

**NORTHWEST KANSAS
TECHNICAL COLLEGE**

Goodland, Kansas

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
June 30, 2012**

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

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NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

AREA BOARD OF CONTROL

Officers

Frank Otter
Bruce Buck
Billi Beckman
Tony Bremenkamp
Richard "Dick" Short

Chairman
Vice-Chairman
Secretary
Treasurer
Assistant Treasurer

Committee Chairmen

Clair L. Legere
Carol Laws
Giovani Cassi
Paul Bruggeman
Dan Wasson

Building and Grounds
Curriculum
Faculty
Public Relations
Student Welfare

AREA ADVISORY BOARD

Frank Otter
Arlie Archer
Randy Balluch
Billi Beckman
Tony Bremenkamp
Paul Bruggeman
Bruce Buck
Tom Button
Belinda Preston
Myra Douthit
Mark Davis
Carol Laws
Ed Geihlsler

Clair L. Legere
Mike Cochran
Dan Welsh
Giovani Cassi
Chris Schmidt
Sheila Selensky
Richard "Dick" Short
Matt Lampe
Pamela Lang
Gary Morgan
Alan Suter
Dan Wasson

PRESIDENT

Dr. Ed Mills

President

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Northwest Kansas Technical College
Goodland, Kansas

We have audited the accompanying financial statements of the business-type activities of Northwest Kansas Technical College, Goodland, Kansas as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Northwest Kansas Technical College, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013 on our consideration of Northwest Kansas Technical College's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's financial statements taken as a whole. The additional schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedules listed in the table of contents and the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Agler & Gaeddert, Chartered

Ottawa, Kansas
January 15, 2013



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

June 30, 2012

INTRODUCTION

Our discussion and analysis of Northwest Kansas Technical College (College) financial performance provides an overview of the College's financial activities for the fiscal year ended June 30, 2012. Since this management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts, it should be read in conjunction with the College's financial statements, which follow this section.

USING THIS ANNUAL REPORT

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

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

FINANCIAL HIGHLIGHTS

- ❑ Total net assets were \$12,852,317 at June 30, 2012. This was a decrease of \$193,570 (1.4%) over the prior year. This decrease was primarily due to college efforts to expand program services, including collegiate athletics, which required additional personnel and other related expenses to support enrollment growth goals..
- ❑ Overall revenues were \$6,875,601 which fell short of expenses of \$7,175,597 by \$299,996.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

June 30, 2012

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The College's combined net assets were \$12,852,317 at June 30, 2012. See Table 1.

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

June 30, 2012

Table 1 -- Net Assets

| | 2012 | 2011 | 2010 |
|--|-------------------|-------------------|-------------------|
| Assets | | | |
| Cash | 193,052 | 608,108 | 1,775,129 |
| Accounts Receivable | 236,722 | 143,989 | 37,293 |
| Prepaid Insurance | 134,152 | 0 | 0 |
| Inventories | 341,038 | 207,116 | 230,265 |
| Time Deposits | 5,834,222 | 5,587,182 | 4,243,460 |
| Construction in Process | 0 | 51,877 | 0 |
| Capital Assets, Net of Accumulated Depreciation | 6,631,444 | 6,950,042 | 6,803,176 |
| TOTAL ASSETS | 13,370,630 | 13,548,314 | 13,089,323 |
| Liabilities | | | |
| Deposits | 46,500 | 23,400 | 27,630 |
| Accounts Payable | 46,707 | 50,567 | 22,552 |
| Due to agencies | 10,666 | 6,206 | 0 |
| Due to club accounts | 21,689 | 21,147 | 21,921 |
| Capital lease - current | 68,636 | 42,869 | 32,842 |
| KBOR Infrastructure Loan -current | 54,568 | 54,568 | 54,569 |
| Deferred revenue | 21,254 | 28,030 | 42,571 |
| KBOR Infrastructure Loan - L/T | 175,985 | 229,538 | 267,475 |
| Capital lease - L/T | 72,308 | 46,102 | 35,082 |
| TOTAL LIABILITIES | 518,313 | 502,427 | 504,642 |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 6,631,444 | 6,628,842 | 6,803,176 |
| Unrestricted | 6,220,873 | 6,417,045 | 5,781,505 |
| TOTAL NET ASSETS | 12,852,317 | 13,045,887 | 12,584,681 |

This schedule is prepared from the College's Statement of Net Assets, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Changes in Net Assets

The College's total revenues were \$6,875,601. A majority of the revenue comes from state aid (39.5%). Federal and state grants and contracts accounted for another 6.1% of total revenues.

The total cost of all programs and services was \$7,175,597.

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

June 30, 2012

The College's expenses are predominately related to educating and caring for students (57.42%). Administrative activities accounted for just 14.71% of total costs. The remaining expenses were for plant services (maintenance and operations), ancillary services, and other outgo.

Table 2 --Changes in Net Assets

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|----------------------------------|-------------------------|-----------------------|-----------------------|
| Revenues | | | |
| Program Revenues: | | | |
| Charges for Services | 3,684,771 | 3,058,184 | 2,291,346 |
| Operating Grants & Contributions | 419,773 | 1,031,452 | 719,361 |
| Capital Grants and Contributions | 0 | 0 | 722,341 |
| General Revenues: | | | |
| State Revenues | 2,726,915 | 2,758,480 | 2,751,073 |
| Local Revenues | <u>44,142</u> | <u>63,733</u> | <u>77,752</u> |
| TOTAL REVENUES | <u>6,875,601</u> | <u>6,911,849</u> | <u>6,561,873</u> |
| Program Expenses | | | |
| Instruction | 2,221,765 | 2,009,715 | 1,696,030 |
| Instruction-Related Services | 33,003 | 27,990 | 34,152 |
| Student Services | 1,857,659 | 1,583,220 | 1,231,265 |
| General Administration | 1,017,872 | 845,090 | 710,627 |
| Plant Services | 944,709 | 785,644 | 1,344,543 |
| Enterprise Activities | 604,102 | 642,688 | 514,473 |
| Noncapital Appropriations | 17,502 | 49,470 | 109,500 |
| Depreciation | <u>478,985</u> | <u>506,828</u> | <u>448,048</u> |
| TOTAL EXPENSES | <u>7,175,597</u> | <u>6,450,645</u> | <u>6,088,638</u> |
| INCREASE IN NET ASSETS | <u><u>(299,996)</u></u> | <u><u>461,204</u></u> | <u><u>473,235</u></u> |

There are currently no other known facts, decisions or conditions that will have a significant effect on the financial position (net assets) or results of operations (revenues, expenses, and changes in net assets).

FINANCIAL HIGHLIGHTS

As the College completed the year, its operating fund reported a net asset balance of \$7,978,626, which was a decrease of \$138,433 from last year's ending fund balance of \$8,117,059. Tuition and state appropriations are the primary source of funding for the College's academic programs. During the FY'12 there was no increase in state appropriations and the college increased tuition by 4% over 2010-11 to help support increasing budget expenditures.

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

June 30, 2012

Operating Fund Budgetary Highlights

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

CAPITAL ASSETS

At June 30, 2012, the College had an investment net of depreciation of \$6,631,444 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles. See Table 4. More detailed information about the College's capital assets is presented in the notes to the financial statements.

Table 4 -- Capital Assets

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--------------------------------|----------------------------|----------------------------|----------------------------|
| Land Improvements | \$ 305,227 | \$ 305,227 | \$ 273,239 |
| Buildings and Improvements | 9,645,262 | 9,155,213 | 8,880,684 |
| Furniture and Equipment | <u>2,744,033</u> | <u>3,322,277</u> | <u>2,996,592</u> |
| Totals at Historical Cost | 12,694,522 | 12,782,717 | 12,150,515 |
| Total Accumulated Depreciation | <u>6,063,077</u> | <u>5,832,675</u> | <u>5,347,339</u> |
| NET CAPITAL ASSETS | <u><u>\$ 6,631,445</u></u> | <u><u>\$ 6,950,042</u></u> | <u><u>\$ 6,803,176</u></u> |

The College's board approved a revision to the Capital Assets Policy at its November 2011 regular board meeting. For FY'12 and future years, the definition of a capital asset will be an asset with an initial unit cost of \$2,500 or more instead of the previous cost of \$500.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Enrollment growth continues to be identified as the number one goal/priority for the college. Enrollment has increased 46% over the past three years. Continued growth and the quality of educational offerings are of utmost importance to the college. During the 2011 legislative session, the Kansas Technical Education Authority and Kansas Board of Regents proposed tiered cost model was approved as the new funding method for two-year colleges. The new formula is enrollment based, so the college is diligently working to continue to build enrollment. Due to the potential impact of the new funding model for several colleges, a three-year flat funding proposal was approved with re-centering of funding to happen FY'14. In FY'13 the two-year colleges approved to begin the re-centering process by funding those with the largest underfunded gap first with any new state funds. This funding model is significantly underfunded statewide and state projected revenues will continue to impact funding of the model. For FY'13 the college implemented a 21% tuition increase to support increased costs incurred from the growth and expansion of program services.

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

June 30, 2012

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

A major strategy for growth was, and continues to be, implementation of collegiate athletics. The board has approved additional athletic programs FY'12 and FY'13. This initiative has served to help with enrollment and to create an enhanced student life experience for students. The college is hopeful the expansion of these programs will continue to build the enrollment at the college, but is cognizant of the increased expenditures required to fund these programs and will evaluate these closely each year.

The fiscal year 2013 budget projects spending of \$1.5 million for capital projects, which includes plans for new student housing facilities and a new general education/sports facility to support continued growth and services. Also, a remodel of current facilities will be completed to support a new Crime Scene Technology (CSI) program, which is anticipated to bring growth too.

- ☐ The college has an acceptable per credit hour tuition rate and this revenue proves to be a primary resource for operations. This past year the college only increased tuition 4% to support increasing expenditures, but has increased 21% for FY'13. This revenue will continue to become a more important source to help balance the budget as the college continues to grow.
- ☐ Through the efforts of the Kansas 2008 legislature, 60% tax credits were made available to technical colleges for deferred maintenance and equipment. This program extends through the 2012 calendar year.
- ☐ The college reviews expenditures and services closely and looks to find efficiencies to help keep tuition rates reasonable for students. The college board has approved closing the on-campus daycare service at the end of FY'13, based on profit loss statements. The college is also looking to see if a savings may be gained by outsourcing the food services for the college.
- ☐ The college believes seeking federal, state, and local grants will prove essential to its future funding needs for expansion of current programs and to start new programs; therefore, the college has personnel assigned to dedicate time to pursuing federal, state and local grant opportunities.

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

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Statement of Net Assets

June 30, 2012

| | Educational Services | Endowment Association |
|--|---------------------------------|----------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and demand deposits | \$ 182,386 | \$ 246,257 |
| Time deposits | 5,834,222 | 900,000 |
| Cash in agency funds | 10,666 | 0 |
| Accounts receivable, net | 236,722 | 0 |
| Prepaid insurance | 134,152 | 0 |
| Inventories | 341,038 | 0 |
| Total current assets | <u>6,739,186</u> | <u>1,146,257</u> |
| NONCURRENT ASSETS | | |
| Capital assets, net | <u>6,631,444</u> | <u>11,656</u> |
| Total assets | <u>\$ 13,370,630</u> | <u>\$ 1,157,913</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Deposits | \$ 46,500 | \$ 0 |
| Accounts payable and accrued liabilities | 46,707 | 0 |
| Due to agencies | 10,666 | 0 |
| Due to club accounts | 21,689 | 0 |
| KBOR Infrastructure Loan | 54,568 | 0 |
| Capital Lease | 68,636 | 0 |
| Deferred revenue | 21,254 | 0 |
| Total current liabilities | <u>\$ 270,020</u> | <u>\$ 0</u> |
| LONG-TERM LIABILITIES | | |
| KBOR Infrastructure Loan | \$ 175,985 | \$ 0 |
| Capital Lease | <u>72,308</u> | <u>0</u> |
| Total long term liabilities | <u>\$ 248,293</u> | <u>\$ 0</u> |
| NET ASSETS | | |
| Invested in capital assets | \$ 6,631,444 | \$ 11,656 |
| Restricted for | | |
| Nonexpendable | | |
| Scholarships and fellowships | 0 | 196,877 |
| Expendable | | |
| Scholarships and fellowships | 0 | 141,334 |
| Unrestricted - unassigned | <u>6,220,873</u> | <u>808,046</u> |
| Total net assets | <u>\$ 12,852,317</u> | <u>\$ 1,157,913</u> |

The accompanying notes are an integral part of this statement.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2012

| | <u>Educational Services</u> | <u>Endowment Association</u> |
|---|---------------------------------|----------------------------------|
| REVENUES | | |
| Operating Revenues | | |
| Student tuition and fees | \$ 1,769,212 | \$ 0 |
| Sales and services of educational departments | 806,574 | 0 |
| Residential life | 505,826 | 0 |
| Student Center | 602,959 | 0 |
| Gifts and Contributions | 200 | 189,126 |
| Fund raising events | <u>0</u> | <u>95,743</u> |
| Total operating revenues | <u>3,684,771</u> | <u>284,869</u> |
| EXPENSES | | |
| Operating Expenses | | |
| Administration | 1,017,872 | 150,760 |
| Instruction | 2,221,765 | 0 |
| Academic support | 33,003 | 0 |
| Operation of plant | 944,709 | 0 |
| Financial aid | 0 | 227,617 |
| Cost of sales and services of educational departments | 557,675 | 0 |
| Student activities | 1,857,659 | 0 |
| Depreciation | <u>478,985</u> | <u>0</u> |
| Total operating expenses | <u>7,111,668</u> | <u>378,377</u> |
| Operating income (loss) | <u>(3,426,897)</u> | <u>(93,508)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| State appropriations | 2,726,915 | 0 |
| Federal grants | 418,378 | 0 |
| State and local grants and contributions | 1,395 | 0 |
| Transfer from Endowment | 26,500 | (26,500) |
| Transfers to Endowment | (44,002) | 44,002 |
| Investment income | 44,142 | 16,114 |
| (Loss) on asset dispositions | <u>(46,427)</u> | <u>0</u> |
| Net nonoperating revenues | <u>3,126,901</u> | <u>33,616</u> |
| Increase (Decrease) in net assets | <u>(299,996)</u> | <u>(59,892)</u> |
| NET ASSETS | | |
| Net assets - beginning of year restated (see note 14) | <u>13,152,313</u> | <u>1,217,805</u> |
| Net assets - end of year | <u>\$ 12,852,317</u> | <u>\$ 1,157,913</u> |

The accompanying notes are an integral part of this statement.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Statement of Cash Flows
For the Year Ended June 30, 2012

| | Educational Services | Endowment Association |
|--|---------------------------------|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Tuition and fees | \$ 1,742,634 | \$ 0 |
| Residential life | 505,826 | 0 |
| Sales and services of educational departments | 733,643 | 0 |
| Auxiliary enterprises charges | 602,959 | 0 |
| Other receipts | 200 | 189,126 |
| Fundraising Events | 0 | 95,743 |
| Payments to employees | (3,601,629) | (93,041) |
| Payments to vendors | (3,172,919) | (60,473) |
| Payments for financial aid | 0 | (227,617) |
| Net cash provided (used) by operating activities | <u>(3,189,286)</u> | <u>(96,262)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| State appropriations | 2,726,915 | 0 |
| Federal and State Grants | 419,773 | 0 |
| Transfer of Funds | (17,502) | 0 |
| Interfund Transfers | 0 | |
| Other nonoperating revenues | 0 | 17,502 |
| Net cash provided by noncapital financing activities | <u>3,129,186</u> | <u>17,502</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | |
| Acquisition of capital assets | (154,938) | 0 |
| KBOR Infrastructure Loan proceeds | 51,973 | 0 |
| KBOR Infrastructure Loan Repayment | (53,553) | 0 |
| Net cash used by capital financing activities | <u>(156,518)</u> | <u>0</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest on investments | <u>44,142</u> | <u>16,114</u> |
| Net cash provided by investing activities | <u>44,142</u> | <u>16,114</u> |
| Net increase (decrease) in cash | (172,476) | (62,646) |
| Cash - beginning of the year | <u>6,189,084</u> | <u>1,208,903</u> |
| Cash - end of year | <u>\$ 6,016,608</u> | <u>\$ 1,146,257</u> |
| REFLECTED ON STATEMENT OF NET ASSETS: | | |
| Cash and demand deposits | \$ 182,386 | \$ 246,257 |
| Time deposits | <u>5,834,222</u> | <u>900,000</u> |
| | <u>\$ 6,016,608</u> | <u>\$ 1,146,257</u> |

The accompanying notes are an integral part of this statement.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Statement of Cash Flows
For the Year Ended June 30, 2012

| | <u>Educational Services</u> | <u>Endowment Association</u> |
|--|--|---|
| Reconciliation of net operating Income (loss) to net cash provided (used) by operating activities | | |
| Operating income (loss) | \$ (3,426,897) | \$ (93,508) |
| Adjustments to reconcile net income (loss) to net cash: | | |
| Depreciation expense | 478,985 | 0 |
| Change in assets and liabilities: | | |
| Receivables, net | (92,733) | 0 |
| Prepaid insurance | (27,728) | 0 |
| Inventories | (133,922) | 0 |
| Deferred revenue | (6,776) | 0 |
| Accounts payable | <u>19,785</u> | <u>(2,754)</u> |
| | \$ <u><u>(3,189,286)</u></u> | \$ <u><u>(96,262)</u></u> |

The accompanying notes are an integral part of this statement.

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2012

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

The Association is a legally separate, tax-exempt component unit of the College. The Association acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 14-member board of the Association is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Association, the majority of resources, or income thereon, which the association holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Association can only be used by, or for the benefit of, the College, the Association is considered a component unit of the College. The Association is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Association is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Association's operation and reporting model are FASB Statement 116, Accounting for Contributions Received and Contributions Made, and FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are difference from GASB revenue recognition criteria and presentation features. No modifications have been made to the Association's financial information in the College's financial reporting entity for these differences; however significant note disclosures (See Note O) to the Association's financial statements have been incorporated into the College's notes to the financial statements. Financial statements for the Association can be obtained by calling the Association at 785-899-3641.

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2012

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

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

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial statements – and Management’s Discussion and Analysis, for State and Local Governments* and Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis of Public Colleges and Universities*, issued in June and November, 1999. The financial statement presentation required by GASB Statements No. 34 and 35 provides a comprehensive, entity-wide perspective of the College’s assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. Accordingly for financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Consequently, the College’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

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

Fund types and major funds consist of the following:

Governmental funds

The College has no governmental funds.

Proprietary funds

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

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

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

C. Cash and Cash Equivalents

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

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2012

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

D. Accounts Receivable

Accounts receivable, primarily student accounts for books, fees and tuition, are considered to be fully collectible. Any account deemed to be uncollectible is charged to expense when such determination is made.

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

E. Inventories and Prepaid Items

Inventories consist primarily of items held for resale by the bookstore, cafeteria food and the carpentry department house in progress. Cost is determined by the retail cost method for the bookstore and first-in/first-out cost method for the cafeteria. The carpentry department house in progress is stated at accumulated cost. The bookstore and cafeteria costs are recorded as expenses as the inventory is consumed. The carpentry house cost is recorded as expense when the house is sold. Certain payments to vendors reflect costs applicable to future periods. Such payments, in the accompanying financial statements, are recorded as prepaid items and reflected as other assets.

F. Deferred Revenues and Deposits

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

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

G. Net Assets

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

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

Restricted net assets – expendable – This includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first; then unrestricted resources when they are needed. Nonexpendable restricted net assets consist of endowed scholarships and fellowships for which the corpus can not be expended.

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

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2012

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

H. Capital Assets

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

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

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

I. Classification of Revenues

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

J. Federal Financial Assistance Programs

The College participates in federally funded Pell Grant, SEOG Grant, Federal Work-Study, and Federal Family Education Loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 *Audit of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement.

K. Financial Aid

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

L. Estimates

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

M. Compensated Absences

It is the College's policy to permit employees to accumulate earned but unused vacation and sick pay. Classified employees forfeit any unused vacation at year-end or when employees separate from service.

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2012

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

M. Compensated Absences (continued)

Unused sick pay may be accumulated to a maximum of 55 days. Unused sick pay is forfeited when employees separate from service. Certified employees forfeit any unused vacation pay at year-end or when employees separate from service but are allowed to accumulate a maximum of fifty-five days sick leave. There is no liability for unpaid accumulated sick leave since the College does not have a policy to pay any amounts when employees separate from services. The estimated amount of accumulated but unused sick pay for classified and certified employees totaled \$240,750 at June 30, 2012.

N. Budget

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

O. Component Unit

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

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

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

Unrestricted Undesignated Net Assets – Net assets not subject to donor-imposed restrictions.

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

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

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

2. DEPOSITS AND INVESTMENTS

Kansas' statutes authorize the College to invest in time deposits, open accounts, U.S. government securities, repurchase agreements, temporary notes, no-fund warrants, the State Municipal Investment Pool and certificates of deposit with maturities of not more than two years.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2012

2. DEPOSITS AND INVESTMENTS (continued)

The College or its agent in the College's name must hold all investments. The College has no investment policy that would further limit its investment choices. Cash balances from all funds are combined and invested, to the extent possible, in certificates of deposit and interest bearing accounts. Earnings from these investments, unless specifically designated, are allocated proportionately to the funds. All investments are stated at cost.

Deposits – The carrying amount of the College's deposits at June 30, 2012 was \$6,027,274, which includes amounts maintained for cashier's change funds and petty cash totaling \$500. Actual bank statement balances at June 30, 2012 was \$6,404,307. The difference between carrying amounts and bank balances represents primarily checks that have not cleared the bank and deposits in transit. Of the bank balance, \$1,817,270 was covered by federal deposit insurance and \$4,587,037 was collateralized by pledged securities held under joint custody receipts issued by two third-party banks in the College's name. The third-party banks are independent of the pledging bank.

Deposits – The carrying amount of the Endowment association's deposits at June 30, 2012 was \$1,146,257. Actual bank statement balances at June 30, 2012 was \$1,148,678. The difference between carrying amounts and bank balances represents primarily checks that have not cleared the bank and deposits in transit. Of the bank balance, \$785,136 was covered by federal deposit insurance and \$363,542 was collateralized by pledged securities held under joint custody receipts issued by two third-party banks in the College's name. The third-party banks are independent of the pledging bank.

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

3. PENSION PLANS

Kansas Public Employees Retirement System

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

Funding Policy – K.S.A. 74-4919 established the KPERS member-employee contribution rate at 4% - 6% of covered salary. Member-employees' contributions are withheld by the college and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 9.77% of covered payroll. These contribution requirements are established by KPERS and periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ended June 30, 2012, 2011 and 2010 was \$298,635,383, \$253,834,044 and \$248,468,186 respectively equal to the required contributions for each year.

4. RELATED PARTY TRANSACTIONS

The College transferred \$44,002 to the Association as of June 30, 2012.

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

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2012

4. RELATED PARTY TRANSACTIONS (continued)

The Association had the following transactions with the College during the year ended June 30, 2012: 1) paid the College \$18,455 for fund raising expenses paid by the College, 2) reimbursed the College \$4,482 for a soccer scoreboard for which the endowment received a donation to cover this purchase. The Endowment also transferred tax credits of \$26,500 to the College.

5. SUPPLEMENT PLAN

Early Retirement Supplement Plan

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

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

Funding Policy – Benefits from this program are fully paid by the College and are funded on a pay as you go basis. Under this method, payments for benefits are recognized as expense when paid. The number of retirees currently receiving benefits is six and the number of active employees who are eligible to receive these benefits was seven at June 30, 2012. The expense for supplemental retirement benefits for the year ended June 30, 2012 was \$26,802.

Projected benefits for the next five years are as follows:

| Year ended: | One-time Supplement | Retirement Supplement | Total |
|---------------|------------------------|--------------------------|-----------|
| June 30, 2013 | 0 | 34,800 | 34,800 |
| June 30, 2014 | 0 | 29,016 | 29,016 |
| June 30, 2015 | 0 | 19,573 | 19,573 |
| June 30, 2016 | 0 | 10,847 | 10,847 |
| | \$ 0 | \$ 94,236 | \$ 94,236 |

6. POST EMPLOYMENT BENEFITS

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

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

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2012

7. CAPITAL ASSETS

The following table summarized the changes in capital assets for fiscal year 2012.

| College | Balance June 30, 2011 | Additions | Deletions | Balance June 30, 2012 |
|---------------------------------------|--------------------------|---------------------|------------------|--------------------------|
| Capital Assets | | | | |
| Land | \$ 215,496 | \$ 0 | \$ 0 | \$ 215,496 |
| Building | 4,787,855 | 0 | 0 | 4,787,855 |
| Building remodel | 1,442,000 | 0 | 0 | 1,442,000 |
| Campus | 644,478 | 0 | 0 | 644,478 |
| Equipment | 2,647,186 | 82,979 | 254,246 | 2,475,919 |
| Furniture | 91,615 | 0 | 0 | 91,615 |
| Parking | 37,743 | 0 | 0 | 37,743 |
| SC Building | 113,837 | 0 | 0 | 113,837 |
| SC Building Remodel | 723,940 | 0 | 0 | 723,940 |
| SC Equipment | 91,123 | 3,377 | 7,037 | 87,463 |
| SC Furniture | 2,239 | 0 | 0 | 2,239 |
| Vehicles | 393,840 | 24,680 | 13,300 | 405,220 |
| VV Buildings | 859,706 | 84,829 | 0 | 944,535 |
| VV Equipment | 86,274 | 10,948 | 10,425 | 86,797 |
| VV Furniture | 10,000 | 0 | 10,000 | 0 |
| VV Parking | 51,988 | 0 | 0 | 51,988 |
| VV2 Building | 583,397 | 0 | 0 | 583,397 |
| Total costs | 12,782,717 | 206,813 | 295,008 | 12,694,522 |
| Less Accumulated Depreciation | | | | |
| Land | 0 | 0 | 0 | 0 |
| Building | 1,732,638 | 94,665 | 0 | 1,827,303 |
| Building remodel | 441,157 | 58,269 | 0 | 499,426 |
| Campus | 568,226 | 1,165 | 0 | 569,391 |
| Equipment | 1,784,213 | 193,038 | 222,795 | 1,754,456 |
| Furniture | 23,538 | 9,410 | 0 | 32,948 |
| Parking | 11,877 | 3,574 | 0 | 15,451 |
| SC Building | 79,914 | 2,049 | 0 | 81,963 |
| SC Building Remodel | 263,518 | 28,105 | 0 | 291,623 |
| SC Equipment | 65,969 | 5,191 | 6,333 | 64,827 |
| SC Furniture | 1,814 | 201 | 0 | 2,015 |
| Vehicles | 236,940 | 38,579 | 4,905 | 270,614 |
| VV Buildings | 303,076 | 28,020 | 0 | 331,096 |
| VV Equipment | 75,553 | 7,106 | 9,045 | 73,614 |
| VV Furniture | 10,000 | 0 | 10,000 | 0 |
| VV Parking | 44,155 | 979 | 0 | 45,134 |
| VV2 Building | 190,087 | 13,129 | 0 | 203,217 |
| Total accumulated depreciation | 5,832,675 | 483,480 | 253,078 | 6,063,078 |
| Net Capital Assets | \$ 6,950,042 | \$ (276,667) | \$ 41,930 | \$ 6,631,444 |
| Endowment Association | | | | |
| Farm land - beneficial interest | \$ 11,656 | \$ 0 | \$ 0 | \$ 11,656 |
| Land | \$ 31,987 | \$ 0 | \$ 31,987 | \$ 0 |

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2012

8. CONTINGENCIES AND COMMITMENTS

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position at June 30, 2012.

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

State Funding – Approximately 41% of the College's resources come from the State of Kansas. Due to continued funding uncertainties at the State level, future funding for the College may be reduced. The ultimate effect of this possible reduction in funding on the College's future operations is not yet determinable.

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

10. INTERFUND TRANSFERS

Interfund transfers are used to move revenues from the fund that collects receipts to the fund that spends them. In the year ended June 30, 2012, the College made the following transfers between funds.

| Transfer From: | Operating | Student Revolving | Total |
|-------------------|------------------|----------------------|------------------|
| Student Revolving | \$ 83,485 | \$ 0 | \$ 83,485 |
| Student Center | 14,372 | 0 | 14,372 |
| | <u>\$ 97,857</u> | <u>\$ 0</u> | <u>\$ 97,857</u> |

11. ENDOWMENT ASSOCIATION CONTRIBUTION

In 2005, the College approved contributing up to \$100,000 per year from the housing fund to the Endowment Association for student scholarships. Seventy percent of the contribution will be added to permanently restricted net assets until Endowment Association net assets total \$1,000,000. The remaining contribution may be used for current scholarships or added to unrestricted net assets. During the year ended June 30, 2012 the College contributed \$44,002 to the Endowment Association. The Endowment Association transferred \$26,500 to the College as of June 30, 2012.

12. KBOR INFRASTRUCTURE LOAN PAYABLE

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

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Notes to Financial Statements
June 30, 2012

12. KBOR INFRASTRUCTURE LOAN PAYABLE (continued)

| | Beginning | | Additions | | Payments | | Ending |
|-----------|------------|----|-----------|----|----------|----|---------|
| KBOR Loan | \$ 284,106 | \$ | 1,727 | \$ | 55,280 | \$ | 230,553 |

Maturities of the loan amounts are:

| | |
|------|----------------|
| 2013 | 54,568 |
| 2014 | 54,568 |
| 2015 | 54,568 |
| 2016 | 54,567 |
| 2017 | 12,282 |
| \$ | <u>230,553</u> |

13. CAPITAL LEASE

The College has entered into a lease agreement as lessee for financing the acquisition of various pieces of computer equipment. This lease agreement qualifies as a capital lease for accounting purposes (titles transfer at the end of the lease terms) and, therefore, the cost of equipment under capital leases is included in the Statement of Net Assets as Capital assets, net. The cost of the leased equipment at June 30, 2012 was \$137,268. Accumulated amortization of the leased equipment at June 30, 2012 was approximately \$116,894. Amortization of assets under capital leases is included in depreciation expense. The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of June 30, 2012 are as follows:

| | Principal | | Interest |
|---------|----------------|----|---------------|
| 2013 \$ | 68,636 | | 7,541 |
| 2014 | 72,308 | | 3,869 |
| \$ | <u>140,944</u> | \$ | <u>11,410</u> |

14. RESTATEMENT

The College's financial statements as of June 30, 2011, contained the following error: Prepaid insurance was understated by \$106,526. Net Assets at June 30, 2011 were \$13,045,887 and were increased by \$106,526 to a restated balance at July 1, 2011 of \$13,152,313.

15. SUBSEQUENT EVENTS

The entity evaluated subsequent events through January 15, 2013, the date the financial statement were available to be issued. No subsequent events were identified.

SUPPLEMENTAL INFORMATION

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Combining Statement for Major Funds
Statement of Net Assets
June 30, 2012

| | <u>Operating</u> | <u>Student Revolving</u> | <u>Student Center</u> | <u>Non Major</u> | <u>Total</u> |
|---|---------------------|------------------------------|---------------------------|---------------------|----------------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and demand deposits | \$ 24,757 | \$ 122,187 | \$ 25,350 | \$ 10,092 | \$ 182,386 |
| Time deposits | 3,045,536 | 945,990 | 725,571 | 1,117,125 | 5,834,222 |
| Cash in agency funds | 10,666 | 0 | 0 | 0 | 10,666 |
| Accounts receivable, net | 26,578 | 210,144 | 0 | 0 | 236,722 |
| Prepaid insurnace | 134,152 | 0 | 0 | 0 | 134,152 |
| Inventories | 0 | 136,249 | 204,789 | 0 | 341,038 |
| Total current assets | <u>3,241,689</u> | <u>1,414,570</u> | <u>955,710</u> | <u>1,127,217</u> | <u>6,739,186</u> |
| NONCURRENT ASSETS | | | | | |
| Capital assets, net | <u>5,130,734</u> | <u>0</u> | <u>487,052</u> | <u>1,013,658</u> | <u>6,631,444</u> |
| Total assets | <u>\$ 8,372,423</u> | <u>\$ 1,414,570</u> | <u>\$ 1,442,762</u> | <u>\$ 2,140,875</u> | <u>\$ 13,370,630</u> |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Deposits | \$ 0 | \$ 0 | \$ 0 | \$ 46,500 | \$ 46,500 |
| Accounts payable and accrued liabilities | 11,634 | 2,084 | 32,777 | 212 | 46,707 |
| Due to agency funds | 10,666 | | | | 10,666 |
| Due to club accounts | 0 | 21,689 | 0 | 0 | 21,689 |
| KBOR Infrastructure Loan | 54,568 | 0 | 0 | 0 | 54,568 |
| Capital Lease | 68,636 | 0 | 0 | 0 | 68,636 |
| Deferred revenue | 0 | 21,254 | 0 | 0 | 21,254 |
| Total current liabilities | <u>\$ 145,504</u> | <u>\$ 45,027</u> | <u>\$ 32,777</u> | <u>\$ 46,712</u> | <u>\$ 270,020</u> |
| LONG-TERM LIABILITIES | | | | | |
| KBOR Infrastructure Loan | \$ 175,985 | \$ 0 | \$ 0 | \$ 0 | \$ 175,985 |
| Capital Lease | <u>72,308</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>72,308</u> |
| Total long term liabilities | <u>\$ 248,293</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 248,293</u> |
| NET ASSETS | | | | | |
| Invested in capital assets | \$ 5,130,734 | \$ 0 | \$ 487,052 | \$ 1,013,658 | \$ 6,631,444 |
| Unrestricted | <u>2,847,892</u> | <u>1,369,543</u> | <u>922,933</u> | <u>1,080,505</u> | <u>6,220,873</u> |
| Total net assets | <u>\$ 7,978,626</u> | <u>\$ 1,369,543</u> | <u>\$ 1,409,985</u> | <u>\$ 2,094,163</u> | <u>\$ 12,852,317</u> |

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Combining Statement for Major Funds Statement of Revenues, Expenses, and Changes in Net Assets For the Year Ended June 30, 2012

| | <u>Operating</u> | <u>Student Revolving</u> | <u>Student Center</u> | <u>Non Major Funds</u> | <u>Total</u> |
|---|---------------------|------------------------------|---------------------------|----------------------------|----------------------|
| REVENUES | | | | | |
| Operating Revenues | | | | | |
| Student tuition and fees | \$ 1,609,324 | \$ 146,270 | \$ 13,618 | \$ 0 | \$ 1,769,212 |
| Sales and services | | | | | |
| of educational departments | 1,020 | 805,554 | 0 | 0 | 806,574 |
| Residential life | 0 | 0 | 291,816 | 214,010 | 505,826 |
| Bookstore | 0 | 0 | 602,959 | 0 | 602,959 |
| Other operating revenues | 0 | 200 | 0 | 0 | 200 |
| | <u>1,610,344</u> | <u>952,024</u> | <u>908,393</u> | <u>214,010</u> | <u>3,684,771</u> |
| Total operating revenues | | | | | |
| | <u>1,610,344</u> | <u>952,024</u> | <u>908,393</u> | <u>214,010</u> | <u>3,684,771</u> |
| EXPENSES | | | | | |
| Operating Expenses | | | | | |
| Administration | 1,017,872 | 0 | 0 | 0 | 1,017,872 |
| Instruction | 2,221,765 | 0 | 0 | 0 | 2,221,765 |
| Academic support | 33,003 | 0 | 0 | 0 | 33,003 |
| Operation of plant | 627,291 | 17,877 | 151,364 | 148,177 | 944,709 |
| Cost of sales and services | | | | | |
| of educational departments | 0 | 557,675 | 0 | 0 | 557,675 |
| Student activities | 803,606 | 291,108 | 762,945 | 0 | 1,857,659 |
| Depreciation | 394,240 | 0 | 35,546 | 49,199 | 478,985 |
| | <u>5,097,777</u> | <u>866,660</u> | <u>949,855</u> | <u>197,376</u> | <u>7,111,668</u> |
| Total operating expenses | | | | | |
| | <u>5,097,777</u> | <u>866,660</u> | <u>949,855</u> | <u>197,376</u> | <u>7,111,668</u> |
| Operating income (loss) | <u>(3,487,433)</u> | <u>85,364</u> | <u>(41,462)</u> | <u>16,634</u> | <u>(3,426,897)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| State appropriations | 2,726,915 | 0 | 0 | 0 | 2,726,915 |
| Federal grants | 418,378 | 0 | 0 | 0 | 418,378 |
| State and local grants | 0 | 1,395 | 0 | 0 | 1,395 |
| Transfer of Funds | 97,857 | (83,485) | (14,372) | 0 | 0 |
| Transfer from Endowment | 26,500 | 0 | 0 | 0 | 26,500 |
| Transfer to Endowment | 0 | (16,062) | (13,694) | (14,246) | (44,002) |
| Investment income | 17,233 | 7,002 | 10,091 | 9,816 | 44,142 |
| (Loss) on asset dispositions | (44,308) | 0 | (705) | (1,414) | (46,427) |
| | <u>3,242,575</u> | <u>(91,150)</u> | <u>(18,680)</u> | <u>(5,844)</u> | <u>3,126,901</u> |
| Net nonoperating revenues | | | | | |
| | <u>3,242,575</u> | <u>(91,150)</u> | <u>(18,680)</u> | <u>(5,844)</u> | <u>3,126,901</u> |
| Increase (decrease) in net assets | (244,858) | (5,786) | (60,142) | 10,790 | (299,996) |
| NET ASSETS | | | | | |
| Net assets - beginning of year - restated | <u>8,223,484</u> | <u>1,375,329</u> | <u>1,470,127</u> | <u>2,083,373</u> | <u>13,152,313</u> |
| Net assets - end of year | <u>\$ 7,978,626</u> | <u>\$ 1,369,543</u> | <u>\$ 1,409,985</u> | <u>\$ 2,094,163</u> | <u>\$ 12,852,317</u> |

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Combining Statement for Major Funds

Statement of Cash Flows

For the Year Ended June 30, 2012

| | <u>Operating</u> | <u>Student Revolving</u> | <u>Student Center</u> | <u>Non Major Funds</u> | <u>Total</u> |
|--|-----------------------|------------------------------|---------------------------|----------------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Tuition and fees | \$ 1,582,746 | \$ 146,270 | \$ 13,618 | \$ 0 | \$ 1,742,634 |
| Residential life | 0 | 0 | 291,816 | 214,010 | 505,826 |
| Sales and services of educational departments | 1,020 | 732,623 | 0 | 0 | 733,643 |
| Auxiliary enterprises charges | 0 | 0 | 602,959 | 0 | 602,959 |
| Other receipts | 0 | 200 | 0 | 0 | 200 |
| Payments to employees | (3,397,338) | (17,877) | (151,364) | (35,050) | (3,601,629) |
| Payments to vendors | <u>(1,335,681)</u> | <u>(977,489)</u> | <u>(768,227)</u> | <u>(91,522)</u> | <u>(3,172,919)</u> |
| Net cash provided (used) by operating activities | <u>(3,149,253)</u> | <u>(116,273)</u> | <u>(11,198)</u> | <u>87,438</u> | <u>(3,189,286)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| State appropriations | 2,726,915 | 0 | 0 | 0 | 2,726,915 |
| Federal and State grants | 418,378 | 1,395 | 0 | 0 | 419,773 |
| Transfer of Funds | 26,500 | (16,062) | (13,694) | (14,246) | (17,502) |
| Interfund Transfers | <u>97,857</u> | <u>(83,485)</u> | <u>(14,372)</u> | <u>0</u> | <u>0</u> |
| Net cash provided (used) by noncapital financing activities | <u>3,269,650</u> | <u>(98,152)</u> | <u>(28,066)</u> | <u>(14,246)</u> | <u>3,129,186</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | | | | |
| Purchase of capital assets | (107,658) | 0 | (3,380) | (43,900) | (154,938) |
| Capital Lease Proceeds | 51,973 | 0 | 0 | 0 | 51,973 |
| KBOR Infrastructure Loan Repayment | <u>(53,553)</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(53,553)</u> |
| Net cash (used) by capital financing activities | <u>(109,238)</u> | <u>0</u> | <u>(3,380)</u> | <u>(43,900)</u> | <u>(156,518)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest on investments | <u>17,233</u> | <u>7,002</u> | <u>10,091</u> | <u>9,816</u> | <u>44,142</u> |
| Net cash provided by investing activities | <u>17,233</u> | <u>7,002</u> | <u>10,091</u> | <u>9,816</u> | <u>44,142</u> |
| Net increase in cash | 28,392 | (207,423) | (32,553) | 39,108 | (172,476) |
| Cash - beginning of the year | <u>3,041,901</u> | <u>1,275,600</u> | <u>783,474</u> | <u>1,088,109</u> | <u>6,189,084</u> |
| Cash - end of year | <u>\$ 3,070,293</u> | <u>\$ 1,068,177</u> | <u>\$ 750,921</u> | <u>\$ 1,127,217</u> | <u>\$ 6,016,608</u> |
| Reconciliation of net operating Income (loss) to net cash provided (used) by operating activities | | | | | |
| Operating income (loss) | \$ (3,487,433) | \$ 85,364 | \$ (41,462) | \$ 16,634 | \$ (3,426,897) |
| Adjustments to reconcile net income (loss) to net cash: | | | | | |
| Depreciation expense | 394,240 | 0 | 35,546 | 49,199 | 478,985 |
| Change in assets and liabilities: | | | | | |
| Receivables, net | (26,578) | (66,155) | 0 | 0 | (92,733) |
| Prepaid insurance | (27,728) | 0 | 0 | 0 | (27,728) |
| Inventories | 0 | (126,694) | (7,228) | 0 | (133,922) |
| Deferred revenue | 0 | (6,776) | 0 | 0 | (6,776) |
| Accounts payable | <u>(1,754)</u> | <u>(2,012)</u> | <u>1,946</u> | <u>21,605</u> | <u>19,785</u> |
| | <u>\$ (3,149,253)</u> | <u>\$ (116,273)</u> | <u>\$ (11,198)</u> | <u>\$ 87,438</u> | <u>\$ (3,189,286)</u> |

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Combining Statement for Non Major Funds

Statement of Net Assets

June 30, 2012

| | <u>Facilities</u> | <u>Housing</u> | <u>Total</u> |
|--|-------------------|---------------------|---------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and demand deposits | \$ 294 | \$ 9,798 | \$ 10,092 |
| Time deposits | <u>563,282</u> | <u>553,843</u> | <u>1,117,125</u> |
| Total current assets | <u>563,576</u> | <u>563,641</u> | <u>1,127,217</u> |
| NONCURRENT ASSETS | | | |
| Capital assets, net | <u>0</u> | <u>1,013,658</u> | <u>1,013,658</u> |
| Total assets | <u>\$ 563,576</u> | <u>\$ 1,577,299</u> | <u>\$ 2,140,875</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Deposits | \$ 0 | \$ 46,500 | \$ 46,500 |
| Accounts payable and accrued liabilities | <u>0</u> | <u>212</u> | <u>212</u> |
| Total current liabilities | <u>\$ 0</u> | <u>\$ 46,712</u> | <u>\$ 46,712</u> |
| NET ASSETS | | | |
| Invested in capital assets | \$ 0 | \$ 1,013,658 | \$ 1,013,658 |
| Unrestricted | <u>563,576</u> | <u>516,929</u> | <u>1,080,505</u> |
| Total net assets | <u>\$ 563,576</u> | <u>\$ 1,530,587</u> | <u>\$ 2,094,163</u> |

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Combining Statement for Non Major Funds
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2012

| | <u>Facilities</u> | <u>Housing</u> | <u>Total</u> |
|---|-------------------|---------------------|---------------------|
| REVENUES | | | |
| Operating Revenues | | | |
| Residential life | \$ 0 | \$ 214,010 | \$ 214,010 |
| Total operating revenues | <u>0</u> | <u>214,010</u> | <u>214,010</u> |
| EXPENSES | | | |
| Operating Expenses | | | |
| Operation of plant | 0 | 148,177 | 148,177 |
| Depreciation | <u>0</u> | <u>49,199</u> | <u>49,199</u> |
| Total operating expenses | <u>0</u> | <u>197,376</u> | <u>197,376</u> |
| Operating income (loss) | <u>0</u> | <u>16,634</u> | <u>16,634</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | 5,072 | 4,744 | 9,816 |
| (Loss) on asset dispositions | <u>0</u> | <u>(1,414)</u> | <u>(1,414)</u> |
| Net nonoperating revenues | 5,072 | 3,330 | 8,402 |
| Nonmandatory transfers: | | | |
| Transfers to Endowment | <u>(8,368)</u> | <u>(5,878)</u> | <u>(14,246)</u> |
| Total Nonoperating Revenues (Expenses) | <u>(3,296)</u> | <u>(2,548)</u> | <u>(5,844)</u> |
| Increase (decrease) in net assets | (3,296) | 14,086 | 10,790 |
| NET ASSETS | | | |
| Net assets - beginning of year | <u>566,872</u> | <u>1,516,501</u> | <u>2,083,373</u> |
| Net assets - end of year | <u>\$ 563,576</u> | <u>\$ 1,530,587</u> | <u>\$ 2,094,163</u> |

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Combining Statement for Non Major Funds

Statement of Cash Flows

For the Year Ended June 30, 2012

| | <u>Facilities</u> | <u>Housing</u> | <u>Total</u> |
|--|-------------------|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Residential life | \$ 0 | \$ 214,010 | \$ 214,010 |
| Payments to employees | 0 | (35,050) | (35,050) |
| Payments to vendors | 0 | (91,522) | (91,522) |
| | <u>0</u> | <u>(126,572)</u> | <u>(126,572)</u> |
| Net cash provided (used) by operating activities | <u>0</u> | <u>87,438</u> | <u>87,438</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfer of Funds | <u>(8,368)</u> | <u>(5,878)</u> | <u>(14,246)</u> |
| Net cash provided (used) noncapital financing | <u>(8,368)</u> | <u>(5,878)</u> | <u>(14,246)</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | | |
| Purchase of Assets | <u>0</u> | <u>(43,900)</u> | <u>(43,900)</u> |
| Net cash (used) by capital financing activities | <u>0</u> | <u>(43,900)</u> | <u>(43,900)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest on investments | <u>5,072</u> | <u>4,744</u> | <u>9,816</u> |
| Net cash provided by investing activities | <u>5,072</u> | <u>4,744</u> | <u>9,816</u> |
| Net increase (decrease) in cash | (3,296) | 42,404 | 39,108 |
| Cash - beginning of the year | <u>566,872</u> | <u>521,237</u> | <u>1,088,109</u> |
| Cash- end of year | <u>\$ 563,576</u> | <u>\$ 563,641</u> | <u>\$ 1,127,217</u> |
| Reconciliation of net operating Income (loss) to net cash provided (used) by operating activities | | | |
| Operating income (loss) | \$ 0 | \$ 16,634 | \$ 16,634 |
| Adjustments to reconcile net income (loss) to net cash: | | | |
| Depreciation expense | 0 | 49,199 | 49,199 |
| Loss on Asset Dispositions | 0 | 0 | 0 |
| Change in assets and liabilities: | | | |
| Receivables, net | 0 | 0 | 0 |
| Inventories | 0 | 0 | 0 |
| Deferred revenue | 0 | 0 | 0 |
| Accounts payable | <u>0</u> | <u>21,605</u> | <u>21,605</u> |
| | <u>\$ 0</u> | <u>\$ 87,438</u> | <u>\$ 87,438</u> |

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Schedule of Management Information
Schedule of Expenses by Function and Object
For the Year Ended June 30, 2012

| | <u>General</u> <u>Administration</u> | <u>Instruction</u> | <u>Academic</u> <u>Support</u> | <u>Operations</u> <u>of Plant</u> | <u>Student</u> <u>Activities</u> | <u>Total</u> |
|-----------|---|---------------------|-----------------------------------|--------------------------------------|-------------------------------------|---------------------|
| Salaries | \$ 339,797 | \$ 1,700,603 | \$ 23,634 | \$ 147,480 | \$ 537,878 | \$ 2,409,595 |
| Benefits | 80,785 | 398,602 | 5,619 | 35,062 | 127,877 | 647,945 |
| Services | 16,320 | 80,524 | 1,135 | 7,083 | 25,833 | 130,895 |
| Supplies | 26,067 | 21,315 | 2,615 | 10,784 | 17,172 | 51,886 |
| Utilities | 0 | 0 | 0 | 259,573 | 0 | 259,573 |
| Other | 554,903 | 20,721 | 0 | 167,309 | 94,846 | 282,876 |
| Total | \$ <u>1,017,872</u> | \$ <u>2,221,765</u> | \$ <u>33,003</u> | \$ <u>627,291</u> | \$ <u>803,606</u> | \$ <u>3,782,770</u> |

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

| Grant Title | Federal CFDA Number | Revenues | Expenditures |
|---|---------------------------|---------------------|---------------------|
| U.S. Department of Education | | | |
| Direct Programs | | | |
| Pell Grant Program | 84.063 | \$ 1,151,088 | \$ 1,151,088 |
| College Work Study | 84.033 | 16,827 | 16,827 |
| Federal Family Education Loan | 84.032 | 1,713,052 | 1,713,052 |
| Supplemental Educational Opportunity Grant | 84.007 | 23,091 | 23,091 |
| | | <u>2,904,058</u> | <u>2,904,058</u> |
| Passed through Kansas Department of Education | | | |
| Carl D. Perkins Vocational | 84.048 | 208,223 | 208,223 |
| ARRA - Stabilization | 84.394 | 46,150 | 46,150 |
| | | <u>254,373</u> | <u>254,373</u> |
| Total Federal Assistance | | \$ <u>3,158,431</u> | \$ <u>3,158,431</u> |

Note 1: The above amounts are based upon the use of generally accepted accounting principles. This is the same basis used to report the financial information of the College.

SPECIAL REPORTS

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

Area Board of Control
Northwest Kansas Technical College
Goodland, Kansas

We have audited the financial statements of the business-type activities of Northwest Kansas Technical College as of and for the year ended June 30, 2012, and have issued our report thereon dated January 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Northwest Kansas Technical College's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

However, we did have other matters we discussed with management in a separate letter dated January 15, 2013.

This report is intended solely for the information and use of the Area Board of Control, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Agler & Gaeddert, Chartered

Ottawa, Kansas
January 15, 2013

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Area Board of Control
Northwest Kansas Technical College
Goodland, Kansas

Compliance

We have audited the Northwest Kansas Technical College's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on Northwest Kansas Technical College's major federal programs for the year ended June 30, 2012. Northwest Kansas Technical College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Northwest Kansas Technical College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northwest Kansas Technical College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

As described in item 2012-1 in the accompanying schedule of findings and questioned costs, Northwest Kansas Technical College did not comply with requirements regarding monitoring students' satisfactory academic progress in the student financial aid program. Compliance with this requirement is necessary, in our opinion, for Northwest Kansas Technical College to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Northwest Kansas Technical College complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

The management of Northwest Kansas Technical College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Northwest Kansas Technical College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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. 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2012-1. 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.

This report is intended solely for the information and use of management, the Area Board of Control, other within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cyber & Sheddert, Chartered

Ottawa, Kansas
January 15, 2013

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting

Material weakness(es) identified? No

Significant deficiencies identified not considered to be material weaknesses: None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified not considered to be material weaknesses: One reported

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

Any audit findings disclosed that are required to be reported in accordance with
OMB Circular A-133, Section .510(a)? Yes

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> | <u>Amount</u> |
|-----------------------|--|---------------|
| 84.007 | Supplemental Educational Opportunity Grant | \$ 23,091 |
| 84.032 | Federal Family Education Loans | 1,713,052 |
| 84.033 | College Work Study | 16,827 |
| 84.063 | Federal Pell Grant Program | 1,151,088 |

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

Auditee qualified as a low-risk auditee? Yes

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

SIGNIFICANT DEFICIENCY

2012-1 STUDENT FINANCIAL AID CLUSTER #84.063, #84.007 and #84.032

| | |
|-----------------|--|
| CONDITION: | Our test of eligibility for financial aid programs noted that in certain student files that Northwest Kansas Technical College did not verify that the student made Satisfactory Academic Progress. |
| CRITERIA: | Students are required to maintain a 1.75 GPA by the midpoint of their first year to continue receiving aid. They are also required to pass 2/3 of the hours attempted. |
| CAUSE: | Northwest Kansas Technical College did not have a procedure in place to identify students that did not make Satisfactory Academic Progress. |
| EFFECT: | As a result of the above, our test results found out of forty files tested two (2) files where the students did not make Satisfactory Academic Progress. |
| RECOMMENDATION: | The College should have a procedure in place to identify students that are not making Satisfactory Academic Progress. |
| RESPONSE: | The college now has a process in place in which we can run a satisfactory academic progress (SAP) calculation within the college's student software package at the end of each term. This process will flag each student record that does not meet the established SAP rules. This flag will allow for financial aid to not be disbursed unless a manual override is approved by the financial aid office. |