NORTHWEST COLLEGE

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2017

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, 2017 and 2016, and its discretely presented component unit, Northwest College Foundation (the "Foundation"), as of and for the years ended December 31, 2016 and 2015, 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 audits. We conducted our audits 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, 2017 and 2016, and December 31, 2016 and 2015, 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 12, and certain pension plan information on pages 40 through 42, 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.

Supplementary Information

Our audits were 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 27, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's 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 27, 2017

NORTHWEST COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management 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, 2017, with selected comparative information for the year ended June 30, 2016. 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 including Northwest College Building Authority as a blended component unit (the "College") as the primary entity but also includes the Northwest College Foundation financial information as a discretely presented 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.

The College's financial statements consist of the following funds:

Unrestricted Funds	Restricted	Endowment	Agency Fund	Plant Fund
Operating Fund	General Restricted Fund	NWC Quasi Endowment Fund	Agency Fund	Plant Renewal and Replacement Fund
One Mill Fund	Federal Pell/SEOG/Workstudy Fund		Agency-Foundation Pass-Through Fund	Plant Construction Fund
Auxiliary Fund	Federal Funds Fund			Fixed Assets Fund
Community Education Non-Credit Fund	Restricted Scholarships Fund			Retirement of Indebtedness Fund
Continuing Education-Contract Training Fund	Workforce Restricted Fund			

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 statements include: 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 and adjustments are necessary in the preparation of these entity-wide financial statements when compared to internally generated financial statements by fund.

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, and includes all assets, deferred outflows, liabilities, and deferred inflows of the College. In addition, this statement segregates the assets and liabilities into current and noncurrent components. The difference between assets, deferred outflows, liabilities, and deferred inflows represents the College's net position. The 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, 2017, 2016, and 2015 is presented below:

	2017	2016	2015
Assets			
Current assets	**$ 19,505,242**	$ 20,567,442	$ 19,693,699
Noncurrent assets	**45,877,129**	46,768,368	46,451,538
Total assets	**65,382,371**	67,335,810	66,145,237
Deferred Outflows of Resources			
Pension related deferred outflows	**1,664,769**	2,055,991	896,391
Debt defeasance	**140,682**	149,474	158,267
Total deferred outflows of resources	**1,805,451**	2,205,465	1,054,658
Liabilities			
Current liabilities	**2,926,812**	4,526,670	2,764,811
Noncurrent liabilities	**11,896,273**	12,167,921	10,547,913
Total liabilities	**14,823,085**	16,694,591	13,312,724
Deferred Inflows of Resources			
Pension related deferred inflows	**371,525**	400,229	118,995
Property taxes	**3,024,911**	3,200,601	4,348,207
Total deferred inflows of resources	**3,396,436**	3,600,830	4,467,202
Net Position			
Net investment in capital assets	**28,188,912**	29,517,913	29,438,211
Restricted nonexpendable	**10,726,922**	10,689,631	9,948,519
Restricted expendable - scholarship	**3,681,098**	3,509,782	3,710,380
Restricted expendable - capital asset purchases	**2,053,775**	2,068,840	1,393,915
Unrestricted net position	**4,317,594**	3,459,688	4,928,944
Total net position	**$ 48,968,301**	$ 49,245,854	$ 49,419,969

Total net position decreased $277,553 in fiscal year 2017 to a total of $48,968,301. In fiscal year 2016, total net position decreased $174,115 to a total of $49,245,854. This will be discussed in more detail in the next sections of this analysis. The unrestricted net position, $4,317,594 in 2017 and $3,459,688 in 2016, 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 2017, the unrestricted cash decreased by $747,825. In 2016, the unrestricted cash of the College increased by $1.1 million. Park County property and mineral values decreased in 2017, decreasing the property tax receivable from $3,345,190 in 2016 to $3,107,620 in 2017. The 2017 decrease in Park County property and mineral values was in addition to the 2016 decrease where the property tax receivable decreased from $4,445,144 in 2015 to $3,345,190 in 2016. See additional discussion of the decrease in assessed property values under Statement of Revenues, Expenses, and Changes in Net Position below.

Noncurrent assets, \$45,877,129 and \$46,768,368 for the period ended June 30, 2017 and 2016, respectively, are made up of land, buildings, improvements, construction in progress, equipment, library books, and endowment challenge. These values, except the endowment challenge which is valued at fair value, are stated based on original amounts less depreciation. In 2017, \$966,924 was spent on new capital improvements which included Colter Hall Window Replacements, 6th Street ADA Upgrades, Level 1 studies for the Visual and Performing Arts Center and Student Center, in addition to various equipment purchases. 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 decrease of \$1,533,068 for 2017. The College endowment held by the Foundation continued to grow resulting in an increase of \$740,860 for the year ended June 30, 2017 compared to a \$434,858 increase for the year ended June 30, 2016.

Total Liabilities for the period ended June 30, 2017 were \$14,823,085 compared to 16,694,591 as of June 30, 2016. Included in this decrease is \$840,468 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 received either a lump sum benefit or paid out over the course of 12 months. The remaining decrease is related reduction in payroll and related liabilities due to the overall reduction in salaries due to early retirement and accounts payable decrease due to no large construction projects occurring at June 30, 2017.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented in fiscal year 2015. GASB 68 requires the College to recognize its proportionate share of the total net pension liability as calculated by the Wyoming Retirement System's actuarial firm. Based on the calculations performed by the actuarial firm, the College's portion of the pension-related outflows is \$1,664,769, inflows is \$371,525, and the net pension liability is \$7,910,532; these amounts were recorded on the Statements of Net Position. This is in comparison to fiscal year 2016 when the pension-related outflows \$2,055,911, inflows \$400,229 and net pension liability of \$7,625,467.

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."

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

	2017	2016	2015
Operating Revenues			
Tuition and fees (net allowances)	**$ 2,710,011**	$ 1,830,909	$ 2,136,852
Federal grants and contracts	**794,447**	754,524	783,835
State and local grants and contracts	**339,208**	246,636	421,067
Auxiliary enterprises (net allowances)	**3,452,789**	2,902,332	3,204,524
Other	**736,487**	831,539	2,445,135
Total operating revenues	**8,032,942**	6,565,940	8,991,413
Operating Expenses			
Instruction	**9,244,808**	11,065,446	9,889,414
Public service	**226,023**	105,562	174,700
Academic support	**1,716,390**	2,621,769	2,564,893
Student services	**3,246,523**	3,239,823	3,510,301
Institutional support	**5,248,500**	4,733,374	4,291,474
Operation and maintenance of plant	**2,588,579**	3,207,421	4,536,582
Scholarships	**2,671,870**	2,053,144	2,553,370
Auxiliary enterprises	**4,720,659**	4,095,404	4,113,663
Depreciation expense	**2,481,537**	2,451,396	2,254,684
Total operating expense	**32,144,889**	33,573,339	33,889,081
Operating loss	**(24,111,947)**	(27,007,399)	(24,897,668)
Non-Operating Revenues	**23,797,103**	26,092,172	25,000,167
State Endowment Appropriation	**37,291**	741,112	1,488,416
Increase (decrease) in net position	**$ (277,553)**	$ (174,115)	$ 1,590,915

The Wyoming Community College Commission (WCCC) is responsible for setting the tuition rates for all Wyoming Colleges and those rates are set based on a June 30 fiscal year. The WCCC set the in-state tuition rates at $89 per credit hour for 2017 up from $83 for fiscal years 2016 and 2015. The College is responsible for setting fixed fee and course fee rates. The board of trustees approves the College's fixed rate fees annually. These rates were set at $30 per credit hour for 2017 and $26 per credit hour for 2016 and 2015. These increases in tuition have been offset by fluctuations in enrollment. The College's enrollment head count has been:

Year Ended	Fall Semester	Spring Semester	Combined
June 30, 2017	1,715	1,660	3,375
June 30, 2016	1,754	1,809	3,563
June 30, 2015	1,719	1,801	3,520

Based on the above enrollment history, the 2017 $602,303 increase in tuition and fees before scholarship allowance is due to the increase in tuition and fees noted above. For 2016, there was a decrease of $274,877 compared to 2015. 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 $1,661,300 in 2017 and $1,938,099 in 2016.

State appropriations make up the bulk of our total revenues and represent approximately 45% in 2017 and 50% in 2016 of the respective total revenue. During 2017, total State appropriations decreased by $1,807,682 compared to 2016. Decreases in state appropriations were due to significant budget cuts due to decreased production of oil and gas in the state of Wyoming reducing mineral royalty revenue and decrease in investment returns. In addition, the decrease also occurred due to the implementation of House Bill 80 and adjustments made to the Wyoming Community College funding formula.

Local appropriations are included in non-operating revenue. Local appropriations include both mill-levy revenue based on Park County property tax valuation and motor vehicle registration fees. As the majority of local appropriations is property tax valuation, the following table represents the Park County assessed value for the previous 5 years and the upcoming fiscal year:

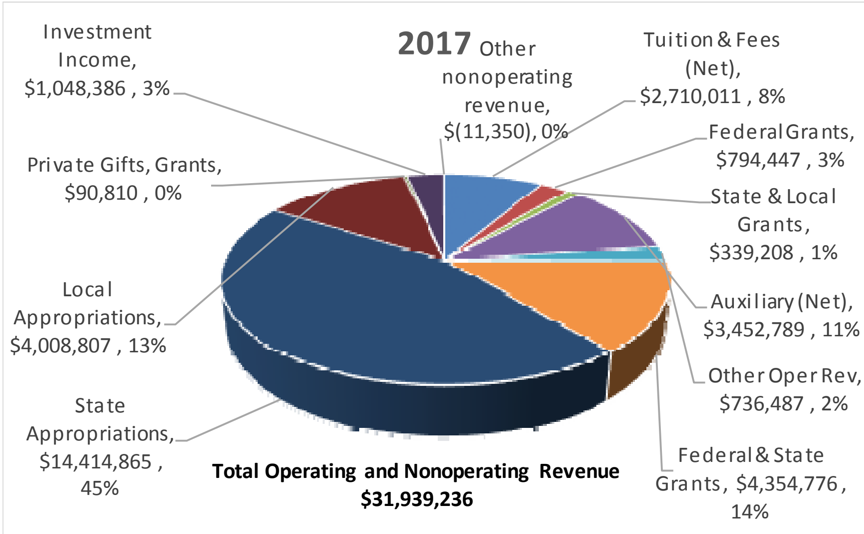
Fiscal Year	County Valuation ($)	% Change (Decrease)
June 30, 2018	$604,982,133	(5.49%)
June 30, 2017	$640,120,277	(26.39%)
June 30, 2016	$869,641,470	(0.24%)
June 30, 2015	$871,694,681	(0.12%)
June 30, 2014	$872,773,553	(2.91%)
June 30, 2013	$898,934,343	

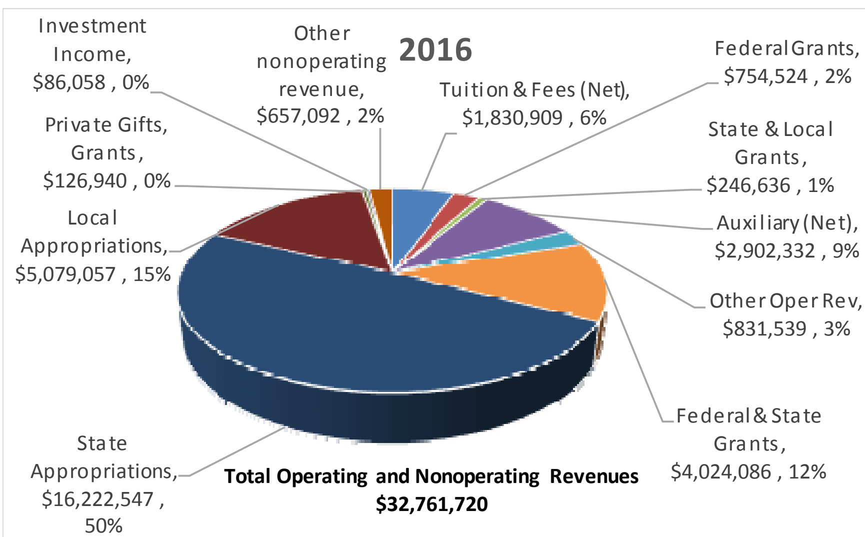
Local appropriations revenue decreased $1,070,250 from 2016 and represent approximately 13% in 2017 and 15% in 2016 of total revenue.

Auxiliary services consist primarily of housing and dining services. Income on these areas vary annually based on enrollment and rates charged by these auxiliary services. Occupancy in the residence halls and meal plans sold have remained consistent for the last few years. 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 2017 and 2016; auxiliary revenue increased by $550,457 while expenses increased by $625,255. Expenses increased greater than revenue due to the repairs being made to Trapper Village West Non-traditional Housing Units. In 2016, Auxiliary Enterprise revenue decreased by $302,192 while expenditures continued to remain stable.

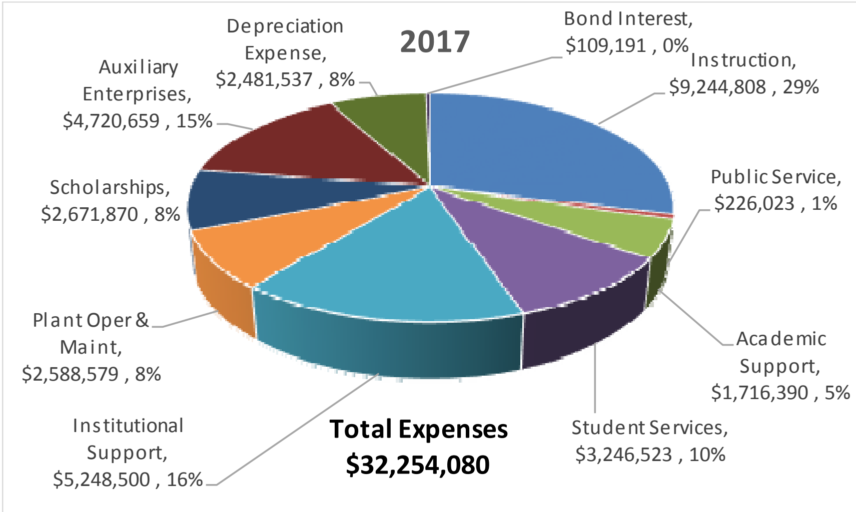
In 2017, the Wyoming Challenge Match Endowment cost basis had an increase of $37,291 compared to a $741,112 increase in 2016. The College portion of the Wyoming Challenge Match Endowment held by the Foundation had a book value of $11,222,834 and market value of $13,610,014 as of June 30, 2017.

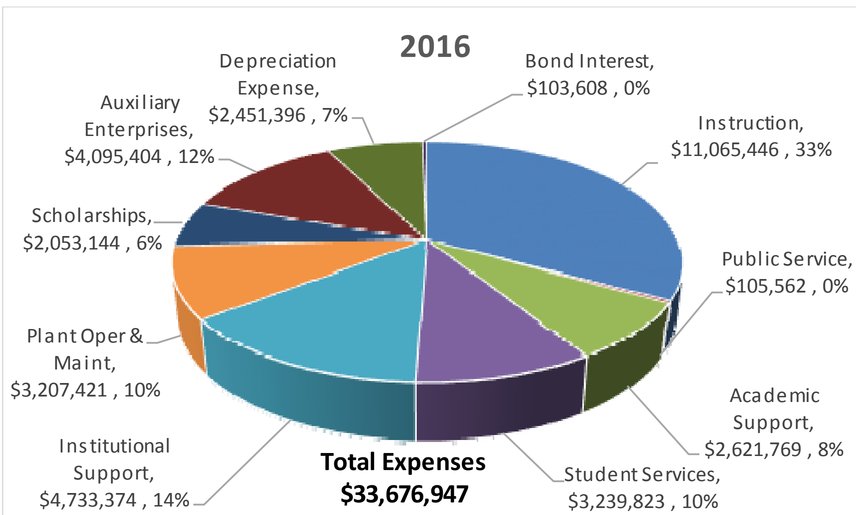
The charts below reflect operating and non-operating revenues for fiscal years 2017 and 2016:





The charts below reflect total expenses by their functions for fiscal years 2017 and 2016:





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 Statement of Cash Flows found on page 18.

	2017	2016	2015
Cash provided by (used in):			
Operating activities	**$ (22,487,842)**	$ (22,103,972)	$ (21,633,019)
Noncapital financing activities	**22,871,785**	25,332,669	25,059,472
Capital and related financing activities	**(2,014,373)**	(2,409,627)	(4,903,900)
Investing activities	**1,085,677**	827,170	2,311,130
Net increase (decrease) in cash and cash equivalents	**(544,753)**	1,646,240	833,683
Cash and cash equivalents, beginning of year	**15,556,352**	13,910,112	13,076,429
Cash and cash equivalents, end of year	**$ 15,011,599**	$ 15,556,352	$ 13,910,112

In summary, the cash provided by noncapital financing activities was less than the cash used in operating, capital, and investing activities by $544,753. In 2016, the cash provided by noncapital financing activities was more than the cash used in operating, capital, and investing activities by $1,646,240.

OTHER CONSIDERATIONS

The College is accredited by the Higher Learning Commission. The College accreditation was affirmed through a focus visit which occurred in August 2013. The Higher Learning Commission completed an on-site comprehensive evaluation in September 2017 and as of the date of this report the College is awaiting the results of this visit. In addition, three College departments hold national accreditations through subject matter accrediting bodies. These accrediting bodies are as follows National Association of Schools of Art & Design, National Association of Schools of Music, and Accreditation Commission for Education in Nursing.

The College is required by State Statute to update its facility master plan every five years. In the master plan that was updated March 2014, the Nelson Performing Arts Center and DeWitt Student Center were identified as top priorities for capital improvements. In the summer and fall of 2016, Level 1 studies were completed related to the remodeling or replacement of these facilities. The Level 1 studies were submitted and approved by the Wyoming Community College Commission and State Building Commission in July 2017. The projects have been submitted to the Governor for potential Level 2 funding as part of the 2019-2020 biennium budget.

Funding received from State and local appropriations decreased for fiscal year 2017 and 2018. These decreases are a result of decreased oil and gas production and the resulting revenue collected/expected to be received by the State of Wyoming and Park County. These reduced revenues had a large effect on the College's receipt of state and local revenues sources for fiscal year 2017. The steps taken by the College during 2017 budget reductions minimized the effects on 2018 operations. During the upcoming 2018 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 and has established a new baseline for operations.

Through all these changes, the College remains focused and is guided by its mission and vision.

vision
2020

Innovation & Distinction in...

▪ Experience ▪ Connections
▪ Environment

NORTHWEST COLLEGE

STATEMENTS OF NET POSITION
June 30, 2017 and 2016

ASSETS	**2017**	2016
Current Assets		
Cash and cash equivalents (Note 2)	**$ 11,179,248**	$ 11,927,073
Cash and cash equivalents, restricted (Note 2)	**3,832,351**	3,629,279
Accounts receivable, net allowance of $200,000 for 2017 and 2016	**1,240,743**	1,351,001
Property taxes receivable	**3,107,620**	3,345,190
Prepaids	**145,280**	314,899
Total current assets	**19,505,242**	20,567,442
Noncurrent Assets		
Advance construction payments	**-**	99,031
Capital assets, net of accumulated depreciation (Note 3)	**32,267,115**	33,800,183
Investments held by others (Note 2)	**13,610,014**	12,869,154
Total noncurrent assets	**45,877,129**	46,768,368
Total assets	**65,382,371**	67,335,810
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows (Note 5)	**1,664,769**	2,055,991
Debt Defeasance	**140,682**	149,474
Total deferred outflows of resources	**1,805,451**	2,205,465
LIABILITIES		
Current Liabilities		
Accounts payable	**685,793**	1,256,738
Payroll and related liabilities	**760,963**	1,259,501
Liability for voluntary termination (Note 4)	**340,728**	840,469
Accrued compensated absences (Note 4)	**342,772**	362,857
Accrued interest payable	**8,700**	9,135
Advance payments	**200,915**	252,199
Custodial deposits (Note 10)	**377,650**	341,704
Current maturities of note payable (Note 4)	**209,291**	204,067
Total current liabilities	**2,926,812**	4,526,670
Noncurrent Liabilities		
Liability for voluntary termination (Note 4)	**2,572**	343,299
Accrued compensated absences (Note 4)	**114,257**	120,952
Note payable, less current maturities (Note 4)	**3,868,912**	4,078,203
Net pension liability (Note 5)	**7,910,532**	7,625,467
Total noncurrent liabilities	**11,896,273**	12,167,921
Total liabilities	**14,823,085**	16,694,591
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows of Resources (Note 5)	**371,525**	400,229
Unavailable Property Taxes	**3,024,911**	3,200,601
Total deferred inflows of resources	**3,396,436**	3,600,830
NET POSITION		
Net Investment in Capital Assets	**28,188,912**	29,517,913
Restricted for:		
Nonexpendable	**10,726,922**	10,689,631
Expendable:		
Scholarships	**3,681,098**	3,509,782
Capital projects	**2,053,775**	2,068,840
Unrestricted	**4,317,594**	3,459,688
Total net position	**$ 48,968,301**	$ 49,245,854

See Notes to Financial Statements.

NORTHWEST COLLEGE

COMPONENT UNIT - NORTHWEST COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

ASSETS		**2016**		2015
Cash and cash equivalents, including $25,878 and $31,178, respectively, held for Boys and Girls Club (Note 2)	**$**	**592,702**	$	343,196
Investments (Note 2)		**1,090,856**		1,012,446
Contributions receivable		**353,290**		274,412
Accounts receivable		**-**		299,215
Cash and cash equivalents restricted by donors for long-term purposes (Note 2)		**1,316,157**		1,625,205
Investments for long-term purposes, including $1,099,824 and $1,006,101, respectively, held for Boys and Girls Club (Note 2)		**33,952,431**		30,153,564
Beneficial interest in perpetual trust		**861,539**		856,931
Other assets		**675,782**		675,782
Total assets	**$**	**38,842,757**	$	35,240,751
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	**$**	**22,445**	$	7,282
Investments held for others (Note 2)		**13,575,307**		12,919,099
Assets held in trust		**1,017,905**		986,915
Liabilities associated with charitable gift annuities		**228,034**		204,856
Total liabilities		**14,843,691**		14,118,152
Net Assets				
Unrestricted		**2,318,586**		2,158,821
Temporarily restricted		**3,575,665**		2,819,558
Permanently restricted		**18,104,815**		16,144,220
Total net assets		**23,999,066**		21,122,599
Total liabilities and net assets	**$**	**38,842,757**	$	35,240,751

See Notes to Financial Statements.

NORTHWEST COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Revenues		
Tuition and fees, net of scholarship allowance of 2017 $1,661,300; 2016 $1,938,099	**$ 2,710,011**	$ 1,830,909
Federal grants and contacts	**794,447**	754,524
State and local grants and contracts	**339,208**	246,636
Auxiliary enterprise charges, net of scholarship allowance of 2017 $894,546; 2016 $1,043,592	**3,452,789**	2,902,332
Other operating revenues	**736,487**	831,539
Total operating revenues	**8,032,942**	6,565,940
Operating Expenses (Note 11)		
Instruction	**9,244,808**	11,065,446
Public service	**226,023**	105,562
Academic support	**1,716,390**	2,621,769
Student services	**3,246,523**	3,239,823
Institutional support	**5,248,500**	4,733,374
Operation and maintenance of plant	**2,588,579**	3,207,421
Scholarships	**2,671,870**	2,053,144
Auxiliary enterprises	**4,720,659**	4,095,404
Depreciation	**2,481,537**	2,451,396
Total operating expenses	**32,144,889**	33,573,339
Operating (loss)	**(24,111,947)**	(27,007,399)
Nonoperating Revenues (Expenses)		
Non-exchange Federal and state grants	**4,354,776**	4,024,086
State appropriations	**14,414,865**	16,222,547
Local appropriations	**4,008,807**	5,079,057
Private gifts, grants and contracts	**90,810**	126,940
Net investment gain	**1,048,386**	86,058
Interest expense	**(109,191)**	(103,608)
In-kind contributions (Chartwell) of capital assets	**-**	672,291
Loss on sale of assets	**(11,350)**	(15,199)
Total nonoperating revenues	**23,797,103**	26,092,172
(Loss) before other revenue, expenses, gains, or losses	**(314,844)**	(915,227)
Other Revenue, Expenses, Gains, or Losses		
State endowment appropriation	**37,291**	741,112
Total other revenue, expenses, gains, or losses	**37,291**	741,112
(Decrease) in net position	**(277,553)**	(174,115)
Net Position, beginning	**49,245,854**	49,419,969
Net Position, ending	**$ 48,968,301**	$ 49,245,854

See Notes to Financial Statements.

NORTHWEST COLLEGE

COMPONENT UNIT - NORTHWEST COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2016 and 2015

	2016	2015
Unrestricted Net Assets		
Revenue, gains, and other support:		
Contributions	**$ 13,792**	$ 24,240
Investment income, net	**95,661**	(29,377)
In-kind contributions	**163,879**	128,151
Administrative fees	**336,354**	303,816
Miscellaneous	**53,856**	55,506
Net assets released from restrictions	**1,349,830**	1,384,428
Total unrestricted revenue, gains, and other support	**2,013,372**	1,866,764
Expenses and losses:		
Program services:		
Scholarships for students	**1,010,616**	855,434
Program support for College	**311,053**	514,125
Total program expenses	**1,321,669**	1,369,559
Management and fundraising:		
Salaries and benefits	**387,460**	316,482
Development activities	**29,840**	22,858
Office expense	**45,131**	60,763
Legal and accounting	**18,080**	17,660
Real property expense	**5,783**	6,841
Miscellaneous	**25,781**	13,210
Printing	**6,380**	8,981
Training expense	**7,483**	6,014
Travel expense	**6,000**	3,900
Total management and fundraising expenses	**531,938**	456,709
Total expenses	**1,853,607**	1,826,268
Increase in unrestricted net assets	**159,765**	40,496

Continued

See Notes to Financial Statements.

NORTHWEST COLLEGE

COMPONENT UNIT - NORTHWEST COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES (*Continued*)
Years Ended December 31, 2016 and 2015

	2016	2015
Temporarily Restricted Net Assets		
Contributions	$ 449,789	$ 307,399
Investment income, net	1,671,409	(84,250)
Change in liabilities associated with charitable gift annuities	(23,173)	22,895
Change in present value of beneficial interest in perpetual trusts	4,608	(88,624)
Miscellaneous income	3,304	602
Net assets released from restrictions	(1,349,830)	(1,384,428)
Modification of contributions restricted by donors	-	1,651,387
Increase in temporarily restricted net assets	756,107	424,981
Permanently Restricted Net Assets		
Contributions	1,960,595	1,027,792
Royalty	-	7,709
Modification of contributions restricted by donors	-	(1,651,387)
Increase (decrease) in permanently restricted net assets	1,960,595	(615,886)
Increase (decrease) in net assets	2,876,467	(150,409)
Net Assets, beginning of year	21,122,599	21,273,008
Net Assets, end of year	$ 23,999,066	$ 21,122,599

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Received from students and customers	$ 8,151,269	$ 6,442,279
Payments to employees and benefits	(18,822,389)	(18,292,584)
Payments to vendors and suppliers	(9,180,798)	(8,222,397)
Payments for scholarships	(2,671,870)	(2,053,144)
Other receipts	35,946	21,874
Net cash (used in) operating activities	(22,487,842)	(22,103,972)
Cash Flows from Noncapital Financing Activities		
Non-exchange Federal and state grants	4,354,776	4,024,086
State appropriations	14,355,512	16,165,437
Local appropriations	4,070,687	5,031,405
Gifts, endowments and grants for other than capital purchase	90,810	111,741
Net cash provided by noncapital financing activities	22,871,785	25,332,669
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(966,924)	(1,676,275)
Proceeds from sale of capital assets	7,105	15,199
Interest paid on note	(109,626)	(115,963)
Payment of note principal	(204,067)	(197,730)
State endowment invested in Foundation	(740,861)	(434,858)
Net cash (used in) capital and related financing activities	(2,014,373)	(2,409,627)
Cash Flows from Investing Activities		
State endowment appropriation	37,291	741,112
Interest received on investment	1,048,386	86,058
Net cash provided by investing activities	1,085,677	827,170
Net increase (decrease) in cash and cash equivalents	(544,753)	1,646,240
Cash and Cash Equivalents		
Beginning of year	15,556,352	13,910,112
End of year	$ 15,011,599	$ 15,556,352
Reconciliation of Operating (Loss) to Net Cash (Used in)		
Operating Activities:		
Operating (loss)	$ (24,111,947)	$ (27,007,399)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	2,481,537	2,451,396
Net pension liability	285,065	1,527,576
Deferred outflows - pension	391,222	(1,159,600)
Deferred inflows - pension	(28,704)	281,234
Debt defeasance amortization	8,793	8,793
Changes in assets and liabilities:		
Receivables, net	169,611	(175,589)
Prepaids	169,619	(94,758)
Advance construction payments	99,031	-
Accounts payable and related liabilities	(1,874,005)	2,013,185
Advance payments	(51,284)	51,928
Accrued compensated absences	(26,780)	(738)
Total adjustments	1,624,105	4,903,427
Net cash (used in) operating activities	$ (22,487,842)	$ (22,103,972)
Noncash Financing and Investment Activity Information		
In-kind capital contributions (Chartwell)	$ -	$ 672,291

See Notes to Financial Statements.

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.

Jointly governed organizations (not included in the College reporting entity): Under provisions of Wyoming Statutes Section 21-20-101 et seq., the College has joined with Park County School District No. 1 to form the Park County School District No. 1 Board of Cooperative Educational Services. The purpose of this board is to provide adult, community, and continuing education. The transactions of this board are not included in these financial statements.

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

Investments: The College accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under GASB 31, unrealized gains and losses on investments are included in the Statement of Revenues, Expenses, and Changes in Net Position.

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

Property tax receivable: Property tax receivable includes delinquent property tax receivable and property taxes assessed during the year which will be levied and billed in the subsequent year.

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, 2017 and 2016:

- Investments held by the Foundation of $13,610,014 and $12,869,154 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 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, 2017 and 2016, the College recognized revenue and expenses in the amount of $1,784,089 and $1,612,537, 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.

***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. The Foundation maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Foundation believes it is not exposed to any significant credit risk on cash and 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.

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.

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 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 $3,832,351 and $3,629,279 as of June 30, 2017 and 2016, 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, 2017, the carrying amount of the College's deposits was $15,011,599 and the bank balance was $15,883,397, of which all was insured or secured by pledged assets.

***Northwest College Foundation*:**

Fair value measurements:

ASC 820-10, the Fair Value Measurements 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 asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Level 2 valuations are based on quoted market prices for identical assets in less than active markets.

Investments in marketable securities, including agency investment held for Boys & Girls Clubs, consists of the following at December 31, 2016 and 2015:

	2016	
	Cost	**Fair Value**
Level 1:		
Mutual/index funds	**3,549,179**	**3,728,551**
Equity	**21,604,417**	**26,417,630**
Total Level 1	**25,153,596**	**30,146,181**
Level 2:		
U.S. Treasury securities	**$ 1,470,264**	**$ 1,447,672**
Other U.S. Government bonds	**154,303**	**153,184**
Corporate bonds	**436,429**	**441,470**
Investment in hedge fund	**3,191,799**	**2,854,780**
Total Level 2	**5,252,795**	**4,897,106**
Total investments held by the Northwest College Foundation	**$ 30,406,391**	**$ 35,043,287**

	2015	
	Cost	Fair Value
Level 1:		
Mutual/index funds	3,467,272	3,635,774
Equity	19,498,270	22,885,860
Total Level 1	22,965,542	26,521,634
Level 2:		
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
Investment in hedge fund	3,131,211	2,909,957
Total Level 2	4,890,545	4,644,376
Total investments held by the Northwest College Foundation	$ 27,856,087	$ 31,166,010

Reported under the following captions:

	2016	2015
Investments	**$ 1,090,856**	$ 1,012,446
Investments restricted by donors for long-term purposes and investments held for others	**33,952,431**	30,121,165
	$ 35,043,287	$ 31,133,611

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 service firms totaling $869,061 and $975,660 at December 31, 2016 and 2015, respectively, was fully insured by the Securities Investor Protection Corporation (SIPC).

The bank balances of cash with the financial institution were $1,035,520 and $1,001,510 and at December 31, 2016 and 2015, respectively. At December 31, 2016, $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, 2017 and 2016, the following tables show the fixed-income investments by type, amount and maturity for the endowed scholarship fund that includes the endowment challenge funds:

	Fair Value	Less than 1	1 to 5	More than 5
			2017	
Investment Type:				
U.S. Treasury	**$ 1,213,000**	**$ -**	**$ 379,000**	**$ 834,000**
Government obligations	**2,202,000**	**-**	**107,000**	**2,095,000**
	$ 3,415,000	**$ -**	**$ 486,000**	**$ 2,929,000**
			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

The quality rating of debt securities in the Foundation's investment portfolio at fair value as of June 30, 2017 is as follows:

U.S. Government investments (S&P rating AA+)	$ 3,415,000

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

As of December 31, 2016 and 2015, the Foundation held $13,575,307 and $12,919,099, respectively, of investments for the College.

Note 3. Capital Assets

A summary of changes in the capital assets for the years ended June 30, 2017 and 2016 is as follows:

	Balance June 30, 2016	Additions	Deletions	Transfers In (Out)	Balance June 30, 2017
Capital assets not being depreciated:					
Land	$ 1,464,663	$ -	$ -	$ -	$ 1,464,663
Art, literature, and artifacts	50,000	-	-	-	50,000
Construction in progress	598,920	687,708	(17,946)	(1,115,976)	152,706
Total capital assets not being depreciated	$ 2,113,583	$ 687,708	$ (17,946)	$ (1,115,976)	$ 1,667,369
Other capital assets:					
Land improvements	$ 1,476,701	$ -	$ -	$ 365,971	$ 1,842,672
Buildings	63,839,242	-	-	731,204	64,570,446
Machinery and equipment	6,770,447	279,216	(359,341)	18,801	6,709,123
Total other capital assets	72,086,390	279,216	(359,341)	1,115,976	73,122,241
Less accumulated depreciation for:					
Land improvements	255,601	106,932	-	-	362,533
Buildings	35,163,831	1,831,192	-	-	36,995,023
Machinery and equipment	4,980,358	543,413	(358,832)	-	5,164,939
Total accumulated depreciation	40,399,790	2,481,537	(358,832)	-	42,522,495
Other capital assets, net	$ 31,686,600	$ (2,202,321)	$ (509)	$ 1,115,976	$ 30,599,746
Capital asset summary:					
Capital assets not being depreciated	$ 2,113,583	$ 687,708	$ (17,946)	$ (1,115,976)	$ 1,667,369
Other capital assets, at cost	72,086,390	279,216	(359,341)	1,115,976	73,122,241
Total cost of capital assets	74,199,973	966,924	(377,287)	-	74,789,610
Less accumulated depreciation	40,399,790	2,481,537	(358,832)	-	42,522,495
Capital assets, net	$ 33,800,183	$ (1,514,613)	$ (18,455)	$ -	$ 32,267,115

	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

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, 2017 and 2016, the College paid $840,468 and $256,234, respectively, under the plan. The accompanying financial statements reflect an obligation as of June 30, 2017 and 2016 of $343,300 and $1,183,768, 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,	
2018	$ 340,728
2019	2,572
	$ 343,300

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.

Aggregate principal including interest required on the note at June 30, 2017 is as follows:

	Principal	Interest
2018	$ 209,291	$ 104,402
2019	214,648	99,044
2020	220,143	93,549
2021	225,779	87,913
2022	231,559	82,134
2023 - 2027	1,249,808	318,655
2028 - 2032	1,418,187	150,247
2033	308,788	7,905
	$ 4,078,203	$ 943,849

Long-term liability activity other than the note payable for the years ended June 30, 2017 and 2016 was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due within One Year
Other liabilities:					
Liability for voluntary termination	$ 1,183,768	$ -	$ (840,468)	$ 343,300	$ 340,728
Accrued compensated absences	483,809	602,615	(629,395)	457,029	342,772
Total other liabilities	$ 1,667,577	$ 602,615	$ (1,469,863)	$ 800,329	$ 683,500

	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

Note 5. Retirement Commitment – Wyoming Retirement System

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, 2017, 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 $827,510 and $853,272 for the years ended June 30, 2017 and 2016, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2017 and 2016, the College reported a liability of $7,910,532 and $7,625,467, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. 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, 2016 to the contributions of all participating employers for the same period. At December 31, 2016, the College's proportion was 0.3272195%, which was a decrease from its December 31, 2015 proportion of 0.3273648830%.

For the years ended June 30, 2017 and 2016, the College recognized pension expense of $1,143,283 and $1,122,653, respectively. At June 30, 2017 and 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	**$ -**	**$ 212,105**
Changes in assumptions	**-**	**-**
Net difference between projected and actual earnings on pension plan investments	**1,187,080**	**-**
Changes in proportion and differences between employer contributions and proportionate share of contributions	**249,985**	**159,420**
Contributions subsequent to the measurement date	**227,704**	**-**
	$ 1,664,769	**$ 371,525**

	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

An amount of $227,704 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, 2017. 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:		
2018	$	311,414
2019		362,216
2020		368,655
2021		23,255
	$	1,065,540

Actuarial assumptions: The total pension liability in the January 1, 2017 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
Payroll growth rate	4.25%
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 arithmetic 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 Geometric Rate of Return	Long-Term Expected Arithmetic Rate of Return
Cash	0.00%	-0.20%	-0.20%
Fixed income	20.00%	1.43%	1.95%
Equity	45.00%	5.72%	7.73%
Marketable alternatives	17.50%	3.03%	3.73%
Private markets	17.50%	5.84%	7.14%
	100.00%	4.76%	6.38%

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	$ 11,362,165	$ 7,910,532	$ 5,011,489

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, 2017, 2016, and 2015, the College's contributions to TIAA were $633,970, $812,517, and $713,622, respectively.

Note 7. Leasing Arrangements

Operating leases: The College has entered into several operating leases for office equipment. To comply with State Statutes, all leases contain a nonappropriations clause which allows the College to cancel the lease in the event that resources are not available for future appropriation. Rent expense for these operating leases was $30,887 and $17,323 for the years ended June 30, 2017 and 2016, 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 $16,800 for the years ended June 30, 2017 and 2016.

The College has entered into two leases for outreach locations. These include the Cody Center and Worland Center. The total rent expense was $110,177 and $107,800 for the years ended June 30, 2017 and 2016, respectively.

Future obligations consist of the following:

2018	$ 140,452
2019	140,362
2020	128,927
2021	72,070
2022	1,393
	$ 483,204

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, 2017, approximately 21 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, 2017 was approximately $203,000.

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, 2017, 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, 2017 and 2016.

Student Activity Funds:

	2017	2016
Beginning of year	**$ 341,704**	$ 319,830
Additions:		
Student fees	**122,318**	187,647
Interest	**33,707**	25,684
Donations	**22,680**	43,118
Other	**447,009**	360,915
Scholarships and grants	**1,380,555**	1,236,801
Total additions	**2,006,269**	1,854,165
Deductions:		
Supplies	**102,340**	75,558
Printing	**2,066**	2,839
Contractual	**1,708**	10,054
Scholarships and grants	**1,376,133**	1,268,890
Various	**488,076**	474,950
Total deductions	**1,970,323**	1,832,291
End of Year	**$ 377,650**	$ 341,704

Note 11. Natural Classifications with Functional Classifications

The College's operating expenses by natural classification were as follows for June 30, 2017 and 2016:

	Natural Classification				
Functional Classification	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships	Total
			2017		
Instruction	$ 8,496,608	$ 748,200	$ -	$ -	$ 9,244,808
Public service	87,482	138,541	-	-	226,023
Academic support	929,281	787,109	-	-	1,716,390
Student services	2,366,161	880,362	-	-	3,246,523
Institutional support	3,231,838	2,016,662	-	-	5,248,500
Operation of plant	1,353,893	1,234,686	-	-	2,588,579
Scholarships	-	-	-	2,671,870	2,671,870
Auxiliary enterprises	1,638,923	3,081,736	-	-	4,720,659
Depreciation	-	-	2,481,537	-	2,481,537
Total expenses	$18,104,186	$ 8,887,296	$ 2,481,537	$ 2,671,870	$32,144,889

	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

REQUIRED SUPPLEMENTARY INFORMATION

NORTHWEST COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Public Employee Pension Plan
Last 4 Fiscal Years*

	College's proportion of the net pension liability	College's proportionate share of the net pension liability	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%	73.40%
2017	0.327219500%	7,910,532	5,852,723	135.16%	73.42%

** The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This schedule is to be built prospectively until it contains ten years of data.*

See Note to Required Supplementary Information.

NORTHWEST COLLEGE

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
Public Employee Pension Plan
Last 4 Fiscal Years*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll pension liability
2014	$ 440,321	$ 440,321	$ -	$ 6,184,286	7.12%
2015	152,233	452,233	-	5,934,819	7.62%
2016	487,234	487,234	-	5,821,196	8.37%
2017	469,367	469,367	-	5,607,730	8.37%

** This schedule is to be built prospectively until it contains ten years of data.*

See Note to Required Supplementary Information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Retirement Commitment – Wyoming Retirement System

Changes in benefit terms: There were no changes in benefit terms between the December 31, 2015 measurement date and the December 31, 2016 measurement date.

Changes in assumptions: There were no changes in assumptions between the December 31, 2015 measurement date and the December 31, 2016 measurement date.

SUPPLEMENTARY INFORMATION

NORTHWEST COLLEGE

COMBINING SCHEDULE OF NET POSITION
June 30, 2017

ASSETS	Northwest College	Northwest College Building Authority	Eliminations	Total
Current Assets				
Cash and cash equivalents	$ 11,176,834	$ 2,414	$ -	$ 11,179,248
Cash and cash equivalents, restricted	3,832,351	-	-	3,832,351
Accounts receivable, net	1,240,743	-	-	1,240,743
Current maturities of investment in direct financing lease	-	209,291	(209,291)	-
Interest receivable	-	88,572	(88,572)	-
Property taxes receivable	3,107,620	-	-	3,107,620
Prepaids	145,280	-	-	145,280
Total current assets	19,502,828	300,277	(297,863)	19,505,242
Noncurrent Assets				
Investment in direct financing lease, less current maturities	-	3,868,912	(3,868,912)	-
Advance construction payments	-	-	-	-
Capital assets, net of accumulated depreciation	32,267,115	-	-	32,267,115
Investments held by others	13,610,014	-	-	13,610,014
Total noncurrent assets	45,877,129	3,868,912	(3,868,912)	45,877,129
Total assets	65,379,957	4,169,189	(4,166,775)	65,382,371
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	1,664,769	-	-	1,664,769
Debt Defeasance	-	140,682	-	140,682
Capital Lease Defeasance	136,752	-	(136,752)	-
Total deferred outflows of resources	1,801,521	140,682	(136,752)	1,805,451
LIABILITIES				
Current Liabilities				
Accounts payable	685,793	-	-	685,793
Payroll and related liabilities	760,963	-	-	760,963
Liability for voluntary termination	340,728	-	-	340,728
Accrued compensated absences	342,772	-	-	342,772
Accrued interest payable	88,572	8,700	(88,572)	8,700
Advance payments	200,915	-	-	200,915
Custodial deposits	377,650	-	-	377,650
Capital lease obligation	209,291	-	(209,291)	-
Current maturities of note payable	-	209,291	-	209,291
Total current liabilities	3,006,684	217,991	(297,863)	2,926,812
Noncurrent Liabilities				
Liability for voluntary termination	2,572	-	-	2,572
Accrued compensated absences	114,257	-	-	114,257
Capital lease obligation	3,868,912	-	(3,868,912)	-
Note payable, less current maturities	-	3,868,912	-	3,868,912
Net pension liability	7,910,532	-	-	7,910,532
Total noncurrent liabilities	11,896,273	3,868,912	(3,868,912)	11,896,273
Total liabilities	14,902,957	4,086,903	(4,166,775)	14,823,085
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows of Resources	371,525	-	-	371,525
Unavailable Property Taxes	3,024,911	-	-	3,024,911
Capital Lease Defeasance	-	136,752	(136,752)	-
Total deferred inflows of resources	3,396,436	136,752	(136,752)	3,396,436
NET POSITION				
Net Investment in Capital Assets	28,188,912	-	-	28,188,912
Restricted for:				
Nonexpendable	10,726,922	-	-	10,726,922
Expendable:				
Scholarships	3,681,098	-	-	3,681,098
Capital projects	2,053,775	-	-	2,053,775
Unrestricted	4,231,378	86,216	-	4,317,594
Total net position	$ 48,882,085	$ 86,216	$ -	$ 48,968,301

NORTHWEST COLLEGE

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2017

	Northwest College	Northwest College Building Authority	Eliminations	Total
Operating Revenues				
Tuition and fees	$ 2,710,011	$ -	$ -	$ 2,710,011
Federal grants and contacts	794,447	-	-	794,447
State and local grants and contracts	339,208	-	-	339,208
Auxiliary enterprise charges	3,452,789	-	-	3,452,789
Other operating revenues	736,487	-	-	736,487
Total operating revenues	8,032,942	-	-	8,032,942
Operating Expenses				
Instruction	9,244,808	-	-	9,244,808
Public service	226,023	-	-	226,023
Academic support	1,716,390	-	-	1,716,390
Student services	3,246,523	-	-	3,246,523
Institutional support	5,248,500	-	-	5,248,500
Operation and maintenance of plant	2,577,786	10,793	-	2,588,579
Scholarships	2,671,870	-	-	2,671,870
Auxiliary enterprises	4,720,659	-	-	4,720,659
Depreciation	2,481,537	-	-	2,481,537
Total operating expenses	32,134,096	10,793	-	32,144,889
Operating (loss)	(24,101,154)	(10,793)	-	(24,111,947)
Nonoperating Revenues (Expenses)				
Non-exchange Federal and state grants	4,354,776			4,354,776
State appropriations	14,414,865			14,414,865
Local appropriations	4,008,807			4,008,807
Private gifts, grants and contracts	90,810			90,810
Net investment income	1,048,311	75		1,048,386
Direct financing income	-	122,526	(122,526)	-
Interest expense	(122,526)	(109,191)	122,526	(109,191)
In-kind contributions (Chartwell)	-	-	-	-
Loss on sale of assets	(11,350)	-	-	(11,350)
Total nonoperating revenues	23,783,693	13,410	-	23,797,103
Income (loss) before other revenue, expenses, gains, or losses	(317,461)	2,617	-	(314,844)
Other Revenue, Expenses, Gains, or Losses				
State endowment appropriation	37,291	-	-	37,291
Total other revenue, expenses, gains, or losses	37,291	-	-	37,291
Increase (decrease) in net position	(280,170)	2,617	-	(277,553)
Net Position				
Beginning	49,162,255	83,599	-	49,245,854
Ending	$ 48,882,085	$ 86,216	$ -	$ 48,968,301

NORTHWEST COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Total Federal Expenditures
Student Financial Aid Cluster:			
U.S. Department of Education:			
Federal Direct Student Loans	N/A	84.268	$ 1,784,089
Federal Pell Grant Program	N/A	84.063	1,758,081
Federal Work-Study Program	N/A	84.033	49,189
Federal Supplemental Educational Opportunity Grants	N/A	84.007	36,385
Total Student Financial Aid Cluster			3,627,744
Research and Development Cluster:			
U.S. Department of Agriculture:			
Specialty Crop Block Grant	N/A	10.170	5,734
U.S. Department of Health and Human Services:			
Passed through University of Wyoming			
National Center for Research Resources	DHHSNIHLC4090	93.389	41,408
Total U.S. Department of Health and Human Services			41,408
U.S. Department of Energy:			
Passed through University of Wyoming			
Office of International Science & Engineering	1001498-NWC	47.079	8,881
Total U.S. Department of Energy			8,881
National Park Service:			
Passed through University of Wyoming			
Corporate Research and Training Programs - Resources of the National Park System	P12AC10485	15.945	1,343
Passed through St. Cloud University			
Corporate Research and Training Programs - Resources of the National Park System	P14AC00887-0001-N001	15.945	10,094
Total National Park Service			11,437
Total Research and Development Cluster			67,460

Continued

NORTHWEST COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (*Continued*)
Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Total Federal Expenditures
TANF Cluster:			
U.S. Department of Labor:			
Passed through Wyoming Department of Education			
Temporary Assistance for Needy Families	N/A	93.558	$ 21,533
Total TANF Cluster and Department of Labor			21,533
TRIO Cluster:			
U.S. Department of Education:			
TRIO Student Support Services	N/A	84.042A	238,346
Total TRIO Cluster			238,346
Other Programs:			
U.S. Department of Education:			
College Access Challenge Grant Program	N/A	84.378A	5,000
Passed through Wyoming Department of Education:			
Career and Technical Education - Basic Grants to States	111550PPS00	84.048A	168,649
Passed through Wyoming Community College Commission:			
Adult Education Basic Grants to States	ABE13R08	84.002A	71,708
Passed through University of Wyoming:			
Gear-Up	P3345110024-16	84.334S	247,848
Total other programs - U.S. Department of Education			493,205
Total U.S. Department of Education			4,359,295
U.S. Department of Agriculture:			
Passed through Wyoming Department of Education			
Child and Adult Care Food Program	N/A	10.558	10,948
Total U.S. Department of Agriculture			16,682
Total Expenditures of Federal Awards			$ 4,459,236

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, 2017. 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. The College did not provide any amounts to subrecipients. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance as the College has Federally negotiated indirect cost rates that are being used for Federal awards or utilizes the indirect cost rates specified in the Federal awards.

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, 2017; and the Northwest College Foundation (the "Foundation") as of and for the year ended December 31, 2016; 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 27, 2017. 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 27, 2017

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, 2017. 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, 2017.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of 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 27, 2017

NORTHWEST COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

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 ☒ No
- Significant deficiency (ies) identified? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major Federal programs:

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

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

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? ☐ Yes ☒ No

Identification of major Federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
Cluster	Student Financial Aid
84.042A	TRIO

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

II. FINANCIAL STATEMENT FINDINGS

None.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

NORTHWEST COLLEGE

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2017

There were no audit findings for the year ended June 30, 2016.