	84,991	-	-	105,562
Academic support	1,426,925	1,194,844	-	-	2,621,769
Student services	2,372,377	867,446	-	-	3,239,823
Institutional support	3,101,348	1,632,026	-	-	4,733,374
Operation of plant	1,725,205	1,482,216	-	-	3,207,421
Scholarships	-	-	-	2,053,144	2,053,144
Auxiliary enterprises	1,499,679	2,595,725	-	-	4,095,404
Depreciation	-	-	2,451,396	-	2,451,396
Total expenses	$20,385,924	$ 8,682,875	$ 2,451,396	$ 2,053,144	$33,573,339

	Natural Classification				
Functional 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

REQUIRED SUPPLEMENTARY INFORMATION

NORTHWEST COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Public Employee Pension Plan
Last 3 Fiscal Years*

	College's proportion of the net pension liability (asset)	College's proportionate share of the net pension liability (asset)	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	0.355973138%	$ 5,412,217	$ 6,111,538	88.56%	81.10%
2015	0.345549783%	6,097,890	6,042,994	100.91%	79.08%
2016	0.327364883%	7,625,467	5,880,121	129.68%	73.04%

** 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
Last 3 Fiscal Years

	Statutorily required contribution	Contribution in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contribution as a percentage of covered payroll
2014	$ 440,321	$ 440,321	$ -	$ 6,184,286	7.12%
2015	452,233	452,233	-	5,934,819	7.62%
2016	487,234	487,234	-	5,821,196	8.37%

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, 2014 measurement date and the December 31, 2015 measurement date.

Changes in assumptions: There were no changes in assumptions between the December 31, 2014 measurement date and the December 31, 2015 measurement date.

SUPPLEMENTARY INFORMATION

NORTHWEST COLLEGE

COMBINING SCHEDULE OF NET POSITION
June 30, 2016

ASSETS	Northwest College	Northwest College Building Authority	Eliminations	Total
Current Assets				
Cash and cash equivalents	$ 11,925,741	$ 1,332	$ -	$ 11,927,073
Cash and cash equivalents, restricted	3,629,279	-	-	3,629,279
Accounts receivable, net	1,351,001	-	-	1,351,001
Current maturities of lease	-	204,067	(204,067)	-
Interest receivable	-	92,840	(92,840)	-
Property taxes receivable	3,345,190	-	-	3,345,190
Prepaids	314,899	-	-	314,899
Total current assets	20,566,110	298,239	(296,907)	20,567,442
Noncurrent Assets				
Long-term lease	-	4,078,203	(4,078,203)	-
Advance construction payments	99,031	-	-	99,031
Capital assets, net of accumulated depreciation	33,800,183	-	-	33,800,183
Investments held by others	12,869,154	-	-	12,869,154
Total noncurrent assets	46,768,368	4,078,203	(4,078,203)	46,768,368
Total assets	67,334,478	4,376,442	(4,375,110)	67,335,810
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	2,055,991	-	-	2,055,991
Debt Defeasance	-	149,474	-	149,474
Capital Lease Defeasance	150,912	-	(150,912)	-
Total deferred outflows of resources	2,206,903	149,474	(150,912)	2,205,465
LIABILITIES				
Current Liabilities				
Accounts payable	1,256,738	-	-	1,256,738
Payroll and related liabilities	1,259,501	-	-	1,259,501
Liability for voluntary termination	840,469	-	-	840,469
Accrued compensated absences	362,857	-	-	362,857
Accrued interest payable	92,840	9,135	(92,840)	9,135
Advance payments	252,199	-	-	252,199
Custodial deposits	341,704	-	-	341,704
Capital lease obligation	204,067	-	(204,067)	-
Current maturities of bonds payable	-	204,067	-	204,067
Total current liabilities	4,610,375	213,202	(296,907)	4,526,670
Noncurrent Liabilities				
Liability for voluntary termination	343,299	-	-	343,299
Accrued compensated absences	120,952	-	-	120,952
Capital lease obligation	4,078,203	-	(4,078,203)	-
Long-term bonds payable	-	4,078,203	-	4,078,203
Net pension liability	7,625,467	-	-	7,625,467
Total noncurrent liabilities	12,167,921	4,078,203	(4,078,203)	12,167,921
Total liabilities	16,778,296	4,291,405	(4,375,110)	16,694,591
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows of Resources	400,229	-	-	400,229
Property Taxes	3,200,601	-	-	3,200,601
Capital Lease Defeasance	-	150,912	(150,912)	-
Total deferred inflows of resources	3,600,830	150,912	(150,912)	3,600,830
NET POSITION				
Net Investment in Capital Assets	29,517,913		-	29,517,913
Restricted for:				-
Nonexpendable	10,689,631	-	-	10,689,631
Expendable:				
Scholarships	3,509,782	-	-	3,509,782
Capital projects	2,068,840	-	-	2,068,840
Unrestricted	3,376,089	83,599	-	3,459,688
Total net position	$ 49,162,255	$ 83,599	$ -	$ 49,245,854

NORTHWEST COLLEGE

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2016

	Northwest College	Northwest College Building Authority	Eliminations	Total
Operating Revenues				
Tuition and fees	$ 1,830,909	$ -	$ -	$ 1,830,909
Federal grants and contacts	754,524	-	-	754,524
State and local grants and contracts	246,636	-	-	246,636
Auxiliary enterprise charges	2,902,332	-	-	2,902,332
Other operating revenues	831,539	-	-	831,539
Total operating revenues	6,565,940	-	-	6,565,940
Operating Expenses				
Instruction	11,065,446	-	-	11,065,446
Public service	105,562	-	-	105,562
Academic support	2,621,769	-	-	2,621,769
Student services	3,239,823	-	-	3,239,823
Institutional support	4,733,374	-	-	4,733,374
Operation and maintenance of plant	3,196,628	10,793	-	3,207,421
Scholarships	2,053,144	-	-	2,053,144
Auxiliary enterprises	4,095,404	-	-	4,095,404
Depreciation	2,451,396	-	-	2,451,396
Total operating expenses	33,562,546	10,793	-	33,573,339
Operating (loss)	(26,996,606)	(10,793)	-	(27,007,399)
Nonoperating Revenues (Expenses)				
Non-exchange Federal and state grants	4,024,086			4,024,086
State appropriations	16,222,547			16,222,547
Local appropriations	5,079,057			5,079,057
Private gifts, grants and contracts	126,940			126,940
Net investment income	85,733	325		86,058
Direct financing income	-	128,175	(128,175)	-
Interest expense	(128,175)	(103,608)	128,175	(103,608)
In-kind contributions (Chartwell)	672,291	-	-	672,291
Loss on sale of assets	(15,199)	-	-	(15,199)
Total nonoperating revenues	26,067,280	24,892	-	26,092,172
Income (loss) before other revenue, expenses, gains, or losses	(929,326)	14,099	-	(915,227)
Other Revenue, Expenses, Gains or Losses				
State endowment appropriation	741,112	-	-	741,112
Total other revenue, expenses, gains, or losses	741,112	-	-	741,112
Increase (decrease) in net position	(188,214)	14,099	-	(174,115)
Net Position				
Beginning, as previously reported	49,350,469	69,500	-	49,419,969
Ending	$ 49,162,255	$ 83,599	$ -	$ 49,245,854

NORTHWEST COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Student Financial Aid Cluster:			
U.S. Department of Education:			
Federal Direct Student Loans	84.268	P268K132457	$ 1,612,537
Federal Pell Grant Program	84.063	P063P102457	1,748,141
Federal Work-Study Program	84.033	P033A104574	49,188
Federal Supplemental Educational Opportunity Gr	84.007	P007A104574	31,529
Total Student Financial Aid Cluster			3,441,395
Research and Development Cluster:			
U.S. Department of Agriculture:			
Risk Management Education and Outreach			
HOPS Grant	10.170		6,228
Total U.S. Department of Agriculture			6,228
U.S. Department of Health and Human Services:			
Passed through University of Wyoming			
National Center for Research Resources	93.389	DHHSNIHLC4090	56,345
Total U.S. Department of Health and Human Services			56,345
U.S. Department of Energy:			
Passed through University of Wyoming	47.079	1001498-NWC	1,968
EPSCOR Wind Grant			
Total U.S. Department of Energy			1,968
National Park Service:			
Passed through University of Wyoming			
Big Horn Canyon - Intern	None	1001628-NWC	1,547
Big Horn Canyon - Visual Database	None	DOINPS40371	1,115
Total passed through University of Wyoming			2,662
Passed through St. Cloud University			
BICA - Tree Ring Analysis	None	P13AC00216	3,486
BICA - Bad Pass Trail	None		7,294
Total passed through St. Cloud University			10,780
Total National Park Service			13,442

Continued

NORTHWEST COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Other Programs:			
U.S. Department of Education:			
Trio - Student Support Services	84.042A	P042A050506	246,156
College Access Challenge Grant Program	84.378A	P378A130038	21,804
			267,960
Passed through Wyoming Department of Education:			
Vocational Education - Basic Grants to States	84.048A	111550PPS00	83,006
Child Care Food Program	10.558		9,924
Temporary Assistance for Needy Families	93.558		15,225
Total passed through Wyoming Department of Education			108,155
Passed through Wyoming Community College Commission:			
Adult Education Basic Grants to States	84.002A	ABE13R08	56,193
Passed through University of Wyoming:			
Gear-Up	84.334S	DOINPS42511	257,448
Total other programs - U.S. Department of Education			689,756
Total U.S. Department of Education			4,131,151
Total Federal award expenditures			$ 4,209,134

See Notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes Federal award activity of Northwest College (the "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 of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the College.

Note 2. Summary of Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The College did not provide any amounts to subrecipients. The College has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

McGee, Hearne & Paiz, LLP
Certified Public Accountants and Consultants

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 discretely presented component unit of Northwest College (the "College"), as of and for the year ended June 30, 2016; and the Northwest College Foundation (the "Foundation") as of and for the year ended December 31, 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 November 17, 2016. The financial statements of the College's discretely presented component unit, Northwest College Foundation, were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Northwest College Foundation.

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 College'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.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
November 17, 2016

McGee, Hearne & Paiz, LLP
Certified Public Accountants and Consultants

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

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 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, 2016. 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 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 Title 2 U.S. Code of Federal Regulations (CFR) 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 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, 2016.

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 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 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. However, 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
November 17, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: 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?	______ Yes	X 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 2 CFR 200.516(a)?	______ Yes	X No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
Cluster	Student Financial Aid
84.334S	Gear-Up

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee?	X Yes	______ No

II. FINANCIAL STATEMENT FINDINGS

None.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

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

Finding	Status
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.	During FY 2016, we reviewed the procedures that were currently in place. As part of this review, we implemented a new process where data submitted to the Clearinghouse was reviewed by the Registrar and Assistant Registrar. In addition, the Registrar's office modified its process related to reviewing a report prepared by the Student Financial Aid office to ensure all failed students were reported to the Clearinghouse and any errors noted were corrected. Finally, the Registrar's office went live with DegreeVerify to alleviate graduate reporting errors. *Auditor's Comment* – During the course of our testing of this program in the current year, no similar findings were noted.