



HLC Federal Compliance Filing Appendices

Appendix A: Title IV General Program Responsibilities: Most recent program review or other inspection/audit report since last comprehensive evaluation

1. Documents/correspondence relating to most recent Title IV program review (May 2004)
 - a. Letter from Ralph A. LoBosco to John Harms re: Final Program Review Determination
 - b. Letter from John Harms to Ralph A. LoBosco July 14, 2004 response to findings
 - c. Letter from Ralph A. LoBosco to John Harms re: May 2004 Title IV Program Review Report
 - d. May 2004 Title IV Program Review Report
2. June 2019/2018 audit
3. June 2018/2017 audit
4. June 2017/2016 audit

Appendix B: Title IV General Program Responsibilities: Action letters issued by the Department

- Not applicable (no action letters issued)

Appendix C: Financial Responsibility Requirements: Action letters issued by the Department

- Not applicable (no action letters issued)



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We Help Put America Through School

U. S. DEPARTMENT OF EDUCATION

Federal Student Aid
8930 Ward Parkway, Suite 2028
Kansas City, MO 64114-3302
Phone: (816) 268-0410
Fax: (816) 823-1402

SEP 29 2004

Dr. John N. Harms, President
Western Nebraska Community College
1601 E. 27th Street
Scottsbluff, NE 69361-1899

CERTIFIED MAIL
Return Receipt Requested 7003-1680-0005-4547-8695
Final Program Review Determination
PRCN: 200430723044

Dear Dr. Harms:

This office has reviewed your letter dated July 14, 2004, in response to the deficiencies noted in our June 9, 2004, Title IV program review report. That report covered the college's administration of the Federal Title IV, HEA programs during the 2002/03 and 2003/04 award years.

Your letter has satisfactorily addressed the issues cited in the program review report and that program review is now officially closed.

Western Nebraska Community College should be aware that repeat findings in a future program review may lead to administrative proceedings to fine, limit, suspend or terminate the institution pursuant to 34 CFR, Part 668, Subpart G of the Student Financial Assistance General Provisions regulations.

Your cooperation throughout the program review process was appreciated. If you have any questions, please contact Joseph Bowen at (816) 268-0423.

Sincerely,

Ralph A. LoBosco, Area Case Director
School Participation Team, South Central Division
Federal Student Aid

cc: Ms. Penny James, Financial Aid Director, Western Nebraska Community College
Document Receipt and Control Center



1601 E. 27th Street
Scottsbluff, Nebraska 69361-1899
308/635-3606
800/348-4435 in Nebraska
FAX 308/635-6100

July 14, 2004

Mr. Ralph A. LoBosco
United States Department of Education
Federal Student Aid Programs
8930 Ward Parkway, Suite 2028
Kansas City, MO 64114-3302

PRCN: 200430723044

Dear Mr. LoBosco:

Enclosed is Western Nebraska Community College's response to your June 10, 2004, report. While responses to findings #1, #2 and #5 are complete, we have not yet received the necessary documentation from students to fulfill all requirements of findings #3 and #4. I hereby request an additional 30 days to obtain and provide that documentation to you.

All of us at WNCC appreciated the cooperation and openness of Mr. Bowen and Ms. Dunn during their visit to our campus, and I thank you for your prompt report on that visit. If you have any questions or need further clarification on any of the enclosed information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'John N. Harms', written over a horizontal line.

Dr. John N. Harms, President
308-635-6101

Enclosures

RESPONSE TO FINDING #1 – LATE REFUND:

Title IV funds for student # 17 were not returned within 30 days of the date of determination that the student withdrew. Although WNCC does not dispute this fact, the October 20, 2003, withdrawal date (cited both in the June 10, 2004 program review report and in WNCC's March 9, 2004 letter to the student) is incorrect. According to our working papers, a last date of attendance was not reported for every course. Therefore, the semester midpoint was used in the Return of Funds calculation.

In the past, financial aid staff attempted to obtain last date of attendance verification for every course to calculate Return of Funds for unofficial withdrawals. Contacting faculty who sometimes were away from campus extended the processing time for our refund calculations.

As part of our automated academic progress procedures, we now generate a list of students who did not complete any of their courses for the semester. This list is available within a few days after the end of the semester, as soon as all final grades are posted. WNCC faculty are encouraged to provide last date of attendance for each student who receives a failing grade. To ensure that future refunds are processed on a timely basis, we will no longer attempt to obtain last date of attendance verification from faculty who do not report it with final grades. Instead, we will base the calculation on the semester midpoint as allowed in 34 CFR 668.22(c)(1)(iii). WNCC provides our assurance that future refunds will be returned on a timely basis.

RESPONSE TO FINDING #2 – FSEOG IMPROPERLY AWARDED:

WNCC's financial aid award parameters for 2004-05 will continue to limit FSEOG funds to students with a zero EFC, as was done for 2003-04. To help reduce the chance of human error in our manual awarding process, a rule has been attached to the FSEOG award code that will alert us if we attempt to enter an FSEOG award for a student with a higher EFC. WNCC provides our assurance that FSEOG awarding will be done according to regulations.

RESPONSE TO FINDING #3 – INCOMPLETE VERIFICATION:Student #8

The 2001 IRS tax transcript has been mailed to the student for her signature. We have not yet received the signed copy, but will forward it to ED when received.

Student #14

Based upon updated information provided by the student on June 23, 2004, she was married in 1999, separated from 1999 through June 2001, with her husband again through April 2003, and divorced in September 2003. When the student completed her 2002-03 FAFSA on 6/19/02, she correctly reported her marital status as married and household size of 3 (herself, spouse, and child). She indicated that restrictions on her husband's

residency card made it difficult for him to find work in 2001, and that she filed as head of household upon the advice of her tax preparer. In response to our contact on this matter, the student has amended her 2001 tax return to claim her daughter as an exemption, which decreases the taxes paid from \$994 to \$559. Using this new tax figure, the student's EFC remains \$0. Enclosed is a copy of the information provided by the student (June 23, 2004 letter explaining marital status, tax filing status, and dependency of daughter; amended tax return for 2001; Decree of Dissolution of Marriage; and correspondence pertaining to her husband's Visa status), along with an estimated need analysis based on the amended tax amount (Attachment A).

Student #14's information for 2003-04 also appears to be correct (married, student and spouse income, and household size of 3). During the Program Review, we discussed the need to select the student's 2004-05 application for verification to resolve conflicting information. Given the information just confirmed by the student, this no longer seems necessary as there is no information that appears to be in conflict. The student reported her marital status as unmarried, reported income only for herself, and household size of two.

RESPONSE TO FINDING #4 – FFEL EXIT COUNSELING NOT DOCUMENTED/PERFORMED:

Student #1

Student was sent a letter on 3/21/03 instructing her to complete Exit counseling online, but WNCC has received no confirmation that she completed this requirement. To fulfill the regulatory requirements, WNCC has now mailed Exit counseling materials to the student, along with a form she is requested to complete and return. (Attachment B)

Student #8

Student was sent a letter on 10/29/02 instructing her to complete Exit counseling online, but WNCC has received no confirmation that she completed this requirement. To fulfill the regulatory requirements, WNCC has now mailed Exit counseling materials to the student, along with a form she is requested to complete and return. (Attachment B)

Student #9

The student file contains no evidence that WNCC informed the student of the exit counseling requirements when she did not return to school for the spring 2004 semester. Although student is currently enrolled in 2004 summer classes, WNCC has mailed Exit counseling materials along with a form she is requested to complete and return. (Attachment B)

Student #13

The student file contains no evidence that WNCC informed the student of the exit counseling requirements when he did not return to school for the spring 2004 semester. WNCC has now mailed Exit counseling materials along with a form he is requested to complete and return. (Attachment B)

WNCC has mailed exit counseling materials to student borrowers who unofficially withdrew during the spring 2004 semester. In the future, our regular end-of-semester procedures will include steps to identify student loan borrowers who unofficially withdrew and mail Exit counseling materials to them in a timely manner. This is our assurance that exit counseling will be performed for students who unofficially withdraw before the end of the semester.

RESPONSE TO FINDING #5 – CAMPUS SECURITY REPORT NOT DISSEMINATED:

Western Nebraska Community College, as required by the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act, will disclose to all current students information regarding campus security policies and the campus crime statistics covering a period of the three most recent calendar years annually via numerous media—student handbook, college catalog, college website, class schedules, tabloids, email, etc. In addition, information will be included on each student's billing statements, which are sent to every student. The report will be available on WNCC's website, while a paper copy will be made available by request. Prospective students will be made aware of the report via the web page and recruitment literature will include the required information.

Current employees will receive a memo and email notification annually of the report and how to access the document. Likewise, a paper copy will be available on request. Prospective employees will be made aware of the report through our Human Resources web page, notification when they request or fill out an application, and in written material.

Lastly, an ad-hoc committee will be formed to explore and develop a comprehensive plan to satisfy the requirements of the aforementioned Acts. The committee will be chaired by the Dean of Student Services, with legal advice from our college attorney to ensure compliance. The plan will include a list of the titles of each person or organization to whom criminal offenses should be reported.

RESPONSE TO TECHNICAL ASSISTANCE:

WNCC acknowledges the comments made in the Technical Assistance section of the report. We are examining this issue with our consultants, state educational agency, accreditation commission, and our state licensing agency. The College will be working in the weeks to come to review this program.

ATTACHMENTS:

Attachment A – Student #14 verification documents & EFC calculation

Attachment B – Exit Counseling letters sent to students # 1, #8, #9, and #13



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UNITED STATES DEPARTMENT OF EDUCATION

Federal Student Aid Programs
8930 Ward Parkway, Suite 2028
Kansas City, Missouri 64114-3302

Tel: (816) 268-0410
Fax: (816) 823-1402

JUN 10 2004

Dr. John N. Harms, President
Western Nebraska Community College
1601 E. 27th Street
Scottsbluff, NE 69361-1899

Certified Mail Return Receipt
Requested: 7003-1680-0005-4547-8084

PRCN: 200430723044

Dear Dr. Harms:

On May 24-28, 2004, a program review was conducted of the Title IV Federal Student Aid (FSA) programs administered at Western Nebraska Community College. The findings of that review are presented in the enclosed report.

The findings of non-compliance are referenced to the applicable statutes and regulations and specify the actions required to comply with the statutes and regulations. Please review the report and respond to each of the findings, indicating the specific corrective actions taken by the institution. Your response should be sent directly to this office within thirty (30) days of the date of this letter.

I would like to express my appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please call Joseph Bowen at (816) 268-0423.

Sincerely,

Ralph A. LoBosco
Kansas City Case Management Team
Federal Student Aid
School Eligibility Channel

Enclosure

cc: Penny James, Financial Aid Administrator, Western Nebraska Community College
Document Receipt and Control Center

INSTITUTIONAL REVIEW DATA SHEET

DATES OF REVIEW: May 24-28, 2004

AWARD YEARS REVIEWED: 2002-03 2003-04

STUDENT SAMPLE SIZE: 12 12

OPE ID #: 00256000

TIN #: 476005299

PRCN: 200430723044

TYPE AND CONTROL: Public/Associate Degree

ACCREDITATION: North Central Association of Colleges and Schools

REVIEWING ED OFFICIALS: Joseph Bowen
Margie Dunn

FSA PROGRAM PARTICIPATION:

<u>2002-03</u>	<u>2003-04</u>	
\$2,035,446	\$1,938,957	Federal Pell Grant Program
\$877,116	\$876,886	Federal Family Education Loan Program
\$63,330	\$65,412	Federal SEOG Program
\$62,514	\$66,737	Federal Work Study Program

Source: Institutional Records

DEFAULT RATE: (2001) – 11.1%
(2000) – 5.4%
(1999) – 4.6%

Source: Department. of Education Data

METHOD OF FUNDING: Advance Payment

INSTITUTIONAL OFFICIALS CONTACTED:

Dr. John N. Harms, President
Ms. Penny James, Financial Aid Administrator
Dr. Timothy Alvarez, Dean of Student Services
Dr. Daniel P. Doherty, Dean of Instruction
Mr. Roger S. Hovey, Registrar

A. INTRODUCTION

Western Nebraska Community College is a two year public school located in Scottsbluff, Nebraska. The school has operated under several names since it began offering courses in 1926. It has had its present name since 1988. The institution has two other ED approved locations, one in Sidney, Nebraska and the other in Alliance, Nebraska. Limited courses are offered at numerous other locations in the Nebraska panhandle. The school offers various levels of degrees (Associate Degrees, Diplomas and Certificates)

Western Nebraska Community College participates in the following Federal Student Aid (FSA) programs:

- Federal Pell Grant Program
- Federal Supplemental Educational Opportunity Grant Program
- Federal Work Study Program
- Federal Family Education Loan Program

School records indicate a current enrollment of 4,025 students with approximately 25 percent of them receiving FSA funds.

B. SCOPE OF REVIEW

A program review was conducted on May 24-28, 2004, to examine the administration of the FSA programs. The focus of the review was to determine the institution's compliance with the statutes and federal regulations as they pertain to the institution's administration of the FSA programs. The review consisted of, but was not limited to, an examination of the school's policies and procedures, financial aid and academic files, attendance records, student account ledgers and various fiscal records. In addition, interviews were conducted with appropriate institutional personnel.

During our field work, we received word that the Department was also in the process of resolving the institution's non-federal audit for the period ending June 30, 2003. The audit contained two findings (ineligible program and no high school diploma or GED) that required an institutional response. Liabilities for these two findings, if any, will be collected through the Department's audit resolution process. Accordingly these findings were specifically excluded from this program review report to avoid any duplication. (see pages 33-38 of the audit report)

A statistically valid sample was identified for review from the 2002/03 and 2003/04 award years. From this sample, a random sample of 24 student files was selected for detailed examination. Additional student files were selected for the purpose of examining Title IV refunds and Federal Work Study. An appendix is attached to this report, which lists the names and social security numbers of all students whose files were examined during the review. Students are referenced throughout the report by the numbers noted in the appendix.

During the visit, some areas of non-compliance were noted. Findings of non-compliance are referenced to the applicable laws, regulations, and policies. The findings specify the actions the institution must take to ensure compliance with regulations and statutes that govern the FSA programs. Any harm caused to these programs due to non-compliance with applicable laws, regulations, and policies is identified.

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning the institution's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Western Nebraska Community College of its obligation to comply with all of the statutory or regulatory provisions governing the FSA programs.

C. FINDINGS AND REQUIREMENTS

1. LATE REFUND

FINDING: An examination of the institution's Title IV refund computations revealed a refund that was not made within 30 days of the date that the institution determined that the student withdrew. Student number 17 unofficially withdrew on October 20, 2003 and the "date of determination" was December 23, 2003. The refund was made on March 17, 2004, 55 days late.

Retention of Title IV funds results in the institution having benefit of Federal funds that should have been repaid to either lenders or to the Pell program. This causes financial loss for the Department.

REQUIREMENT: Since October 7, 2000, the Student Assistance General Provisions have required an institution to pay a refund that is due within 30 days of the date that the student officially withdraws, is expelled, or the institution determines that a student has unofficially withdrawn. *34 CFR 668.22(j), and 682.607*

It should be noted that refund requirements for the Federal Family Education Loan (FFEL) Program have changed. Prior to October 7, 2000, FFEL refunds were required to be paid within 60 days after a student's withdrawal. Beginning in the 2000-01 award year, these refunds must be paid within 30 days of a borrower's withdrawal determination. *34 CFR. 682.607*

The Department has elected to not assess any interest for the late refund, as this would not be a material amount. The institution is required to provide written assurances that future refunds will be returned on a timely basis.

2. FSEOG -- IMPROPERLY AWARDED

FINDING: The institution did not follow regulatory requirements for awarding Federal Supplemental Educational Opportunity Grants (FSEOG) first to Federal Pell Grant recipients with exceptional need {lowest expected family contributions (EFC)} and then to non-Federal Pell Grant recipients in order of lowest EFC's. This problem was confined to the 2002/03 award year, where it was noted that numerous students with a zero EFC did not receive an award while some other students with a higher EFC did receive an award. The institution's new financial aid director was aware that this practice did not meet regulatory requirements and she changed the way awards were made for the 2003/04 award year. There were no awarding errors in 2003/04. *34 CFR 676.10, Federal Supplemental Educational Opportunity Grant Program*

REQUIREMENT: In selecting FSEOG recipients, an institution must first select students with exceptional financial need, which is defined as those students with the lowest EFC's who will also receive Federal Pell Grants in that award year. If the institution has FSEOG funds remaining after funds are awarded to students who are Federal Pell eligible, the institution must next award FSEOG funds to those students with the lowest EFC's who will not receive Federal Pell Grants in that award year.

Although an institution is allowed to establish categories of students as a means of administering its packaging policies, an institution would not be in compliance with the Higher Education Act of 1965, as amended, if it were to award FSEOG funds on a first-come, first-serve basis or arbitrarily set a maximum EFC benchmark (or cut-off) from below which it selected FSEOG recipients. Such a practice might exclude otherwise eligible students from the selection process. Furthermore, the institution may not use professional judgment to circumvent its FSEOG selection policy.

If a recurrence of this finding appears in a future audit or program review, the institution will be liable for all FSEOG funds disbursed to students who do not meet the regulatory selection group criteria for that award year. Additionally, the institution is required to provide written assurances that future awarding will be done according to regulations.

3. INCOMPLETE VERIFICATION

FINDING: The review revealed three instances of incomplete verification. Although the school had obtained copies of income tax returns for most of the students, it did not always follow through in completing the rest of the verification process. Following are instances of incomplete verification:

Student #3

Student was selected for verification for the 02/03 award year. The Earned Income Credit (EIC) of \$2,428 shown on the parents 2001 tax return was not included on the student's ISIR. While on site, the financial aid director recalculated the student's need and determined that inclusion of the EIC had no effect on the student's EFC.

Student #8

Student was selected for verification for the 02/03 award year. The 2001 IRS tax transcript is required to be signed by the student, unless the form is received directly by the school. Documentation on file did not illustrate that the form was received by the school and therefore it required a signature.

Student #14

Student was selected for verification for the 02/03 award year. The ISIR showed the student as married, but no income was reported for the spouse. The verification worksheet also showed that there was a husband in the household.

REQUIREMENT: An institution is responsible for verifying the information that is used to calculate an applicant's Expected Family Contribution (EFC) as part of the determination of need for student financial assistance. There are five required data elements that must be verified according to *34 CFR 668.56 of the Student Assistance General Provisions*. These five data elements are: 1) household size, 2) number enrolled in college, 3) adjusted gross income, 4) U.S. income tax paid, and 5) certain untaxed income and benefits.

Documentation is collected from the student/parent and then compared to that reported on the student's ISIR. In some cases, this may consist of a signed statement attesting to the accuracy of the information reported. The regulations also require an institution to verify discrepancies in information received from different sources regarding a student's application for financial aid under the Title IV programs. *34 CFR 668.16 (f) and The Application and Verification Guide*

The institution must resolve the verification deficiencies and demonstrate that verification has been properly completed for students 8 and 14. The institution must obtain the necessary documentation and forward it with the response to this report. If any student's EFC, scheduled award and disbursement changes as a result of verification, the institution is liable for the difference between the correct disbursement and the actual disbursement. If the institution is unable to complete the verification process, the institution is liable for the total amount disbursed.

Instructions regarding repayment of any ineligible disbursements will be provided in the Final Program Review Determination letter.

4. FFEL EXIT COUNSELING NOT DOCUMENTED/PERFORMED

FINDING: The institution did not perform the required Federal Family Education Loan (FFEL) exit counseling for four students. (1, 8, 9 and 13) Although the institution regularly provided exit counseling for the majority of students who graduated at the end of the semester, students who unofficially withdrew during the semester or did not return for the following semester were frequently overlooked.

The institution's failure to provide exit loan counseling increases the possibility of a student defaulting on his or her loan. Loans that go into default result in financial loss to the U.S. Department of Education.

REQUIREMENT: The Federal Family Education Loan (FFEL) Program regulations require an institution to provide exit counseling. This counseling covers general information such as the amount of the borrower's monthly payment, repayment options, loan consolidation, and debt management strategies. If the borrower withdraws/graduates without the institution's prior knowledge and did not attend an exit interview, the institution must provide exit counseling through either interactive electronic means or by mailing written counseling materials to the borrower within 30 days after learning the borrower has withdrawn from school and failed to complete the required exit counseling.

The school must maintain documentation evidencing its exit counseling. 34 CFR 682.604(g), *Federal Family Education Loan Program*

The institution must perform the required exit counseling for the above-mentioned students and also provide written assurances that future exit counseling will be performed for those students who unofficially withdrew before the end of the semester.

5. CAMPUS SECURITY REPORT -- NOT DISSEMINATED

FINDING: The institution has failed to implement certain aspects of the Student Right-To-Know and Campus Security Act of 1990. Although the institution had filed its annual campus security report with the Department of Education and the report was available on its web site, reviewers noted that it had not been distributed to all current and prospective students and employees.

Failure to disclose and disseminate required information regarding campus safety policies and campus crime statistics deprives prospective and current students and institutional employees of their right to make an informed decision regarding the safety of their learning or work environment. Please note, monetary penalties up to \$25,000 may be assessed to an institution if the Department determines that a school has substantially misrepresented information that is reported in its campus security report.

REQUIREMENT: Institutions participating in any of the Title IV programs are required to provide student consumer information to current and prospective students. One of the elements to be disclosed concerns campus security and safety. Institutions are required to disclose information regarding campus security policies and campus crime statistics. This disclosure must be made annually.

Institutions are required to distribute a report containing campus security policies and campus crime statistics covering a period of the three most recent calendar years, to all current students and campus employees. 34 CFR 668.46(c)(1) This same information must be made readily available to all prospective students. Campus security reporting requirements are stipulated under the *Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act*. Included in the Act is a requirement that schools identify a list of the titles of each person or organization to whom criminal offenses should be reported. 34 CFR 668.46(b)(2)(iii)

In response to this finding, the institution is required to improve the distribution of its campus security data to ensure that it is disclosed to all students and employees. Please provide written assurances outlining the corrective action taken by the institution.

TECHNICAL ASSISTANCE

OBSERVATION: The reviewers observed a potential problem in regard to the institution's Cosmetology Program. The institution treats this program as a semester hour program, as it does all other programs at the school. Various notes in the Department's files indicate that this issue was discussed with school officials at least twice since 1998.

The Department approved the cosmetology program as a clock hour program. A telephone conversation with the Nebraska Board of Cosmetology revealed that they also see the program in terms of clock hours. A Board representative stated that Nebraska requires 2,100 clock hours of study and that they have never approved any semester hour programs as a substitute for the 2,100 clock hours. The Board also requires all schools to report clock hours on a monthly basis and the representative stated that Western Nebraska Community College has been doing this.

The institution disburses Title IV funds by semester without confirming that a recipient has obtained the required number of clock hours to be eligible for a second or subsequent disbursement. During the review, two cosmetology files were selected for examination. There was no evidence that either of these students received their funds earlier than prescribed or that the Department had been harmed by what the school was doing.

RECOMMENDATION: In general, it is not the Department's practice to tell schools how they must structure their programs or teaching activities. However, in regard to this one program, the reviewers believe that the school is putting itself at risk of disbursing Title IV funds prematurely. It is recommended that the institution seek advice from its consultant or from a Departmental eligibility specialist on how this program could be structured to prevent a cosmetology student, who has not obtained a sufficient number of clock hours, from receiving funds prematurely.

WESTERN COMMUNITY COLLEGE AREA
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

WESTERN COMMUNITY COLLEGE AREA
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**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Governors
Western Community College Area
Scottsbluff, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Western Community College Area (College) as of and for the years ended June 30, 2019 and 2018, 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 of material misstatement. The financial statements of Western Nebraska Community College Foundation, a discretely presented component unit of the College, were not audited in accordance with *Government Auditing Standards*.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Western Community College Area as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows 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 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Western Community College Area's basic financial statements. The schedules of general fund revenues, schedule of general fund expenditures, 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*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of general fund revenues, schedule of general fund expenditures, 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 financial statements. Such 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 presented 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 14, 2019, on our consideration of Western Community College Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering Western Nebraska College Area's internal control over financial reporting and compliance.

Dana F Cole + Company, LLP

Scottsbluff, Nebraska
November 14, 2019

WESTERN COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Western Community College Area's annual financial report presents Management's Discussion and Analysis of the College's financial performance during the fiscal year ended June 30, 2019. Western Nebraska Community College Foundation is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College. Management's Discussion and Analysis does not contain information on the Foundation. Please read Management's Discussion and Analysis in conjunction with the College's financial statements, which follow this section.

Using this annual report

This discussion and analysis is intended as an introduction to the College's basic financial statements and notes to the financial statements. The financial statements include three components: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows provide information on the College as a whole and present a long-term view of the College's finances.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the College's finances is, "Is Western Community College Area, as a whole, better off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the College's operating results.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the College's net position and changes in it. You can think of the College's net position (the difference between assets and liabilities) as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position are one indicator of whether financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as enrollment trends, placement results, program quality, condition of buildings, campus safety and other factors to assess the overall health of the institution.

WESTERN COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure 1
Western Community College Area
Net Position
(in thousands of dollars)

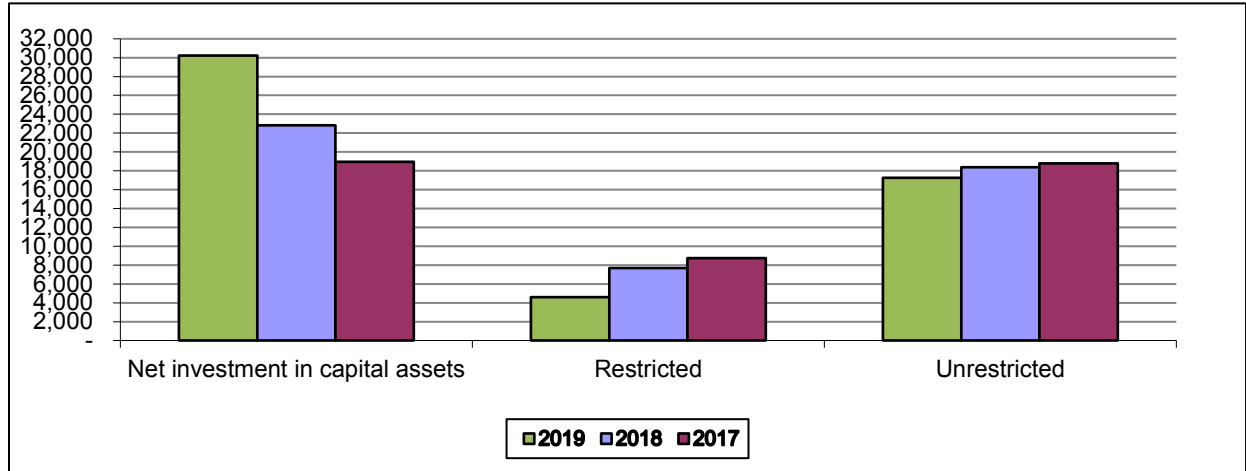


Table 1
Western Community College Area
Net Position
(in thousands of dollars)

	2019	2018	2017
Current assets	26,831	29,925	30,057
Noncurrent assets	1,224	377	290
Capital assets	<u>42,265</u>	<u>29,041</u>	<u>26,263</u>
Total assets	<u>70,320</u>	<u>59,343</u>	<u>56,610</u>
Deferred Outflows	<u>-</u>	<u>-</u>	<u>-</u>
Current liabilities	5,573	4,885	3,435
Noncurrent liabilities	<u>11,202</u>	<u>5,561</u>	<u>6,666</u>
Total liabilities	<u>16,775</u>	<u>10,446</u>	<u>10,101</u>
Deferred Inflows	<u>1,450</u>	<u>-</u>	<u>-</u>
Net position			
Invested in capital assets			
net of related debt	30,240	22,829	18,973
Restricted	4,600	7,701	8,744
Unrestricted	<u>17,255</u>	<u>18,367</u>	<u>18,792</u>
Total net position	<u>52,095</u>	<u>48,897</u>	<u>46,509</u>

Net position of the College increased by 6.5% (\$3,198 thousands) for the fiscal year ended June 30, 2019. The increase in net position is due to the following factors:

Net position increased due to construction projects in progress at the end of the year.

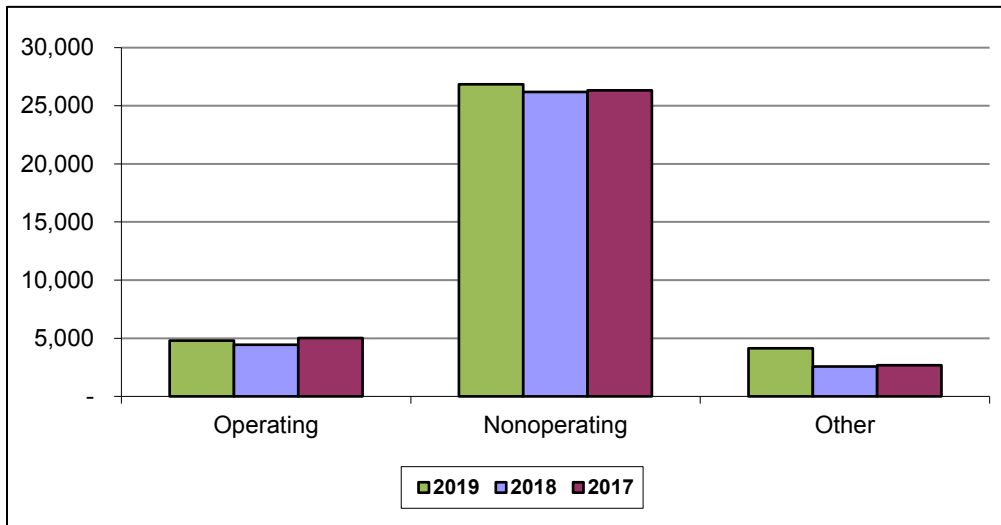
WESTERN COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2
Western Community College Area
Statement of Revenues, Expenses, and
Changes in Net Position
(in thousands of dollars)

	2019	2018	2017
Operating revenue			
Student tuition and fees	2,120	2,312	2,494
Grants and contracts	394	176	39
Sales and charges of educational departments	-	1	12
Auxiliary enterprises	2,166	1,813	2,404
Other	<u>127</u>	<u>138</u>	<u>62</u>
Total operating revenue	<u>4,807</u>	<u>4,440</u>	<u>5,011</u>
Operating expense			
Personnel services	18,455	17,450	17,420
Operating expenses	11,106	10,423	9,553
Travel	667	536	648
Capital assets not capitalized	372	386	192
Depreciation	<u>1,653</u>	<u>1,790</u>	<u>1,691</u>
Total operating expenses	<u>32,253</u>	<u>30,585</u>	<u>29,504</u>
Net operating loss	<u>(27,446)</u>	<u>(26,145)</u>	<u>(24,493)</u>
Nonoperating revenue			
State aid	12,543	12,571	12,441
Property taxes	10,160	9,894	10,119
Grants and contracts	3,817	3,444	3,606
Other receipts	-	-	-
Investment income	339	284	155
Interest on capital debt	<u>(353)</u>	<u>(244)</u>	<u>(216)</u>
Net nonoperating revenues	<u>26,506</u>	<u>25,949</u>	<u>26,105</u>
Capital appropriations	2,800	2,798	2,664
Other grants and contributions	1,338	-	-
Gain (loss) on sale of capital assets	<u>-</u>	<u>(214)</u>	<u>9</u>
Net other income	<u>4,138</u>	<u>2,584</u>	<u>2,673</u>
Increase in net position	3,198	2,388	4,285
Net position			
Net position beginning of year	<u>48,897</u>	<u>46,509</u>	<u>42,224</u>
Net position end of year	<u>52,095</u>	<u>48,897</u>	<u>46,509</u>

WESTERN COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure 2
Western Community College Area
Revenues
(in thousands of dollars)



The change in revenues was the result of the following:

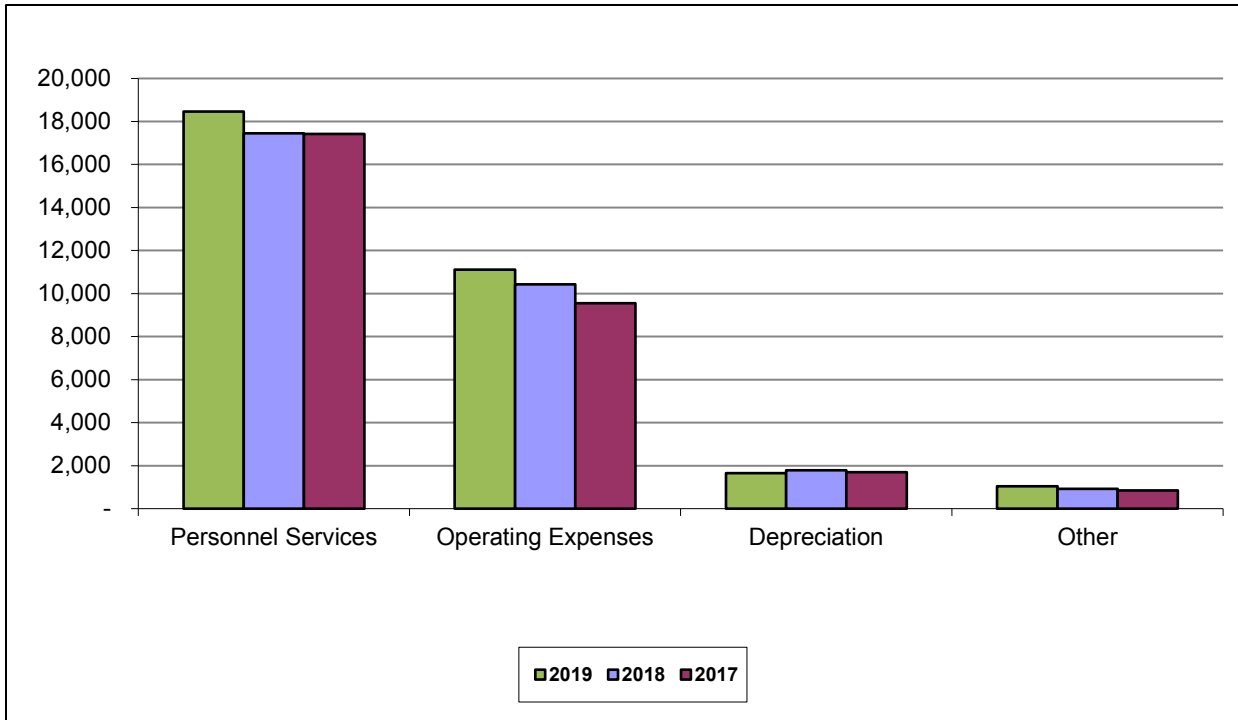
Operating revenue increased by 8.3% (\$367 thousands), primarily due to increases in nongovernmental grants and contracts, and auxiliary enterprises.

Nonoperating revenue increased by 2.5% (\$664 thousands). Property taxes increased by 2.7%, and government grants and contracts increased by 10.8%.

Other income increased by 60.1% (\$1,553 thousands), primarily due to increases in contributions for construction projects, and a loss on disposal of assets related to the Main Building Addition and Renovation project in the prior year.

WESTERN COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure 3
Western Community College Area
Expenses
(in thousands of dollars)



The change in expenses was the result of the following:

Total expenses increased 5.5% (\$1,667 thousands) for fiscal year ended June 30, 2019.

Personnel services increased 5.8% (\$1,005 thousands).

Operating expenses increased 6.6% (\$683 thousands).

Depreciation decreased by 7.7% (\$138 thousands).

Other expenses increased by 12.6% (\$117 thousands).

The Statement of Cash Flows

Another way to assess the financial health of the College is to look at the Statement of Cash Flows. The purpose of the Statement of Cash Flows is to provide relevant information about cash receipts and cash payments made by the College during a fiscal year. The Statement also helps users to assess the College's:

- Ability to generate future net cash flows
- Ability to meet its obligations as they come due
- Needs for external financing

WESTERN COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 3
Western Community College Area
Cash Flows
(in thousands of dollars)

	2019	2018	2017
Cash provided by (used in):			
Operating activities	(25,509)	(23,607)	(22,270)
Noncapital financing activities	26,237	26,187	25,666
Capital and related financing activities	(5,303)	(3,342)	398
Investing activities	<u>148</u>	<u>(705)</u>	<u>(3,917)</u>
Net increase (decrease) in cash and cash equivalents	(4,427)	(1,467)	(123)
Cash and cash equivalents, beginning of year	<u>10,809</u>	<u>12,276</u>	<u>12,399</u>
Cash and cash equivalents, end of year	<u><u>6,382</u></u>	<u><u>10,809</u></u>	<u><u>12,276</u></u>

The change in cash flow was the result of the following:

Cash used by operating activities increased \$1,902 thousands (8.1%) primarily due to an increase in operating expenses, which was offset by an increase in auxiliary and other receipts.

Cash provided by noncapital financing activities increased \$50 thousands (0.2%) due to increases in gifts and grants, which were offset by decreases in property tax receipts and State aid appropriations.

Cash used by capital and related financing activities increased \$1,961 thousands (58.7%) primarily due to an increase in acquisition and construction of capital assets, and an increase in principal paid on capital debt. This was offset by proceeds from a lease-purchase agreement, and donations received for the project.

Cash provided by investing activities increased by \$854 thousands due primarily to a net decrease in the amount of CDs purchased compared to the prior year, and an increase in investment income.

Cash and cash equivalents decreased for the 2018-19 fiscal year by \$4,427 thousands (40.9%) primarily because of construction costs.

WESTERN COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital asset and debt administration

Capital Assets

Table 4
Western Community College Area
Capital Assets
(Net of depreciation, in thousands of dollars)

	2019	2018	2017
Land and improvements	1,993	2,070	2,070
Buildings	20,801	20,899	21,698
Equipment	1,819	2,210	2,437
Construction in progress	<u>17,652</u>	<u>3,861</u>	<u>58</u>
	<u>42,265</u>	<u>29,040</u>	<u>26,263</u>

Major capital additions funded this year and the source of resources that funded the acquisition include (in thousands of dollars):

Equipment purchases from general operating funds	237
Equipment purchases from grant funds	40
Equipment purchases from auxiliary funds	35
Construction in progress from capital improvement funds	14,566

The College has planned capital expenditures for the fiscal year ending June 30, 2020, of approximately \$5,556 thousands.

Equipment financed by the General Fund, student fees and capital grants will total \$513 thousands.

Other capital construction projects of \$5,043 thousands will be financed from the Capital Improvement Fund, ADA/Hazardous Materials Fund, and a Capital Lease.

More detailed information about the College's capital assets is presented in Note 6 of the financial statements.

WESTERN COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

At June 30, 2019 and 2018, the College had \$12,025 and \$6,211 thousands debt outstanding.

Table 5
Western Community College Area
Outstanding Debt
(in thousands of dollars)

	2019	2018	2017
2012 Student facility bond	1,679	1,863	2,042
2012 WNCC Facilities Corporation bond	-	1,321	2,045
2013 Limited tax facility refunding bonds	1,275	1,421	1,568
2015 Student facility revenue bond	1,471	1,554	1,635
2018 Capital lease payable	<u>7,600</u>	<u>52</u>	<u>-</u>
	<u>12,025</u>	<u>6,211</u>	<u>7,290</u>

Economic factors that will affect the future

The economic position of Western Community College Area is closely tied to that of the State. For 2019-2020, the Nebraska Legislature decreased State Aid to Western Nebraska Community College in the amount of \$28,132.

The College Board of Governors adopted a total college property tax levy of 10.1781 cents for 2019-2020. Valuations for the 13-county service area decreased 0.15%, which also increased the total college property tax request by \$355,986 at that levy.

Tuition rates were increased \$2.50 per credit hour.

Financial contact

The College's financial statements are designed to present users with a general overview of the College's finances and demonstrate the College's accountability. If you have questions about the report or need additional information, contact the College's Vice President of Administrative Services, William D. Knapper, at 1601 East 27th Street, Scottsbluff, Nebraska 69361, or call (308) 635-3606.

Western Community College Area
Statements of Net Position
June 30, 2019 and 2018

	2019		2018	
	College	Foundation	College	Foundation
Assets				
Current Assets				
Cash and cash equivalents	6,308,951	2,331,201	10,745,107	1,063,914
Restricted cash	73,137	-	63,512	-
Short-term investments	12,237,411	4,145,392	12,018,728	5,345,619
Property taxes receivable	4,943,260	-	4,688,453	-
Accounts receivable (net)	1,627,353	774,530	1,352,376	1,226,306
Interest receivable	86,966	8,230	106,586	2,190
Inventories	231,818	-	235,982	-
Prepaid expense	726,869	-	714,471	-
Pledge receivable - current	595,000	-	-	-
Total current assets	<u>26,830,765</u>	<u>7,259,353</u>	<u>29,925,215</u>	<u>7,638,029</u>
Non-current Assets				
Deposit with Foundation	368,884	-	377,518	-
Pledge receivable	855,000	-	-	-
Capital assets - net	42,265,243	167,946	29,040,647	175,946
Total non-current assets	<u>43,489,127</u>	<u>167,946</u>	<u>29,418,165</u>	<u>175,946</u>
Total assets	<u>70,319,892</u>	<u>7,427,299</u>	<u>59,343,380</u>	<u>7,813,975</u>
Liabilities				
Current liabilities				
Accounts payable	2,798,979	369,612	2,262,733	125,991
Accrued salaries	1,706,193	-	1,723,659	-
Accrued interest	21,515	-	13,422	-
Deposits	43,314	-	43,040	-
Bonds payable - current	422,915	-	649,594	-
Capital lease payable - current	400,342	-	-	-
Annuity payable - current	-	13,814	-	12,907
Pledge payable - current	-	595,000	-	-
Deposits held in custody for others	179,545	368,884	192,018	377,518
Total current liabilities	<u>5,572,803</u>	<u>1,347,310</u>	<u>4,884,466</u>	<u>516,416</u>
Non-current liabilities				
Bonds payable	4,002,773	-	5,509,461	-
Capital lease payable	7,199,316	-	52,000	-
Annuity payable	-	194,306	-	208,120
Pledge payable	-	855,000	-	-
Total non-current liabilities	<u>11,202,089</u>	<u>1,049,306</u>	<u>5,561,461</u>	<u>208,120</u>
Total liabilities	<u>16,774,892</u>	<u>2,396,616</u>	<u>10,445,927</u>	<u>724,536</u>
Deferred Inflows of Resources	<u>1,450,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	30,239,897	167,946	22,829,591	175,946
Restricted for:				
Expendable				
Loans	135,519	-	134,359	-
Capital projects	3,823,669	-	6,951,648	-
Other	474,220	1,692,740	448,137	3,743,102
Nonexpendable	166,581	2,484,799	166,581	1,768,047
Unrestricted	<u>17,255,114</u>	<u>685,198</u>	<u>18,367,137</u>	<u>1,402,344</u>
Total net position	<u>52,095,000</u>	<u>5,030,683</u>	<u>48,897,453</u>	<u>7,089,439</u>

See accompanying notes to financial statements.

Western Community College Area
Statement of Revenues, Expenses and Changes in Net Position
For the Years ended June 30, 2019 and 2018

	2019		2018	
	College	Foundation	College	Foundation
REVENUES				
Operating revenues				
Tuition and fees	2,119,536	-	2,311,604	-
Nongovernmental grants and contracts	394,239	-	176,350	-
Auxiliary enterprises	2,165,974	-	1,813,151	-
Other operating income	126,734	28,800	138,642	28,800
Total operating revenues	<u>4,806,483</u>	<u>28,800</u>	<u>4,439,747</u>	<u>28,800</u>
EXPENSES				
Operating expenses				
Personnel services	18,455,350	-	17,450,018	-
Operating expenses	11,045,729	4,073,192	10,422,451	811,232
Travel	667,099	-	536,448	-
Noncapitalized capital assets	372,112	-	386,141	-
Depreciation	1,652,459	8,000	1,790,391	8,000
Total operating expenses	<u>32,192,749</u>	<u>4,081,192</u>	<u>30,585,449</u>	<u>819,232</u>
Operating income (loss)	<u>(27,386,266)</u>	<u>(4,052,392)</u>	<u>(26,145,702)</u>	<u>(790,432)</u>
NONOPERATING REVENUES (EXPENSES)				
Governmental appropriations				
State aid	12,543,209	-	12,571,341	-
Property taxes	10,160,343	-	9,894,289	-
Governmental grants and contracts				
Federal	3,226,123	-	3,175,961	-
State	530,467	-	268,878	-
Nongovernmental grants and contracts	1,338,320	-	-	-
Gifts	-	1,748,356	-	684,713
Investment income	338,923	245,280	284,112	404,986
Interest on capital assets - related debt	(352,954)	-	(244,126)	-
Net nonoperating revenues (expenses)	<u>27,784,431</u>	<u>1,993,636</u>	<u>25,950,455</u>	<u>1,089,699</u>
Income before other revenues, (expenses), gains, or (losses)	<u>398,165</u>	<u>(2,058,756)</u>	<u>(195,247)</u>	<u>299,267</u>
OTHER INCOME				
Capital appropriations	2,799,232	-	2,798,394	-
Gain (loss) on disposal of capital assets	150	-	(214,413)	-
Total other income	<u>2,799,382</u>	<u>-</u>	<u>2,583,981</u>	<u>-</u>
Increase in net position	3,197,547	(2,058,756)	2,388,734	299,267
NET POSITION				
Net position - beginning of year	48,897,453	7,089,439	46,508,719	6,790,172
Net position - end of year	<u><u>52,095,000</u></u>	<u><u>5,030,683</u></u>	<u><u>48,897,453</u></u>	<u><u>7,089,439</u></u>

See accompanying notes to financial statements.

Western Community College Area
Statements of Cash Flows - Direct Method
For the Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Tuition and fees	2,078,554	2,096,414
Payments for personnel services	(18,472,815)	(17,516,239)
Payments for operating expenses	(9,954,981)	(8,590,996)
Payments for non-capitalized assets	(372,111)	(386,141)
Payments for financial aid awards	(1,057,275)	(1,131,876)
Collection of loans to students and employees	49,376	45,020
Loans issued to students and employees	(45,484)	(42,700)
Auxiliary enterprise receipts	2,165,974	1,780,297
Other receipts (payments)	159,157	138,695
Net cash(used) in operating activities	<u>(25,449,605)</u>	<u>(23,607,526)</u>
Cash flows from noncapital financing activities		
State aid appropriation	12,543,209	12,571,341
Property taxes	9,938,327	10,059,195
Collection of loans to students	1,234,911	1,303,607
Loans issued to students	(1,234,911)	(1,303,607)
Federal grants and awards	2,935,334	2,916,851
Gifts and grants for other than capital purposes	760,425	640,019
Net cash provided by (used in) noncapital financing activities	<u>26,177,295</u>	<u>26,187,406</u>
Cash flows from capital financing activities		
Property taxes - capital improvement fund	2,766,440	2,765,902
Purchase of capital assets	(310,981)	(528,012)
Acquisition and construction of capital assets	(14,566,074)	(4,262,336)
Proceeds for capital debt issue	7,948,000	-
Other grants and contributions	1,338,320	-
Principal paid on capital debt	(2,133,709)	(1,079,105)
Net proceeds from the sale of capital asset	150	7,683
Interest paid on capital debt	(344,861)	(245,793)
Net cash provided by (used in) capital financing activities	<u>(5,302,715)</u>	<u>(3,341,661)</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	28,231,248	17,796,816
Interest on investments	358,543	227,911
Purchase of investments	(28,441,297)	(18,730,382)
Net cash provided by (used in) investing activities	<u>148,494</u>	<u>(705,655)</u>
Net increase (decrease) in cash and cash equivalents	<u>(4,426,531)</u>	<u>(1,467,436)</u>
Cash and cash equivalents - beginning of year	<u>10,808,619</u>	<u>12,276,055</u>
Cash and cash equivalents - end of year	<u><u>6,382,088</u></u>	<u><u>10,808,619</u></u>
Components of cash		
Cash	6,308,951	10,745,107
Restricted Cash	73,137	63,512
	<u><u>6,382,088</u></u>	<u><u>10,808,619</u></u>

Western Community College Area
Statements of Cash Flows - Direct Method (Continued)
For the Years ended June 30, 2019 and 2018

	2019	2018
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	(27,386,266)	(26,145,702)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,652,459	1,790,391
Changes in operating assets and liabilities:		
Accounts receivable	(218,038)	(330,695)
Student and staff notes receivable	3,892	2,320
Inventories	4,164	2,580
Prepaid expenses	(12,398)	(351,461)
Accounts payable	536,246	1,460,040
Accrued salaries	(17,465)	(66,221)
Other Liabilities	-	-
Deposits held for others	(12,199)	31,222
	<hr/>	<hr/>
Net cash used in operating activities	(25,449,605)	(23,607,526)
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

WESTERN COMMUNITY COLLEGE AREA NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies

Western Community College Area was established July 1, 1973, by legislative action. The Area encompasses the 13 counties of the Nebraska panhandle. An eleven member Board of Governors is the College's ruling body and establishes the policies and procedures by which the College is governed.

Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units as defined by Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity*. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Western Community College Area is not a component unit of another primary governmental reporting entity.

The Western Nebraska Community College Facilities Corporation (WNCCFC) is a legally separate, nonprofit corporation which is a component unit of Western Nebraska Community College. WNCCFC was formed by the College in 2003 to acquire property to be leased to and purchased by the College. The Board of Governors of the College appoints the members of the Board of WNCCFC. The WNCCFC provides services entirely to the College. The services provided by WNCCFC are so intertwined with the College that the WNCCFC is in substance the same as the College and it is reported as part of the College and blended into the College's financial statements.

College Foundation

Under GASB 39, *Determining Whether Certain Organizations are Component Units - an amendment of GASB 14*, legally separate organizations meeting certain criteria should be discretely presented as component units. The criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the College or its constituents (e.g., students, faculty and staff).
2. The College is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the College is entitled to, or has the ability to otherwise access, are significant to the College.

The Western Nebraska Community College Foundation (Foundation) is a legally separate, tax exempt component unit of Western Community College Area. The Foundation acts primarily as a fundraising organization to provide support to the College. The Foundation is governed by a volunteer Board. Although the College does not control the timing or amounts of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because 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 and is discretely presented in the College's financial statements.

These financial statements do not contain disclosures of information of the Foundation. Complete financial statements for the Foundation can be obtained from the Foundation offices located in the John N. Harms Center at 2620 College Park, Scottsbluff, NE 69361.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

Basis of Accounting

The College's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, which has been superseded by GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the College has elected to follow all applicable GASB pronouncements, including all National Council of Governmental Accounting (NCGA) statements and interpretations currently in effect, as well as all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, except those that conflict or contradict GASB pronouncements.

In addition to the GASB Statements previously discussed, the significant accounting policies followed by the College are described below:

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments*, establishes financial reporting requirements that require the basic financial statements and required supplementary information for general purpose governments should consist of: management's discussion and analysis, basic financial statements, and required supplementary information.

GASB Statement No. 35 – *Basic financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*, establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB 34. In accordance with this statement, the College presents statements of net position, revenues, expenses, and changes in net position, and cash flows on college-wide basis. The objective of this statement is to enhance the understandability of usefulness of the external financial reports issued.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities.

GASB Statement No 65, *Items Previously Reported as Assets and Liabilities*, amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly clarify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 958-205, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and

WESTERN COMMUNITY COLLEGE AREA NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

Donated Assets and Services

Donated materials or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt.

Budgets

Budgets are prepared on the same basis of accounting except that capital assets acquired are recorded as expenses and depreciation is not recorded.

Cash and Cash Equivalents

The College follows GASB No. 31 (as amended by GASB No. 40), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB 31 requires the College's investments to be recorded at market value with the changes in the market value of investments reported as investment income in the statement of revenues, expenses, and changes in fund equity. Investments are recorded at the market value as determined by quoted market prices.

Cash deposits, primarily interest bearing, are covered by federal depository insurance or pledged collateral of unregistered U.S. Government securities held by various depositories. Investments at June 30, 2019 and 2018 were in unregistered U.S. Government securities and Federal Agency obligations held in the College's name by the custodial banks.

For the purposes of the statements of cash flows, the College considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value.

Receivables

Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

Inventories

Inventories are valued at the lower-of-cost or market value as determined by the first-in, first-out (FIFO) method.

Bond Issuance Costs

Bond issuance costs are expenditures related to the issuance of bonds. With the implementation of GASB 65, these costs are now expensed when incurred.

Capital Assets

Capital assets are stated at cost at date of acquisition, or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are expensed.

Depreciation is computed using the straight-line method over the useful lives of the assets. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Building improvements	20 years
Building content replacements	10 years
Office furniture	10 years
Instructional equipment	7 years
Other equipment	5 years
Office equipment	3 years
Vehicles	3 years

Land, artwork, and other collectible assets are not depreciated.

Restricted Assets

Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

Restricted/Unrestricted Resource Policy

If both restricted and unrestricted resources are available to finance a program, restricted resources are used first unless the restricted resources require unrestricted resources to be used first.

Unearned Revenue

Unearned revenue is revenue received but not earned as of the end of the fiscal year.

Operating Versus Nonoperating

Operating revenues and expenses generally result from providing services in connection with the College's ongoing operations. The principal operating revenues are charges to customers for services. Operating expenses include the cost of service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Compensated Absences

Vacation leave meets the criteria in GASB Statement No. 16 and is included in accrued compensated absences. The criteria for accruing compensated absences are met when employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

compensate the employee through paid time off or some other means, such as cash at termination or retirement.

Noncurrent Liabilities

Noncurrent liabilities include accrued salaries for early retirement, deferred revenue, deposits held in custody for others, and notes and bonds payable.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then.

Net Position

The net position of the College is broken down into three categories: (1) net invested in capital assets, (2) restricted component of net position, and (3) unrestricted component of net position.

Net invested in capital assets - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - Consists of assets that do not meet the definition of restricted net position or net position invested in capital assets, net of related debt.

It is the College's policy to first use restricted components of net position prior to the use of unrestricted components of net position when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

Restricted Net Position

Restricted net position is further broken down into expendable and nonexpendable portions.

Restricted net position – expendable includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.

Restricted net position – nonexpendable consists of endowment funds in which the donors 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.

Scholarship Allowances

Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship allowances in the accompanying statement of revenues, expenses, and changes in net position.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying statements of revenues, expenses, and changes in net position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded them as scholarship allowances.

Revenue and Expense Recognition

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the College. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are investing, capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses are considered neither operating nor non-operating activities and are presented after nonoperating activities on the accompanying statements of revenues, expenses, and changes in net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reported period. Actual results could differ from those estimates.

Note 2. Cash and Investments

The College can invest, after proper consideration of the requirements for the availability of money, funds of the College in securities the nature of which individuals of prudence, discretion, and intelligence acquire or retain in dealing with the property of another.

Interest Rate Risk

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

In accordance with the College's investment policy, funds may be invested, within certain limits, in FDIC insured banks, U.S. Treasury and federal agencies, and certificates of deposit issued by FDIC insured banks.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits of the College is the risk that the College's deposits would not be covered by depository insurance. Deposits were reflected in the accounts of the banks at \$19,306,689 and \$24,140,106 as of June 30, 2019 and 2018. All of the balances for June 30, 2019 and 2018 were insured or fully collateralized.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Investments (Continued)

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of a failure of the counter party, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College has no custodial credit risk in its investment portfolio.

Investments at June 30, 2019 and 2018, are summarized as follows:

Investment Type	2019 Fair Value	2018 Fair Value
Certificates of deposit	10,548,678	10,656,738
Money market accounts	<u>1,688,733</u>	<u>1,361,990</u>
	<u>12,237,411</u>	<u>12,018,728</u>

Note 3. Property Tax Receivable

Property taxes levied for the fiscal year ending June 30, 2019, were due December 31, 2018, and became delinquent in May and September of 2019. Property tax revenues, based on the assessed valuation and the levy set, are recognized in the current fiscal year even though part of the property tax revenue is not delinquent or collected until the following fiscal year. Property taxes are recognized net of the county collection fee of 1%. The assessed valuation and levies in cents per \$100 of assessed valuation for the fiscal years ended June 30 were as follows:

	<u>2019</u>	<u>2018</u>
Assessed valuation August 2019 and 2018	13,057,515,801	12,990,978,312
Levy in cents per \$100 of assessed valuation		
General Fund	7.7544	7.5436
Capital Improvement Fund	2.1360	2.1379
ADA/Hazardous Waste Fund	<u>0.0000</u>	<u>0.0000</u>
Total	<u>9.8904</u>	<u>9.6815</u>

The amount of property tax receivable at June 30 was as follows:

	<u>2019</u>	<u>2018</u>
General Fund	3,875,201	3,653,186
Capital Improvement Fund	1,068,059	1,035,267
ADA/Hazardous Waste Fund	<u>-</u>	<u>-</u>
Total	<u>4,943,260</u>	<u>4,688,453</u>

The following amounts, which are included in the property tax receivable amount, were held as cash by county treasurers at June 30.

	<u>2019</u>	<u>2018</u>
General Fund	98,917	107,844
Capital Improvement Fund	27,257	30,546
ADA/Hazardous Waste Fund	<u>-</u>	<u>-</u>
Total	<u>126,174</u>	<u>138,390</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 4. Accounts Receivable

Accounts receivable at June 30 were as follows:

	<u>2019</u>	<u>2018</u>
Federal non-exchange grants	335,954	349,576
Tuition and fees	339,639	569,167
State grants	192,773	118,320
Other	<u>758,987</u>	<u>315,313</u>
Total	<u><u>1,627,353</u></u>	<u><u>1,352,376</u></u>

Note 5. Pledge Receivable

The Foundation pledged \$1,450,000 to the College to aid in the construction of its Performing Arts Center. The Pledge is payable over a ten year period. The pledge is also reported as a deferred inflow, recognized as payment is received.

Note 6. Inventories

Inventories at June 30 were as follows:

	<u>2019</u>	<u>2018</u>
Books and supplies	179,547	183,711
Project car	<u>52,271</u>	<u>52,271</u>
Total	<u><u>231,818</u></u>	<u><u>235,982</u></u>

Note 7. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	<u>June 30,</u> <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2019</u>
Capital assets, not being depreciated				
Land	1,004,688	-	-	1,004,688
Artwork & collectibles	190,861	-	-	190,861
Construction in progress	<u>3,861,433</u>	<u>14,566,074</u>	<u>775,272</u>	<u>17,652,235</u>
Total	<u><u>5,056,982</u></u>	<u><u>14,566,074</u></u>	<u><u>775,272</u></u>	<u><u>18,847,784</u></u>
Capital assets, being depreciated				
Land improvements	2,050,125	-	-	2,050,125
Buildings	41,362,673	775,272	-	42,137,945
Equipment	<u>9,332,409</u>	<u>310,981</u>	<u>6,299</u>	<u>9,637,091</u>
Total	<u><u>52,745,207</u></u>	<u><u>1,086,253</u></u>	<u><u>6,299</u></u>	<u><u>53,825,161</u></u>
Less accumulated depreciation				
Land improvements	984,516	77,380	-	1,061,896
Buildings	20,463,618	872,858	-	21,336,476
Equipment	<u>7,313,408</u>	<u>702,221</u>	<u>6,299</u>	<u>8,009,330</u>
Total	<u><u>28,761,542</u></u>	<u><u>1,652,459</u></u>	<u><u>6,299</u></u>	<u><u>30,407,702</u></u>
Capital assets, net	<u><u>29,040,647</u></u>	<u><u>13,999,868</u></u>	<u><u>775,272</u></u>	<u><u>42,265,243</u></u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets (Continued)

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	<u>June 30,</u>			<u>June 30,</u>
	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>
Capital assets, not being depreciated				
Land	1,004,688	-	-	1,004,688
Artwork & collectibles	190,861	-	-	190,861
Construction in progress	57,414	4,266,432	462,413	3,861,433
Total	<u>1,252,963</u>	<u>4,266,432</u>	<u>462,413</u>	<u>5,056,982</u>
Capital assets, being depreciated				
Land improvements	2,034,519	195,606	180,000	2,050,125
Buildings	41,330,029	200,709	168,065	41,362,673
Equipment	9,271,467	594,111	533,169	9,332,409
Total	<u>52,636,015</u>	<u>990,426</u>	<u>881,234</u>	<u>52,745,207</u>
Less accumulated depreciation				
Land improvements	969,412	75,854	60,750	984,516
Buildings	19,631,814	897,024	65,220	20,463,618
Equipment	7,024,966	817,513	529,071	7,313,408
Total	<u>27,626,192</u>	<u>1,790,391</u>	<u>655,041</u>	<u>28,761,542</u>
Capital assets, net	<u>26,262,786</u>	<u>3,466,467</u>	<u>688,606</u>	<u>29,040,647</u>

Note 8. Accrued Salaries

Accrued salaries for the fiscal years ended June 30, 2019 and 2018, were composed of the following:

	<u>2019</u>	<u>2018</u>
Accrued salaries	1,091,725	1,112,462
Accrued compensated absences	614,468	611,197
Total accrued salaries	<u>1,706,193</u>	<u>1,723,659</u>

Note 9. Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

	<u>June 30,</u>			<u>June 30,</u>	<u>Current</u>
	<u>2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>2019</u>	<u>Portion</u>
Direct Borrowings and Direct Placements:					
Student Facility Bond	1,863,171	-	184,119	1,679,052	189,466
Student Facility Revenue Bond	1,554,029	-	82,393	1,471,636	83,449
WNCC Facilities Corp Bond	1,320,605	-	1,320,605	-	-
WNCC/ESU #13 Bond	1,421,250	-	146,250	1,275,000	150,000
Lease-Purchase Agreement	52,000	7,948,000	400,342	7,599,658	400,342
Total bonds and notes payable	<u>6,211,055</u>	<u>7,948,000</u>	<u>2,133,709</u>	<u>12,025,346</u>	<u>823,257</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Liabilities (Continued)

Long-term liability activity for the fiscal year ended June 30, 2018, was as follows:

Direct Borrowings and Direct Placements:	<u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>Current Portion</u>
Student Facility Bond	2,042,095	-	178,924	1,863,171	184,119
Student Facility Revenue Bond	1,635,378	-	81,349	1,554,029	82,393
WNCC Facilities Corp Bond	2,045,187	-	724,582	1,320,605	236,832
WNCC/ESU #13 Bond	1,567,500	-	146,250	1,421,250	146,250
Lease-Purchase Agreement	-	52,000	-	52,000	-
Total bonds and notes payable	<u>7,290,160</u>	<u>52,000</u>	<u>1,131,105</u>	<u>6,211,055</u>	<u>649,594</u>

Note 10. Debt Service Requirements

Student Facility Bond

February 10, 2012 issue. \$2,963,045 due in semi-annual installments of \$118,259 through April 30, 2027; interest at 2.883%, secured by residence hall rental receipts.

WNCC/ESU #13 Limited Tax Facility Refunding Bonds

June 17, 2013 issue. \$2,148,750 due in annual installments of \$146,250 to \$175,500 through June 15, 2027; interest at 0.40% to 2.70%, secured by the taxing authority of WCCA.

Student Facilities Revenue Bond

January 29, 2015 issue. \$1,795,000 due in annual principal installments of \$79,302 to \$101,028, plus semi-annual interest payments through December 15, 2034; interest at 2.565%, secured by residence hall rental receipts.

Lease-Purchase Agreement

February 15, 2018. \$8,000,000 due in semi-annual installments through December 15, 2038. Interest rates are subject to reset every three or five years. The agreement is in two parts:

- A) The Donor Bridge Amount is \$2,700,000 with an initial annual interest rate of 3.34%, and
- B) The Long Term Amount is \$5,300,000 with an initial annual interest rate of 3.49%

Debt service requirements at June 30, 2019, were as follows:

Years Ending June 30,	Student Facilities Rev <u>Bond</u> Principal	<u>Capital Lease</u> Principal	Student <u>Facility Bond</u> Principal	WNCC/ESU Limited Tax <u>Refund Bond</u> Principal	Interest	Totals
2020	83,449	400,342	189,466	150,000	377,094	1,200,351
2021	84,520	400,342	194,967	150,000	352,426	1,182,255
2022	85,604	400,342	200,629	153,750	327,998	1,168,323
2023	86,701	400,342	206,455	157,500	303,003	1,154,001
2024	87,813	400,342	212,450	161,250	278,075	1,139,930
2025-2029	456,252	2,001,711	675,085	502,500	1,002,547	4,638,095
2030-2034	486,269	2,001,711	-	-	532,148	3,020,128
2035-2038	<u>101,028</u>	<u>1,594,526</u>	<u>-</u>	<u>-</u>	<u>139,520</u>	<u>1,835,074</u>
	<u>1,471,636</u>	<u>7,599,658</u>	<u>1,679,052</u>	<u>1,275,000</u>	<u>3,312,811</u>	<u>15,338,157</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 11. Scholarship Allowances

Scholarship allowances consist of the following:

1. Student tuition, room, board, and book waivers, institutional
2. Student tuition waivers, statutory (reserves and war orphan)
3. Grant Funds (PELL, SEOG, NSG/NOG) credited to student accounts to offset tuition fees, room and board, and bookstore charges.

Scholarship allowances for fiscal years ended June 30 were as follows:

	<u>2019</u>	<u>2018</u>
Tuition and fees	1,956,617	1,819,299
Room, board, and books	1,015,995	999,418
Total	<u>2,972,612</u>	<u>2,818,717</u>

Note 12. Expenses by Functional Category

Expenses for the financial statements are presented by natural classification (personnel services, operating expense, travel, and expensed capital assets). Both NACUBO and GASB have suggested that for historical purposes expenses also be presented by functional classifications. Expenses by functional classification for the fiscal year ended June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Educational and general:		
Instructional	8,613,847	9,205,909
Academic support	3,932,668	3,778,730
Student services	3,956,185	3,347,735
Institutional support	6,871,591	6,191,009
Physical plant	4,009,533	3,308,217
Depreciation	1,652,459	1,790,391
Student financial aid	1,640,852	1,645,504
Auxiliary enterprises	<u>1,515,614</u>	<u>1,317,954</u>
Total expenses	<u>32,192,749</u>	<u>30,585,449</u>

Note 13. Retirement Plan

The College provides retirement benefits for its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Generally, all regular full-time employees are eligible to participate in the plan. Eligible employees are required to participate. The College matches employee contributions from 6.5% to 8.5% of the employee's gross annual salary. The participants are 100% vested upon contributing to the plan.

	<u>2019</u>	<u>2018</u>
Total payroll	12,717,980	11,982,806
Covered payroll	11,291,574	10,424,076
Employer contributions	925,228	851,628
Employer contributions as a percentage of covered payroll	8.19%	8.17%

WESTERN COMMUNITY COLLEGE AREA NOTES TO FINANCIAL STATEMENTS

Note 14. Deferred Compensation

The College provides a deferred compensation plan, which was created in accordance with Internal Revenue Code Section 457(b). This plan permits the employee to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency.

Pursuant to Neb. Rev. Stat. Section 48-1401, all compensation deferred under this Plan, all property and rights purchased with the deferred compensation, and all investment income attributable to the deferred compensation, property, or rights shall be held in trust for the exclusive benefit of Participants and their Beneficiaries by the Employer until such time as payments are made under the terms of this Plan.

The trust shall be administered in accordance with the requirements of applicable law, regulations and other guidance, including Neb. Rev. Stat. Section 48-1401 and Treas Regs. Section 1.457-8.

Note 15. Related Parties

The College is the beneficiary of a Foundation, which provides support for the College by way of scholarships and other direct resources. The College contracts to provide the Foundation limited services and office space without charge in exchange for the support the College receives. Scholarships and other direct resources provided by the Foundation are remitted to the College. Such amounts totaled \$908,051 and \$677,695 for the fiscal years ended June 30, 2019 and 2018. In addition, the Foundation holds investments for the College of approximately \$368,884 and \$377,518 as of June 30, 2019 and 2018, respectively.

At its Board meeting on April 18, 2019, the Foundation committed to transfer \$1,450,000 to the College for construction of its Performing Arts Center. The commitment is payable over a ten year period.

The College also paid the Facilities Corporation, its blended component unit, rent of \$1,354,585 in 2019, and \$775,464 in 2018.

Note 16. Commitments

As of June 30, 2019 and 2018 the College had commitments of approximately \$3,090,444 and \$15,471,601 respectively with regard to uncompleted construction contracts as detailed below.

In 2017-18, the College began construction of two projects. The first is the Main Campus Addition and Renovation project. This will create a new Theater, Welcome Center, and Student Learning Commons. The contract amount is \$18,528,696. The balance to complete the project was \$3,090,444 and \$14,865,125 as of June 30, 2019 and 2018, respectively.

The second project is the Powerline Indoor Arena on the Alliance campus. The contract amount was \$689,000. The balance to complete the project was \$0 and \$606,476 as of June 30, 2019 and 2018, respectively.

The College has a commitment to contribute a total of \$125,000 annually to faculty supplemental retirement accounts per negotiations between the WCCA Board of Governors and the Western Education Association.

Note 17. Risk Management

The College is exposed to various risks of loss from torts; theft of; damage to and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for employee group health and accident benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 17. Risk Management (Continued)

The College has joined with the other five Nebraska community colleges to form the Nebraska Community College Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for its members. The College pays an annual contribution to the Trust for its pooled self-insurance coverage of property, liability, workers' compensation, and associated excess coverages. The Trust self-insures to various levels for all categories of covered risk and purchases excess coverage for claims in excess of the self-insured limits. If the loss fund is exhausted, the Colleges may be assessed for additional costs.

The insurance year ended June 30, 2019, was the Trust's twenty-fourth year of operations. In May 2019, the Board of Directors of the Trust declared a dividend of \$300,000 to be used as an offset to total contributions for the 2019 year. The College anticipates no future liabilities for additional incurred losses for all previous years.

Note 18. Contingency

The College receives funds from various federal grants principally from the U.S. Department of Education. These funds are to be expended in accordance with the provisions of the grants.

Compliance with these grants is subject to audit by the U.S. Department of Education and by independent certified public accountants. Noncompliance could result in sanctions or questioned costs which may result in the return of funds to the Department of Education.

Note 19. Budget Process

Prior to August 31, the College's management and Board of Governors prepare a proposed operating budget on the cash basis for the general, restricted, and plant funds for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at the September board meeting to obtain taxpayer comments. After the public hearings the budget is legally adopted by the Board of Governors through passage of a resolution at the September meeting.

Total expenditures may not legally exceed total appropriations and appropriations lapse at year end.

Note 20. Segment Disclosure

The College issued the 2015 series revenue bonds to remodel and expand a residence hall on the Scottsbluff campus for student living. Summary information for the Scottsbluff residence halls is presented below.

Condensed Statement of Financial Position

	<u>2019</u>	<u>2018</u>
Assets:		
Current assets	2,000	-
Noncurrent assets	-	-
Capital assets	<u>9,175,867</u>	<u>9,462,388</u>
Total assets	<u>9,177,867</u>	<u>9,462,388</u>
Liabilities:		
Current liabilities	272,915	266,512
Noncurrent liabilities	<u>2,877,773</u>	<u>3,150,688</u>
Total liabilities	<u>3,150,688</u>	<u>3,417,200</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 20. Segment Disclosure (Continued)

Net position:		
Net investment in capital assets	6,025,179	6,045,188
Restricted	-	-
Unrestricted	<u>2,000</u>	<u>-</u>
	<u>6,027,179</u>	<u>6,045,188</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Operating revenues (pledged against bonds)	567,293	503,733
Depreciation expense	(286,521)	(286,521)
Other operating expenses	<u>(412,445)</u>	<u>(330,588)</u>
Operating income (loss)	(131,673)	(113,376)
Nonoperating revenue (expense)		
Property Taxes	-	-
Interest expense	(91,202)	(98,497)
Transfers in	595,161	559,828
Transfers out	<u>(390,295)</u>	<u>(399,999)</u>
Change in net position	(18,009)	(52,044)
Beginning net position	<u>6,045,188</u>	<u>6,097,232</u>
Ending net position	<u>6,027,179</u>	<u>6,045,188</u>

Condensed Statement of Cash Flows

Net cash provided by (used in):		
Operating activities	359,714	332,975
Noncapital financing activities	-	-
Capital and related financing activities	(357,714)	(358,771)
Investing activities	<u>-</u>	<u>-</u>
Net increase (decrease)	2,000	(25,796)
Beginning cash and cash equivalents	<u>-</u>	<u>25,796</u>
Ending cash and cash equivalents	<u>2,000</u>	<u>-</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 21. Blended Component Unit Disclosure

The Western Nebraska Community College Facilities Corporation is presented as a blended component unit of the Western Community College Area. Summary information for the Facilities Corporation is presented below.

Condensed Statement of Financial Position

	<u>2019</u>		<u>2018</u>	
	<u>WNCC</u>	<u>Facilities Corporation</u>	<u>WNCC</u>	<u>Facilities Corporation</u>
Assets:				
Current assets	25,859,735	28,889	29,894,851	30,364
Capital assets	38,891,541	3,373,702	25,538,375	3,502,272
Other assets	<u>368,884</u>	<u>-</u>	<u>377,518</u>	<u>-</u>
Total assets	<u>65,120,160</u>	<u>3,402,591</u>	<u>55,810,744</u>	<u>3,532,636</u>
Liabilities:				
Current liabilities	5,572,803	-	4,646,180	238,286
Noncurrent liabilities	<u>11,202,089</u>	<u>-</u>	<u>4,477,688</u>	<u>1,083,773</u>
Total liabilities	16,774,892	-	9,123,868	1,322,059
Net investment in capital assets	26,866,195	3,373,702	20,647,924	2,181,667
Restricted	4,598,000	28,889	7,671,815	28,910
Unrestricted	<u>16,881,073</u>	<u>-</u>	<u>18,367,137</u>	<u>-</u>
	<u>48,345,268</u>	<u>3,402,591</u>	<u>46,686,876</u>	<u>2,210,577</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Operating revenues	5,968,021	-	4,439,747	-
Depreciation expense	(1,523,889)	(128,570)	(1,661,821)	(128,570)
Other operating expenses	<u>(30,769,924)</u>	<u>(725)</u>	<u>(28,794,333)</u>	<u>(725)</u>
Operating income (loss)	(26,325,792)	(129,295)	(26,016,407)	(129,295)
Nonoperating revenue (expense)	26,859,065	-	26,194,581	-
Interest expense	(319,678)	(33,276)	(194,043)	(50,083)
Transfers in	-	1,354,585	-	775,464
Transfers out	(1,354,585)	-	(775,464)	-
Other Income	<u>2,799,382</u>	<u>-</u>	<u>2,583,981</u>	<u>-</u>
Change in net position	1,658,392	1,192,014	1,792,648	596,086
Beginning net position	<u>46,686,876</u>	<u>2,210,577</u>	<u>44,894,228</u>	<u>1,614,491</u>
Ending net position	<u>48,345,268</u>	<u>3,402,591</u>	<u>46,686,876</u>	<u>2,210,577</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 21. Blended Component Unit Disclosure (Continued)

Condensed Statement of Cash Flows

Net cash provided by (used in):				
Operating activities	(25,525,870)	1,354,585	(24,382,990)	775,464
Noncapital financing activities	26,237,295	-	26,187,406	-
Capital and related financing activities	(5,284,976)	(1,356,060)	(2,565,472)	(776,189)
Investing activities	<u>148,494</u>	<u>-</u>	<u>(705,655)</u>	<u>-</u>
Net increase (decrease)	(4,425,057)	(1,475)	(1,466,711)	(725)
Beginning cash and cash equivalents	<u>10,778,255</u>	<u>30,364</u>	<u>12,244,966</u>	<u>31,089</u>
Ending cash and cash equivalents	<u><u>6,353,198</u></u>	<u><u>28,889</u></u>	<u><u>10,778,255</u></u>	<u><u>30,364</u></u>

Note 22. Legal Restriction of Net Position

Of the \$3,823,669 of the net position restricted for capital projects as of June 30, 2019, \$1,536,864 was restricted by Nebraska statute section 85-1515 for facility fees.

Note 23. Subsequent Events

Subsequent events have been evaluated through November 14, 2019 which is the date the financial statements were available to be issued.

ACCOMPANYING INFORMATION

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF GENERAL FUND REVENUES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
State aid	12,543,209	12,571,341
Property taxes	10,160,343	9,894,289
Tuition & Fees	3,753,290	3,845,749
Other income	624,453	568,501
(Add to) /use cash reserves	<u>1,488,967</u>	<u>334,224</u>
	<u>28,570,262</u>	<u>27,214,104</u>

The revenues in this schedule are presented on the same basis as the College's General Fund budget and are not on a GASB basis of accounting. In particular, tuition is not reduced for scholarship allowances from grants and some other funds.

PROPERTY VALUATION AND PROPERTY TAX REVENUE

The property valuation for Western Community College Area as reported by County Assessor in late August 2018 for use in property tax revenue for June 30, 2019, was \$13,057,515,801. The General Fund property tax rate for June 30, 2019, is 7.7544 cents per \$100 valuation.

The property valuation for Western Community College Area as reported by County Assessor in late August 2017 for use in property tax revenue for June 30, 2018, was \$12,990,978,312. The General Fund property tax rate for June 30, 2018, is 7.5436 cents per \$100 valuation.

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF GENERAL FUND EXPENDITURES
YEARS ENDED JUNE 30, 2019 AND 2018

PROGRAM CLASSIFICATION STRUCTURE

	2019	2018
INSTRUCTION		
Personnel services	6,967,626	7,266,946
Operating expenses	1,384,640	1,606,549
Travel	62,155	66,589
Equipment	<u>32,296</u>	<u>180,247</u>
	<u>8,446,717</u>	<u>9,120,331</u>
ACADEMIC SUPPORT		
Personnel services	2,998,238	2,771,015
Operating expenses	693,198	762,059
Travel	67,769	53,836
Equipment	<u>13,845</u>	<u>26,402</u>
	<u>3,773,050</u>	<u>3,613,312</u>
STUDENT SUPPORT		
Personnel services	2,157,582	2,142,549
Operating expenses	645,511	702,369
Travel	242,841	214,012
Equipment	<u>21,929</u>	<u>10,290</u>
	<u>3,067,863</u>	<u>3,069,220</u>
INSTITUTIONAL ADMINISTRATION		
Personnel services	3,553,253	3,087,762
Operating expenses	3,117,063	2,979,961
Travel	233,461	141,136
Equipment	<u>100,249</u>	<u>137,254</u>
	<u>7,004,026</u>	<u>6,346,113</u>
PHYSICAL PLANT OPERATIONS		
Personnel services	592,927	546,738
Operating expenses	4,684,737	3,621,621
Travel	3,474	711
Equipment	<u>140,218</u>	<u>13,181</u>
	<u>5,421,356</u>	<u>4,182,251</u>
STUDENT FINANCIAL SUPPORT		
Operating expenses	<u>857,250</u>	<u>882,877</u>

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF GENERAL FUND EXPENDITURES
YEARS ENDED JUNE 30, 2019 AND 2018

PROGRAM CLASSIFICATION STRUCTURE

	2019	2018
GRAND TOTAL FOR COLLEGE		
Personnel services	16,269,625	15,815,010
Operating expenses	11,382,400	10,555,436
Travel	609,700	476,284
Equipment	<u>308,537</u>	<u>367,374</u>
	<u>28,570,262</u>	<u>27,214,104</u>

The expenditures in this schedule are presented on the same basis as the College's General Fund budget and are not on a GASB basis of accounting. In particular, equipment is shown as an expense.

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Contract Number	Federal Expenditures
<u>U.S. Department of Education:</u>			
Direct Programs:			
Student Financial Aid Cluster:			
Federal Pell Grant Program 2017-18	84.063	P063P171785	10,776
Federal Pell Grant Program 2018-19	84.063	P063P181785	2,150,814
Federal Supplemental Educational Opportunity Grants 2018-19	84.007	P007A182463	55,300
Federal Work Study Program 2018-19	84.033	P033A182463	58,757
Federal Direct Student Loans 2017-18	84.268	P268K181785	35,731
Federal Direct Student Loans 2018-19	84.268	P268K191785	1,199,180
Total Student Financial Aid Cluster			<u>3,510,558</u>
Passed through Nebraska Department of Education:			
Adult Education - Basic Grants to States			
Adult Basic Education	84.002	19-2AEF-09-00-941000	163,678
Institutionalized	84.002	19-2AEF-09-00-941000	13,790
Volunteer Coordination	84.002	19-2AEV-09-00-941000	24,630
Adult Education Professional Development	84.002	19-2AES-09-00-941000	7,381
Total Adult Education Program			<u>209,479</u>
Direct Programs:			
TRIO - Upward Bound			
Veterans Upward Bound 2017-18	84.047A	P047V170028	33,725
Veterans Upward Bound 2018-19	84.047A	P047V170028	243,235
TRIO - Student Support Services			
Title IV, Student Support Services 2017-18	84.042A	P042A150153	52,124
Title IV, Student Support Services 2018-19	84.042A	P042A150153	340,083
Student Support Services Supplementary	84.042A	P042A150153	5,000
			<u>674,166</u>
Passed through Nebraska Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	V048A180027	86,542
			<u>86,542</u>
Passed through Coordinating Commission			
<u>National Aeronautics and Space Administration:</u>			
Passed through Board of Regents University of Nebraska:			
Education	43.008	NNX15AI09H	8,390
			<u>8,390</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>4,489,136</u></u>

See accompanying notes to schedule of federal awards.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes federal award activity of Western Community College Area. 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's not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is presented on the accrual basis of accounting.

NOTE 3. INDIRECT COST RATE

The College uses an indirect cost rate cost rate of 8% for its TRIO programs.

NOTE 4. SUBRECIPIENTS

Western Community College Area provided no federal awards to subrecipients.



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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 Governors
Western Community College Area
Scottsbluff, Nebraska

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 of America, the financial statements of the business-type activities and the discretely presented component unit of Western Community College Area (College) as of June 30, 2019, and the related the related notes to the financial statements, which collectively comprise Western Community College Area's basic financial statements, and have issued our report thereon dated November 14, 2019. The financial statements of Western Nebraska Community College Foundation (Foundation), a discretely presented component unit of the College, 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 non-compliance associated with the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Community College Area's internal control over financial reporting 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 Western Community College Area's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Community College Area's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana F Cole + Company, LLP

Scottsbluff, Nebraska
November 14, 2019



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Governors
Western Community College Area
Scottsbluff, Nebraska

Report on Compliance for Each Major Federal Program

We have audited Western Community College Area's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Western Community College Area's major federal programs for the year ended June 30, 2019. Western Community College Area's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion for each of Western Community College Area'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 Western Community College Area'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 Western Community College Area's compliance.

Opinion on Each Major Federal Program

In our opinion, Western Community College Area complied, in all material respects, with the 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, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

Management of Western Community College Area is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered Western Community College Area'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 that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Western Community College Area's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-001 that we consider to be significant deficiencies.

Western Community College Area's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Western Community College Area's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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

Dana F Cole + Company, LLP

Scottsbluff, Nebraska
November 14, 2019

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified: ☐ Yes ☒ No

Significant deficiencies identified
that are not considered to be
material weaknesses: ☐ Yes ☒ No

Noncompliance matter to the financial
statements disclosed: ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness identified: ☐ Yes ☒ No

Significant deficiencies identified
that are not considered to be
material weaknesses: ☒ Yes ☐ No

Type of auditors' report issued on
compliance for major programs: Unmodified

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

Identification of major programs:

Student Financial Aid Cluster	
Federal Pell Grant Program	84.063
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Direct Student Loans	84.268

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

Auditee qualified as a low-risk auditee: ☒ Yes ☐ No

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

SECTION II. FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-001 ENROLLMENT CHANGE IN STUDENT STATUS
- FEDERAL DIRECT LOANS 84.268

Criteria

Per 34 CFR 685.309 and further described in the NSLDS *Enrollment Reporting Guide*, enrollment information must be reported within 30 days whenever a student's enrollment status changes, unless an Enrollment Reporting Roster will be submitted within 60 days..

Condition and Context

Of our sample of 60 student files, five cases were noted where enrollment status changes to NSLDS were not reported within the required time frame.

Questioned Costs

None.

Cause

Students that changed enrollment status were not identified to provide changes to NSLDF.

Potential Effect

Students that reported for a change in enrollment status could affect in school status, deferment, and grace periods, as well as the payment of interest and principal.

Recommendation

We recommend that the College provide accurate enrollment information to NSLDS at least every 60 days on the Enrollment Reporting Roster file the College receives from the Department of Education.

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2019-001 ENROLLMENT CHANGE IN STUDENT STATUS
- FEDERAL DIRECT LOANS 84.268 (Continued)

Views of Responsible Officials and Planned Corrective Action

As the Registrar's Office receives reports from the Financial Aid Office regarding students who are being reported to Return to Title 4, the corrected dates for last date of attendance will be reported to the National Student Clearinghouse by the end of each month and prior to the start of the next semester. Due diligence will be needed in this area in view of the fact that reporting cannot take place if there is a pending file submission to the Clearinghouse that has not passed the file review for acceptance.

Additionally, all graduates will be reported to the Clearinghouse within six weeks following graduation. This is to allow some extra time for graduates to return required paperwork that may not have been received.

WESTERN COMMUNITY COLLEGE AREA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019

2018-001 EXIT COUNSELING - FEDERAL DIRECT LOANS 84.268

Condition

Of our sample of 40 student files, one case was noted where exit counseling information was not provided to the withdrawn student within the required time frame. This is not a continued finding for the year ended June 30, 2019.

Status

For the year ended June 30, 2019, our tests did not disclose any such instances.

2018-002 ALLOWABLE COSTS - FEDERAL DIRECT LOANS 84.268

Condition

Of our sample of 40 student files, 1 case was noted where a student received a combination of subsidized and unsubsidized loans that did not agree with the differences between the cost of attendance and the students' expected family contribution and other financial aid received. This is not a continued finding for the year ended June 30, 2019.

Status

For the year ended June 30, 2019, our tests did not disclose any such instances.



Western Nebraska
Community College

CORRECTIVE ACTION PLAN

November 14, 2019

Western Nebraska Community College Area respectfully submits the following corrective action plan for the year ended June 30, 2019, for the findings identified by Dana F. Cole & Company, LLP, Scottsbluff, Nebraska.

The findings from the Schedule of Findings and Questioned Costs are discussed below and are numbered consistently with the numbers assigned in that schedule.

FEDERAL AWARD FINDINGS

DEPARTMENT OF EDUCATION

2019-001, ENROLLMENT CHANGE IN STUDENT STATUS - FEDERAL DIRECT LOANS 84.268

Recommendation: We recommend that the College provide accurate enrollment information to NSLDS at least every 60 days on the Enrollment Reporting Roster File the College receives from the Department of Education.

Action Taken: As the Registrar's Office receives reports from the Financial Aid Office regarding students who are being reported to Return to Title 4, the corrected dates for last date of attendance will be reported to the National Student Clearinghouse by the end of each month and prior to the start of the next semester. Due diligence will be needed in this area in view of the fact that reporting cannot take place if there is a pending file submission to the Clearinghouse that has not passed the file review for acceptance.

Additionally, all graduates will be reported to the Clearinghouse within six weeks following graduation. This is to allow some extra time for graduates to return required paperwork that may not have been received.

If the U.S. Department of Education has questions regarding this plan, please call Roger Hovey at 308-635-6012.

Sincerely yours,

Nina Grant
Vice President of Student Services

WESTERN COMMUNITY COLLEGE AREA
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

WESTERN COMMUNITY COLLEGE AREA
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**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Governors
Western Community College Area
Scottsbluff, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Western Community College Area (College) as of and for the years ended June 30, 2018 and 2017, 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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. The financial statements of Western Nebraska Community College Foundation, a discretely presented component unit of the College, were not audited in accordance with *Government Auditing Standards*.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting principles used and 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Western Community College Area as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows for the year 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 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Western Community College Area's basic financial statements. The schedules of general fund revenues, schedule of general fund expenditures, 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*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of general fund revenues, schedule of general fund expenditures, 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 financial statements. Such 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 presented in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018, on our consideration of Western Community College Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering Western Nebraska College Area's internal control over financial reporting and compliance.

Dana F Cole + Company, LLP

Scottsbluff, Nebraska
November 13, 2018

WESTERN COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Western Community College Area's annual financial report presents Management's Discussion and Analysis of the College's financial performance during the fiscal year ended June 30, 2018. Western Nebraska Community College Foundation is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College. Management's Discussion and Analysis does not contain information on the Foundation. Please read Management's Discussion and Analysis in conjunction with the College's financial statements, which follow this section.

Using this annual report

This discussion and analysis is intended as an introduction to the College's basic financial statements and notes to the financial statements. The financial statements include three components: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows provide information on the College as a whole and present a long-term view of the College's finances.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the College's finances is, "Is Western Community College Area, as a whole, better off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the College's operating results.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the College's net position and changes in it. You can think of the College's net position (the difference between assets and liabilities) as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position are one indicator of whether financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as enrollment trends, placement results, program quality, condition of buildings, campus safety and other factors to assess the overall health of the institution.

WESTERN COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure 1
Western Community College Area
Net Position
(in thousands of dollars)

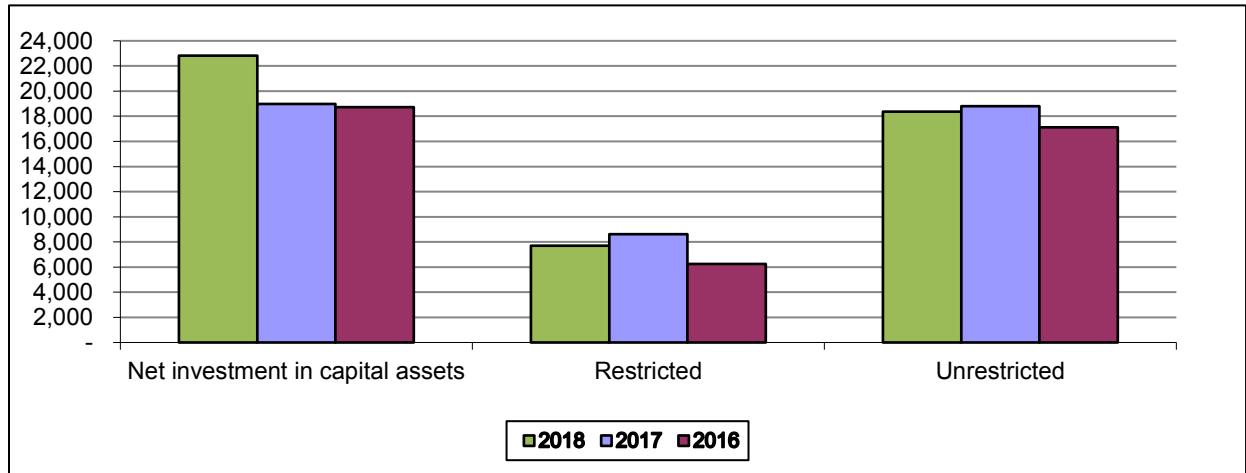


Table 1
Western Community College Area
Net Position
(in thousands of dollars)

	2018	2017	2016
Current assets	29,925	30,057	25,937
Noncurrent assets	377	290	288
Capital assets	<u>29,041</u>	<u>26,263</u>	<u>26,632</u>
Total assets	<u>59,343</u>	<u>56,610</u>	<u>52,857</u>
Deferred Outflows	<u>-</u>	<u>-</u>	<u>-</u>
Current liabilities	4,885	3,435	3,343
Noncurrent liabilities	<u>5,561</u>	<u>6,666</u>	<u>7,290</u>
Total liabilities	<u>10,446</u>	<u>10,101</u>	<u>10,633</u>
Deferred Inflows	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Invested in capital assets			
net of related debt	22,829	18,973	18,734
Restricted	7,701	8,744	6,364
Unrestricted	<u>18,367</u>	<u>18,792</u>	<u>17,126</u>
Total net position	<u>48,897</u>	<u>46,509</u>	<u>42,224</u>

Net position of the College increased by 5.1% (\$2,388 thousands) for the fiscal year ended June 30, 2018. The increase in net position is due to the following factors:

Net position increased due to construction projects in progress at the end of the year.

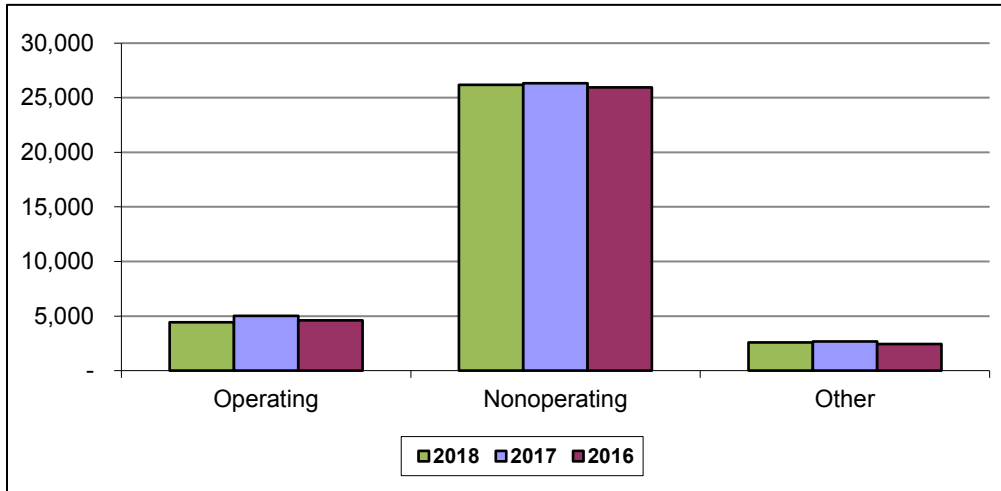
WESTERN COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2
Western Community College Area
Statement of Revenues, Expenses, and
Changes in Net Position
(in thousands of dollars)

	2018	2017	2016
Operating revenue			
Student tuition and fees	2,312	2,494	2,284
Grants and contracts	176	39	61
Sales and charges of educational departments	1	12	26
Auxiliary enterprises	1,813	2,404	2,125
Other	<u>138</u>	<u>62</u>	<u>103</u>
Total operating revenue	<u>4,440</u>	<u>5,011</u>	<u>4,599</u>
Operating expense			
Personnel services	17,450	17,420	16,858
Operating expenses	10,423	9,553	9,675
Travel	536	648	540
Capital assets not capitalized	386	192	266
Depreciation	<u>1,790</u>	<u>1,691</u>	<u>1,653</u>
Total operating expenses	<u>30,585</u>	<u>29,504</u>	<u>28,992</u>
Net operating loss	<u>(26,145)</u>	<u>(24,493)</u>	<u>(24,393)</u>
Nonoperating revenue			
State aid	12,571	12,441	12,591
Property taxes	9,894	10,119	9,380
Grants and contracts	3,444	3,606	3,884
Other receipts	-	-	-
Investment income	284	155	91
Interest on capital debt	<u>(244)</u>	<u>(216)</u>	<u>(219)</u>
Net nonoperating revenues	<u>25,949</u>	<u>26,105</u>	<u>25,727</u>
Capital appropriations	2,798	2,664	2,430
Gain (loss) on sale of capital assets	<u>(214)</u>	<u>9</u>	<u>2</u>
Net other income	<u>2,584</u>	<u>2,673</u>	<u>2,432</u>
Increase in net position	2,388	4,285	3,766
Net position			
Net position beginning of year	<u>46,509</u>	<u>42,224</u>	<u>38,458</u>
Net position end of year	<u>48,897</u>	<u>46,509</u>	<u>42,224</u>

WESTERN COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure 2
Western Community College Area
Revenues
(in thousands of dollars)



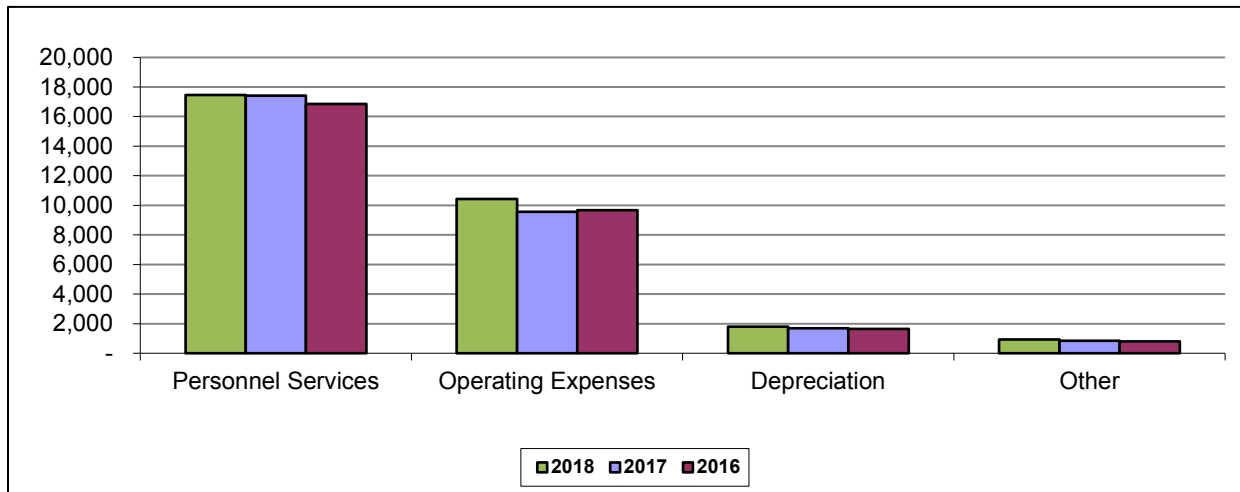
The change in revenues was the result of the following:

Operating revenue decreased by 11.4% (\$571 thousands), primarily due to decreases in tuition and fees revenues, and auxiliary enterprises.

Nonoperating revenue decreased by 0.5% (\$128 thousands). State aid increased by 1.0%, while property taxes decreased by 2.2%. Government grants decreased by 4.5%.

Other income decreased by 3.3% (\$89 thousands), primarily due to a loss on disposal of assets related to the Main Building Addition and Renovation project.

Figure 3
Western Community College Area
Expenses
(in thousands of dollars)



WESTERN COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

The change in expenses was the result of the following:

Total expenses increased 3.7% (\$1,109 thousands) for fiscal year ended June 30, 2018. Personnel services increased 0.2% (\$30 thousands). Operating expenses increased 9.1% (\$870 thousands). Depreciation increased by 5.9% (\$99 thousands). Other expenses increased by 10.4% (\$110 thousands).

The Statement of Cash Flows

Another way to assess the financial health of the College is to look at the Statement of Cash Flows. The purpose of the Statement of Cash Flows is to provide relevant information about cash receipts and cash payments made by the College during a fiscal year. The Statement also helps users to assess the College's:

- Ability to generate future net cash flows
- Ability to meet its obligations as they come due
- Needs for external financing

Table 3
Western Community College Area
Cash Flows
(in thousands of dollars)

	2018	2017	2016
Cash provided by (used in):			
Operating activities	(23,607)	(22,270)	(23,439)
Noncapital financing activities	26,187	25,666	25,552
Capital and related financing activities	(3,342)	398	323
Investing activities	<u>(705)</u>	<u>(3,917)</u>	<u>(2,172)</u>
Net increase (decrease) in cash and cash equivalents	(1,467)	(123)	264
Cash and cash equivalents, beginning of year	<u>12,276</u>	<u>12,399</u>	<u>12,135</u>
Cash and cash equivalents, end of year	<u>10,809</u>	<u>12,276</u>	<u>12,399</u>

The change in cash flow was the result of the following:

Cash used by operating activities increased \$1,337 thousands (6.0%) primarily due to an increase in operating expenses and a decrease in auxiliary receipts.

Cash provided by noncapital financing activities increased \$521 thousands (2.0%) due to increases in property tax receipts and State aid appropriations.

Cash used by capital and related financing activities increased \$3,740 thousands primarily due to an increase in acquisition and construction of capital assets, and an increase in principal paid on capital debt.

Cash used by investing activities decreased \$3,212 thousands (82.0%) due primarily to a net decrease in the amount of CDs purchased compared to the prior year.

Cash and cash equivalents decreased for the 2017-18 year by \$1,467 thousands (12.0%) primarily because of construction costs.

WESTERN COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital asset and debt administration

Capital Assets

Table 4
Western Community College Area
Capital Assets
(Net of depreciation, in thousands of dollars)

	2018	2017	2016
Land and improvements	2,070	2,070	1,998
Buildings	20,899	21,698	22,400
Equipment	2,210	2,437	2,201
Construction in progress	<u>3,861</u>	<u>58</u>	<u>33</u>
	<u>29,040</u>	<u>26,263</u>	<u>26,632</u>

Major capital additions funded this year and the source of resources that funded the acquisition include (in thousands of dollars):

Equipment purchases from general operating funds	478
Equipment purchases from grant funds	53
Equipment purchases from auxiliary funds	182
Construction in progress from capital improvement funds	4,266

The College has planned capital expenditures for the fiscal year ending June 30, 2019, of approximately \$17,108 thousands.

Equipment financed by the General Fund, student fees and capital grants will total \$1,977 thousands.

Other capital construction projects of \$15,131 thousands will be financed from the Capital Improvement Fund, ADA/Hazardous Materials Fund, and a Capital Lease.

More detailed information about the College's capital assets is presented in Note 6 of the financial statements.

WESTERN COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

At June 30, 2018 and 2017, the College had \$6,211 and \$7,290 thousands debt outstanding.

Table 5
Western Community College Area
Outstanding Debt
(in thousands of dollars)

	2018	2017	2016
2012 Student facility bond	1,863	2,042	2,216
2012 WNCC Facilities Corporation bond	1,321	2,045	2,256
2013 Limited tax facility refunding bonds	1,421	1,568	1,710
2015 Student facility revenue bond	1,554	1,635	1,716
2018 Capital lease payable	<u>52</u>	<u>-</u>	<u>-</u>
	<u>6,211</u>	<u>7,290</u>	<u>7,898</u>

Economic factors that will affect the future

The economic position of Western Community College Area is closely tied to that of the State. For 2018-2019, the Nebraska Legislature decreased State Aid to Western Nebraska Community College in the amount of \$203,087.

The College Board of Governors adopted a total college property tax levy of 9.8904 cents for 2018-2019. Valuations for the 13-county service area increased 0.51%, which also increased the total college property tax request by \$337,162 at that levy.

Resident and border states tuition rates were increased \$2.50 per credit hour while non-resident tuition rates remained unchanged.

Financial contact

The College's financial statements are designed to present users with a general overview of the College's finances and demonstrate the College's accountability. If you have questions about the report or need additional information, contact the College's Vice President of Administrative Services, William D. Knapper, at 1601 East 27th Street, Scottsbluff, Nebraska 69361, or call (308) 635-3606.

Western Community College Area
Statements of Net Position
June 30, 2018 and 2017

	2018		2017	
	College	Foundation	College	Foundation
Assets				
Current Assets				
Cash and cash equivalents	10,745,107	1,063,914	12,248,914	588,977
Restricted cash	63,512	-	27,141	-
Short-term investments	12,018,728	5,345,619	11,172,189	4,943,223
Property taxes receivable	4,688,453	-	4,820,867	-
Accounts receivable (net)	1,352,376	1,226,306	1,136,032	1,706,585
Interest receivable	106,586	2,190	50,385	1,530
Inventories	235,982	-	238,562	-
Prepaid expense	714,471	-	363,011	-
Total current assets	<u>29,925,215</u>	<u>7,638,029</u>	<u>30,057,101</u>	<u>7,240,315</u>
Non-current Assets				
Deposit with Foundation	377,518	-	290,490	-
Capital assets - net	<u>29,040,647</u>	<u>175,946</u>	<u>26,262,786</u>	<u>183,946</u>
Total non-current assets	<u>29,418,165</u>	<u>175,946</u>	<u>26,553,276</u>	<u>183,946</u>
Total assets	<u>59,343,380</u>	<u>7,813,975</u>	<u>56,610,377</u>	<u>7,424,261</u>
Liabilities				
Current liabilities				
Accounts payable	2,262,733	125,991	802,694	110,511
Accrued salaries	1,723,659	-	1,789,880	-
Accrued interest	13,422	-	15,089	-
Deposits	43,040	-	31,115	-
Bonds payable - current	649,594	-	623,740	-
Annuity payable - current	-	12,907	-	12,059
Deposits held in custody for others	<u>192,018</u>	<u>377,518</u>	<u>172,720</u>	<u>290,490</u>
Total current liabilities	<u>4,884,466</u>	<u>516,416</u>	<u>3,435,238</u>	<u>413,060</u>
Non-current liabilities				
Bonds payable	5,509,461	-	6,666,420	-
Capital lease payable	52,000	-	-	-
Annuity payable	-	208,120	-	221,029
Total non-current liabilities	<u>5,561,461</u>	<u>208,120</u>	<u>6,666,420</u>	<u>221,029</u>
Total liabilities	<u>10,445,927</u>	<u>724,536</u>	<u>10,101,658</u>	<u>634,089</u>
Net Position				
Net investment in capital assets	22,829,591	175,946	18,972,626	183,946
Restricted for:				
Expendable				
Loans	134,359	-	133,269	-
Capital projects	6,951,648	-	8,084,354	-
Other	448,137	3,743,102	243,430	3,509,194
Nonexpendable	166,581	1,768,047	282,595	1,673,680
Unrestricted	<u>18,367,137</u>	<u>1,402,344</u>	<u>18,792,445</u>	<u>1,423,352</u>
Total net position	<u>48,897,453</u>	<u>7,089,439</u>	<u>46,508,719</u>	<u>6,790,172</u>

See accompanying notes to financial statements.

Western Community College Area
Statement of Revenues, Expenses and Changes in Net Position
For the Years ended June 30, 2018 and 2017

	2018		2017	
	College	Foundation	College	Foundation
REVENUES				
Operating revenues				
Tuition and fees	2,311,604	-	2,494,636	-
Nongovernmental grants and contracts	176,350	-	39,294	-
Sales and services of educational departments	651	-	12,335	-
Auxiliary enterprises	1,813,151	-	2,403,508	-
Other operating income	137,991	28,800	61,807	28,800
Total operating revenues	<u>4,439,747</u>	<u>28,800</u>	<u>5,011,580</u>	<u>28,800</u>
EXPENSES				
Operating expenses				
Personnel services	17,450,018	-	17,420,369	-
Operating expenses	10,422,451	811,232	9,552,801	838,216
Travel	536,448	-	648,601	-
Noncapitalized capital assets	386,141	-	191,942	-
Depreciation	1,790,391	8,000	1,690,759	8,000
Total operating expenses	<u>30,585,449</u>	<u>819,232</u>	<u>29,504,472</u>	<u>846,216</u>
Operating income (loss)	<u>(26,145,702)</u>	<u>(790,432)</u>	<u>(24,492,892)</u>	<u>(817,416)</u>
NONOPERATING REVENUES (EXPENSES)				
Governmental appropriations				
State aid	12,571,341	-	12,440,842	-
Property taxes	9,894,289	-	10,118,576	-
Governmental grants and contracts				
Federal	3,175,961	-	3,295,847	-
State	268,878	-	310,549	-
Gifts	-	684,713	-	947,633
Investment income	284,112	404,986	154,670	504,753
Interest on capital assets - related debt	(244,126)	-	(215,981)	-
Net nonoperating revenues (expenses)	<u>25,950,455</u>	<u>1,089,699</u>	<u>26,104,503</u>	<u>1,452,386</u>
Income before other revenues, (expenses), gains, or (losses)	<u>(195,247)</u>	<u>299,267</u>	<u>1,611,611</u>	<u>634,970</u>
OTHER INCOME				
Capital appropriations	2,798,394	-	2,663,407	-
Gain (loss) on disposal of capital assets	(214,413)	-	9,371	-
Total other income	<u>2,583,981</u>	<u>-</u>	<u>2,672,778</u>	<u>-</u>
Increase in net position	2,388,734	299,267	4,284,389	634,970
NET POSITION				
Net position - beginning of year	46,508,719	6,790,172	42,108,316	6,271,216
Prior period adjustment	-	-	116,014	(116,014)
Net position - beginning of year restated	<u>46,508,719</u>	<u>6,790,172</u>	<u>42,224,330</u>	<u>6,155,202</u>
Net position - end of year	<u>48,897,453</u>	<u>7,089,439</u>	<u>46,508,719</u>	<u>6,790,172</u>

See accompanying notes to financial statements.

Western Community College Area
Statements of Cash Flows - Direct Method
For the Years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Tuition and fees	2,096,414	2,324,393
Payments for personnel services	(17,516,239)	(17,492,699)
Payments for operating expenses	(8,590,996)	(8,606,703)
Payments for non-capitalized assets	(386,141)	(191,942)
Payments for financial aid awards	(1,131,876)	(925,967)
Collection of loans to students and employees	45,020	38,656
Loans issued to students and employees	(42,700)	(43,136)
Sales and services of education departments	651	12,335
Auxiliary enterprise receipts	1,780,297	2,403,508
Other receipts (payments)	138,044	211,078
	<hr/>	<hr/>
Net cash(used) in operating activities	(23,607,526)	(22,270,477)
	<hr/>	<hr/>
Cash flows from noncapital financing activities		
State aid appropriation	12,571,341	12,440,842
Property taxes	10,059,195	9,697,684
Collection of loans to students	1,303,607	1,181,665
Loans issued to students	(1,303,607)	(1,181,665)
Federal grants and awards	2,916,851	2,956,408
Gifts and grants for other than capital purposes	640,019	571,034
	<hr/>	<hr/>
Net cash provided by (used in) noncapital financing activities	26,187,406	25,665,968
	<hr/>	<hr/>
Cash flows from capital financing activities		
Property taxes - capital improvement fund	2,765,902	2,536,132
Purchase of capital assets	(528,012)	(1,102,247)
Acquisition and construction of capital assets	(4,262,336)	(219,406)
Proceeds for capital debt issue	-	-
Principal paid on capital debt	(1,079,105)	(608,186)
Net proceeds from the sale of capital asset	7,683	9,371
Interest paid on capital debt	(245,793)	(217,183)
	<hr/>	<hr/>
Net cash provided by (used in) capital financing activities	(3,341,661)	398,481
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	17,796,816	18,439,034
Interest on investments	227,911	130,050
Purchase of investments	(18,730,382)	(22,486,176)
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	(705,655)	(3,917,092)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(1,467,436)	(123,120)
	<hr/>	<hr/>
Cash and cash equivalents - beginning of year	12,276,055	12,399,175
	<hr/>	<hr/>
Cash and cash equivalents - end of year	<u>10,808,619</u>	<u>12,276,055</u>

Western Community College Area
Statements of Cash Flows - Direct Method (Continued)
For the Years ended June 30, 2018 and 2017

	2018	2017
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	(26,145,702)	(24,492,892)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,790,391	1,690,760
Changes in operating assets and liabilities:		
Accounts receivable	(330,695)	121,186
Student and staff notes receivable	2,320	(4,480)
Inventories	2,580	(61,038)
Prepaid expenses	(351,461)	398,130
Accounts payable	1,460,040	167,767
Accrued salaries	(66,221)	(72,330)
Other Liabilities	-	-
Deposits held for others	31,222	(17,580)
Net cash used in operating activities	<u><u>(23,607,526)</u></u>	<u><u>(22,270,477)</u></u>

See accompanying notes to financial statements.

WESTERN COMMUNITY COLLEGE AREA NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies

Western Community College Area was established July 1, 1973, by legislative action. The Area encompasses the 13 counties of the Nebraska panhandle. An eleven member Board of Governors is the College's ruling body and establishes the policies and procedures by which the College is governed.

Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units as defined by Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity*. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Western Community College Area is not a component unit of another primary governmental reporting entity.

The Western Nebraska Community College Facilities Corporation (WNCCFC) is a legally separate, nonprofit corporation which is a component unit of Western Nebraska Community College. WNCCFC was formed by the College in 2003 to acquire property to be leased to and purchased by the College. The Board of Governors of the College appoints the members of the Board of WNCCFC. The WNCCFC provides services entirely to the College. The services provided by WNCCFC are so intertwined with the College that the WNCCFC is in substance the same as the College and it is reported as part of the College and blended into the College's financial statements.

College Foundation

Under GASB 39, *Determining Whether Certain Organizations are Component Units - an amendment of GASB 14*, legally separate organizations meeting certain criteria should be discretely presented as component units. The criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the College or its constituents (e.g., students, faculty and staff).
2. The College is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the College is entitled to, or has the ability to otherwise access, are significant to the College.

The Western Nebraska Community College Foundation (Foundation) is a legally separate, tax exempt component unit of Western Community College Area. The Foundation acts primarily as a fundraising organization to provide support to the College. The Foundation is governed by a volunteer Board. Although the College does not control the timing or amounts of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because 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 and is discretely presented in the College's financial statements.

These financial statements do not contain disclosures of information of the Foundation. Complete financial statements for the Foundation can be obtained from the Foundation offices located in the John N. Harms Center at 2620 College Park, Scottsbluff, NE 69361.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

Basis of Accounting

The College's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, which has been superseded by GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the College has elected to follow all applicable GASB pronouncements, including all National Council of Governmental Accounting (NCGA) statements and interpretations currently in effect, as well as all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, except those that conflict or contradict GASB pronouncements.

In addition to the GASB Statements previously discussed, the significant accounting policies followed by the College are described below:

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments*, establishes financial reporting requirements that require the basic financial statements and required supplementary information for general purpose governments should consist of: management's discussion and analysis, basic financial statements, and required supplementary information.

GASB Statement No. 35 – *Basic financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*, establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB 34. In accordance with this statement, the College presents statements of net position, revenues, expenses, and changes in net position, and cash flows on college-wide basis. The objective of this statement is to enhance the understandability of usefulness of the external financial reports issued.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities.

GASB Statement No 65, *Items Previously Reported as Assets and Liabilities*, amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly clarify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 958-205, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and

WESTERN COMMUNITY COLLEGE AREA NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

Donated Assets and Services

Donated materials or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt.

Budgets

Budgets are prepared on the same basis of accounting except that capital assets acquired are recorded as expenses and depreciation is not recorded.

Cash and Cash Equivalents

The College follows GASB No. 31 (as amended by GASB No. 40), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB 31 requires the College's investments to be recorded at market value with the changes in the market value of investments reported as investment income in the statement of revenues, expenses, and changes in fund equity. Investments are recorded at the market value as determined by quoted market prices.

Cash deposits, primarily interest bearing, are covered by federal depository insurance or pledged collateral of unregistered U.S. Government securities held by various depositories. Investments at June 30, 2018 and 2017 were in unregistered U.S. Government securities and Federal Agency obligations held in the College's name by the custodial banks.

For the purposes of the statements of cash flows, the College considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value.

Receivables

Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

Inventories

Inventories are valued at the lower-of-cost or market value as determined by the first-in, first-out (FIFO) method.

Bond Issuance Costs

Bond issuance costs are expenditures related to the issuance of bonds. With the implementation of GASB 65, these costs are now expensed when incurred.

Capital Assets

Capital assets are stated at cost at date of acquisition, or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are expensed.

Depreciation is computed using the straight-line method over the useful lives of the assets. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Building improvements	20 years
Building content replacements	10 years
Office furniture	10 years
Instructional equipment	7 years
Other equipment	5 years
Office equipment	3 years
Vehicles	3 years

Land, artwork, and other collectible assets are not depreciated.

Restricted Assets

Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

Restricted/Unrestricted Resource Policy

If both restricted and unrestricted resources are available to finance a program, restricted resources are used first unless the restricted resources require unrestricted resources to be used first.

Unearned Revenue

Unearned revenue is revenue received but not earned as of the end of the fiscal year.

Operating Versus Nonoperating

Operating revenues and expenses generally result from providing services in connection with the College's ongoing operations. The principal operating revenues are charges to customers for services. Operating expenses include the cost of service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Compensated Absences

Vacation and personal leave meet the criteria in GASB Statement No. 16 and are included in accrued compensated absences. The criteria for accruing compensated absences are met when employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

compensate the employee through paid time off or some other means, such as cash at termination or retirement.

Noncurrent Liabilities

Noncurrent liabilities include accrued salaries for early retirement, deferred revenue, deposits held in custody for others, and notes and bonds payable.

Net Position

The net position of the College is broken down into three categories: (1) net invested in capital assets, (2) restricted component of net position, and (3) unrestricted component of net position.

Net invested in capital assets - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - Consists of assets that do not meet the definition of restricted net position or net position invested in capital assets, net of related debt.

It is the College's policy to first use restricted components of net position prior to the use of unrestricted components of net position when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

Restricted Net Position

Restricted net position is further broken down into expendable and nonexpendable portions.

Restricted net position – expendable includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.

Restricted net position – nonexpendable consists of endowment funds in which the donors 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.

Scholarship Allowances

Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship allowances in the accompanying statement of revenues, expenses, and changes in net position. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying statements of revenues, expenses, and changes in net position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded them as scholarship allowances.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

Revenue and Expense Recognition

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the College. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are investing, capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses are considered neither operating nor non-operating activities and are presented after nonoperating activities on the accompanying statements of revenues, expenses, and changes in net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reported period. Actual results could differ from those estimates.

Note 2. Cash and Investments

The College can invest, after proper consideration of the requirements for the availability of money, funds of the College in securities the nature of which individuals of prudence, discretion, and intelligence acquire or retain in dealing with the property of another.

Interest Rate Risk

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

In accordance with the College's investment policy, funds may be invested, within certain limits, in FDIC insured banks, U.S. Treasury and federal agencies, and certificates of deposit issued by FDIC insured banks.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits of the College is the risk that the College's deposits would not be covered by depository insurance. Deposits were reflected in the accounts of the banks at \$24,140,106 and \$24,207,615 as of June 30, 2018 and 2017. All of the balances for June 30, 2018 and 2017 were insured or fully collateralized.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of a failure of the counter party, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College has no custodial credit risk in its investment portfolio.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Investments (Continued)

Investments at June 30, 2018 and 2017, are summarized as follows:

Investment Type	2018 Fair Value	2017 Fair Value
Certificates of deposit	10,656,738	10,632,506
Money market accounts	<u>1,361,990</u>	<u>539,683</u>
	<u>12,018,728</u>	<u>11,172,189</u>

Note 3. Property Tax Receivable

Property taxes levied for the fiscal year ending June 30, 2018, were due December 31, 2017, and became delinquent in May and September of 2018. Property tax revenues, based on the assessed valuation and the levy set, are recognized in the current fiscal year even though part of the property tax revenue is not delinquent or collected until the following fiscal year. Property taxes are recognized net of the county collection fee of 1%. The assessed valuation and levies in cents per \$100 of assessed valuation for the fiscal years ended June 30 were as follows:

	<u>2018</u>	<u>2017</u>
Assessed valuation August 2018 and 2017	12,990,978,312	12,516,070,016
Levy in cents per \$100 of assessed valuation		
General Fund	7.5436	7.9637
Capital Improvement Fund	2.1379	2.0896
ADA/Hazardous Waste Fund	<u>0.0000</u>	<u>0.0000</u>
Total	<u>9.6815</u>	<u>10.0533</u>

The amount of property tax receivable at June 30 was as follows:

	<u>2018</u>	<u>2017</u>
General Fund	3,653,186	3,818,092
Capital Improvement Fund	1,035,267	1,002,775
ADA/Hazardous Waste Fund	<u>-</u>	<u>-</u>
Total	<u>4,688,453</u>	<u>4,820,867</u>

The following amounts, which are included in the property tax receivable amount, were held as cash by county treasurers at June 30.

	<u>2018</u>	<u>2017</u>
General Fund	107,844	108,591
Capital Improvement Fund	30,546	28,488
ADA/Hazardous Waste Fund	<u>-</u>	<u>-</u>
Total	<u>138,390</u>	<u>137,079</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 4. Accounts Receivable

Accounts receivable at June 30 were as follows:

	<u>2018</u>	<u>2017</u>
Federal non-exchange grants	349,576	368,510
Tuition and fees	569,167	351,397
State grants	118,320	211,418
Other	<u>315,313</u>	<u>204,707</u>
Total	<u>1,352,376</u>	<u>1,136,032</u>

Note 5. Inventories

Inventories at June 30 were as follows:

	<u>2018</u>	<u>2017</u>
Books and supplies	183,711	238,562
Project car	<u>52,271</u>	<u>-</u>
Total	<u>235,982</u>	<u>238,562</u>

Note 6. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	<u>June 30,</u> <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2018</u>
Capital assets, not being depreciated				
Land	1,004,688	-	-	1,004,688
Artwork & collectibles	190,861	-	-	190,861
Construction in progress	<u>57,414</u>	<u>4,266,432</u>	<u>462,413</u>	<u>3,861,433</u>
Total	<u>1,252,963</u>	<u>4,266,432</u>	<u>462,413</u>	<u>5,056,982</u>
Capital assets, being depreciated				
Land improvements	2,034,519	195,606	180,000	2,050,125
Buildings	41,330,029	200,709	168,065	41,362,673
Equipment	<u>9,271,467</u>	<u>594,111</u>	<u>533,169</u>	<u>9,332,409</u>
Total	<u>52,636,015</u>	<u>990,426</u>	<u>881,234</u>	<u>52,745,207</u>
Less accumulated depreciation				
Land improvements	969,412	75,854	60,750	984,516
Buildings	19,631,814	897,024	65,220	20,463,618
Equipment	<u>7,024,966</u>	<u>817,513</u>	<u>529,071</u>	<u>7,313,408</u>
Total	<u>27,626,192</u>	<u>1,790,391</u>	<u>655,041</u>	<u>28,761,542</u>
Capital assets, net	<u>26,262,786</u>	<u>3,466,467</u>	<u>688,606</u>	<u>29,040,647</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>June 30,</u>			<u>June 30,</u>
	<u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>2017</u>
Capital assets, not being depreciated				
Land	849,878	154,810	-	1,004,688
Artwork & collectibles	190,861	-	-	190,861
Construction in progress	32,984	219,406	194,976	57,414
Total	<u>1,073,723</u>	<u>374,216</u>	<u>194,976</u>	<u>1,252,963</u>
Capital assets, being depreciated				
Land improvements	2,034,519	-	-	2,034,519
Buildings	41,135,053	194,976	-	41,330,029
Equipment	8,704,023	947,736	380,292	9,271,467
Total	<u>51,873,595</u>	<u>1,142,712</u>	<u>380,292</u>	<u>52,636,015</u>
Less accumulated depreciation				
Land improvements	886,860	82,552	-	969,412
Buildings	18,735,070	896,744	-	19,631,814
Equipment	6,693,496	711,463	379,993	7,024,966
Total	<u>26,315,426</u>	<u>1,690,759</u>	<u>379,993</u>	<u>27,626,192</u>
Capital assets, net	<u>26,631,892</u>	<u>(173,831)</u>	<u>195,275</u>	<u>26,262,786</u>

Note 7. Accrued Salaries

Accrued salaries for the fiscal years ended June 30, 2018 and 2017, were composed of the following:

	<u>2018</u>	<u>2017</u>
Accrued salaries	1,112,462	1,188,173
Accrued compensated absences	611,197	601,707
Total accrued salaries	<u>1,723,659</u>	<u>1,789,880</u>

Note 8. Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2018, was as follows:

	<u>June 30,</u>			<u>June 30,</u>	<u>Current</u>
	<u>2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>2018</u>	<u>Portion</u>
Student Facility Bond	2,042,095	-	178,924	1,863,171	184,119
Student Facility Revenue Bond	1,635,378	-	81,349	1,554,029	82,393
WNCC Facilities Corp Bond	2,045,187	-	724,582	1,320,605	236,832
WNCC/ESU #13 Bond	1,567,500	-	146,250	1,421,250	146,250
Lease-Purchase Agreement	-	52,000	-	52,000	-
Total bonds and notes payable	<u>7,290,160</u>	<u>52,000</u>	<u>1,131,105</u>	<u>6,211,055</u>	<u>649,594</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Liabilities (Continued)

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	<u>June 30,</u> <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2017</u>	<u>Current</u> <u>Portion</u>
Student Facility Bond	2,215,970	-	173,875	2,042,095	178,924
Student Facility Revenue Bond	1,715,698	-	80,320	1,635,378	81,349
WNCC Facilities Corp Bond	2,256,678	-	211,491	2,045,187	217,217
WNCC/ESU #13 Bond	<u>1,710,000</u>	<u>-</u>	<u>142,500</u>	<u>1,567,500</u>	<u>146,250</u>
Total bonds and notes payable	<u>7,898,346</u>	<u>-</u>	<u>608,186</u>	<u>7,290,160</u>	<u>623,740</u>

Note 9. Debt Service Requirements

Student Facility Bond

February 10, 2012 issue. \$2,963,045 due in semi-annual installments of \$118,259 through April 30, 2027; interest at 2.883%, secured by residence hall rental receipts.

WNCC Facilities Corp Bond

February 10, 2012 issue. \$3,154,325 due in quarterly installments of \$67,464 through December 15, 2025; interest at 2.68%, secured by the taxing authority of WCCA.

WNCC/ESU #13 Limited Tax Facility Refunding Bonds

June 17, 2013 issue. \$2,148,750 due in annual installments of \$146,250 to \$175,500 through June 15, 2027; interest at 0.40% to 2.70%, secured by the taxing authority of WCCA.

Student Facilities Revenue Bond

January 29, 2015 issue. \$1,795,000 due in annual principal installments of \$79,302 to \$101,028, plus semi-annual interest payments through December 15, 2034; interest at 2.565%, secured by residence hall rental receipts.

Lease-Purchase Agreement

February 15, 2018. \$8,000,000 due in semi-annual installments through December 15, 2038. Interest rates are subject to reset every three or five years. The agreement is in two parts:

- A) The Donor Bridge Amount is \$2,700,000 with an initial annual interest rate of 3.34%, and
- B) The Long Term Amount is \$5,300,000 with an initial annual interest rate of 3.49%

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 9. Debt Service Requirements (Continued)

Debt service requirements at June 30, 2018, were as follows:

Years Ending June 30,	Student Facilities Revenue <u>Bond</u> Principal	Student <u>Facility Bond</u> Principal	WNCC Facilities <u>Corp Bond</u> Principal	WNCC/ESU Limited Tax Refunding <u>Bond</u> Principal	Interest	Totals
2019	82,393	184,119	236,831	146,250	153,757	803,350
2020	83,449	189,466	243,243	150,000	137,971	804,129
2021	84,520	194,967	249,828	150,000	121,405	800,720
2022	85,604	200,629	256,590	153,750	104,174	800,747
2023	86,701	206,455	263,537	157,500	86,194	800,387
2024-2028	450,474	887,535	70,576	663,750	218,231	2,290,566
2029-2033	480,112	-	-	-	56,850	536,962
2034-2035	200,776	-	-	-	5,166	205,942
	<u>1,554,029</u>	<u>1,863,171</u>	<u>1,320,605</u>	<u>1,421,250</u>	<u>883,748</u>	<u>7,042,803</u>

Note 10. Scholarship Allowances

Scholarship allowances consist of the following:

1. Student tuition, room, board, and book waivers, institutional
2. Student tuition waivers, statutory (reserves and war orphan)
3. Grant Funds (PELL, SEOG, NSG/NOG) credited to student accounts to offset tuition fees, room and board, and bookstore charges.

Scholarship allowances for fiscal years ended June 30 were as follows:

	<u>2018</u>	<u>2017</u>
Tuition and fees	1,819,299	1,750,419
Room, board, and books	999,418	965,148
Total	<u>2,818,717</u>	<u>2,715,567</u>

Note 11. Expenses by Functional Category

Expenses for the financial statements are presented by natural classification (personnel services, operating expense, travel, and expensed capital assets). Both NACUBO and GASB have suggested that for historical purposes expenses also be presented by functional classifications. Expenses by functional classification for the fiscal year ended June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Educational and general:		
Instructional	9,205,909	9,132,787
Academic support	3,778,730	4,212,923
Student services	3,347,735	3,134,907
Institutional support	6,191,009	6,354,707
Physical plant	3,308,217	1,794,711
Depreciation	1,790,391	1,690,759
Student financial aid	1,645,504	1,829,213
Auxiliary enterprises	1,317,954	1,354,465
Total expenses	<u>30,585,449</u>	<u>29,504,472</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 12. Retirement Plan

The College provides retirement benefits for its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Generally, all regular full-time employees are eligible to participate in the plan. Eligible employees are required to participate. The College matches employee contributions from 6.5% to 8.5% of the employee's gross annual salary. The participants are 100% vested upon contributing to the plan.

	<u>2018</u>	<u>2017</u>
Total payroll	11,982,806	11,740,965
Covered payroll	10,424,076	10,648,050
Employer contributions	851,628	864,131
Employer contributions as a percentage of covered payroll	8.17%	8.12%

Note 13. Deferred Compensation

The College provides a deferred compensation plan, which was created in accordance with Internal Revenue Code Section 457(b). This plan permits the employee to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency.

Pursuant to Neb. Rev. Stat. Section 48-1401, all compensation deferred under this Plan, all property and rights purchased with the deferred compensation, and all investment income attributable to the deferred compensation, property, or rights shall be held in trust for the exclusive benefit of Participants and their Beneficiaries by the Employer until such time as payments are made under the terms of this Plan.

The trust shall be administered in accordance with the requirements of applicable law, regulations and other guidance, including Neb. Rev. Stat. Section 48-1401 and Treas Regs. Section 1.457-8.

Note 14. Related Parties

The College is the beneficiary of a Foundation, which provides support for the College by way of scholarships and other direct resources. The College contracts to provide the Foundation limited services and office space without charge in exchange for the support the College receives. Scholarships and other direct resources provided by the Foundation are remitted to the College. Such amounts totaled \$677,695 and \$709,756 for the fiscal years ended June 30, 2018 and 2017. In addition, the Foundation holds investments for the College of approximately \$377,518 and \$290,490 as of June 30, 2018 and 2017, respectively.

The College also paid the Facilities Corporation, its blended component unit, rent of \$775,464 in 2018, and \$269,859 in 2017.

Note 15. Commitments

As of June 30, 2018 and 2017 the College had commitments of approximately \$15,471,601 and \$0 respectively with regard to uncompleted construction contracts as detailed below.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 15. Commitments (Continued)

In 2017-18, the College began construction of two projects. The first is the Main Campus Addition and Renovation project. This will create a new Theater, Welcome Center, and Student Learning Commons. The contract amount is \$17,330,930. As of June 30, 2018, the total amount paid was \$2,465,805, leaving a balance to complete the project of \$14,865,125.

The second project is the Powerline Indoor Arena on the Alliance campus. The contract amount is \$689,000. As of June 30, 2018, the total paid was \$82,524, leaving a balance to complete the project of \$606,476.

The College has a commitment to contribute a total of \$125,000 annually to faculty supplemental retirement accounts per negotiations between the WCCA Board of Governors and the Western Education Association.

Note 16. Risk Management

The College is exposed to various risks of loss from torts; theft of; damage to and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for employee group health and accident benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The College has joined with the other five Nebraska community colleges to form the Nebraska Community College Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for its members. The College pays an annual contribution to the Trust for its pooled self-insurance coverage of property, liability, workers' compensation, and associated excess coverages. The Trust self-insures to various levels for all categories of covered risk and purchases excess coverage for claims in excess of the self-insured limits. If the loss fund is exhausted, the Colleges may be assessed for additional costs.

The insurance year ended June 30, 2018, was the Trust's twenty-third year of operations. In May 2018, the Board of Directors of the Trust declared a dividend of \$300,000 to be used as an offset to total contributions for the 2018 year. The College anticipates no future liabilities for additional incurred losses for all previous years.

Note 17. Contingency

The College receives funds from various federal grants principally from the U.S. Department of Education. These funds are to be expended in accordance with the provisions of the grants.

Compliance with these grants is subject to audit by the U.S. Department of Education and by independent certified public accountants. Noncompliance could result in sanctions or questioned costs which may result in the return of funds to the Department of Education.

Note 18. Budget Process

Prior to August 31, the College's management and Board of Governors prepare a proposed operating budget on the cash basis for the general, restricted, and plant funds for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at the September board meeting to obtain taxpayer comments. After the public hearings the budget is legally adopted by the Board of Governors through passage of a resolution at the September meeting.

Total expenditures may not legally exceed total appropriations and appropriations lapse at year end.

Note 19. Segment Disclosure

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

The College issued the 2015 series revenue bonds to remodel and expand a residence hall on the Scottsbluff campus for student living. Summary information for the Scottsbluff residence halls is presented below.

Condensed Statement of Financial Position

	<u>2018</u>	<u>2017</u>
Assets:		
Current assets	-	25,796
Noncurrent assets	-	-
Capital assets	<u>9,462,388</u>	<u>9,748,909</u>
Total assets	<u>9,462,388</u>	<u>9,774,705</u>
Liabilities:		
Current liabilities	266,512	260,273
Noncurrent liabilities	<u>3,150,688</u>	<u>3,417,200</u>
Total liabilities	3,417,200	3,677,473
Net position:		
Net investment in capital assets	6,045,188	6,071,436
Restricted	-	-
Unrestricted	<u>-</u>	<u>25,796</u>
	<u>6,045,188</u>	<u>6,097,232</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Operating revenues (pledged against bonds)	503,733	649,626
Depreciation expense	(286,521)	(286,521)
Other operating expenses	<u>(330,588)</u>	<u>(350,164)</u>
Operating income (loss)	(113,376)	12,941
Nonoperating revenue (expense)		
Property Taxes	-	-
Interest expense	(98,497)	(105,620)
Transfers in	559,828	490,335
Transfers out	<u>(399,999)</u>	<u>(405,246)</u>
Change in net position	(52,044)	(7,590)
Beginning net position	<u>6,097,232</u>	<u>6,104,822</u>
Ending net position	<u>6,045,188</u>	<u>6,097,232</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 19. Segment Disclosure (Continued)
Condensed Statement of Cash Flows

Net cash provided by (used in):		
Operating activities	332,975	384,551
Noncapital financing activities	-	-
Capital and related financing activities	(358,771)	(359,815)
Investing activities	<u>-</u>	<u>-</u>
Net increase (decrease)	(25,796)	24,736
Beginning cash and cash equivalents	<u>25,796</u>	<u>1,060</u>
Ending cash and cash equivalents	<u><u>-</u></u>	<u><u>25,796</u></u>

Note 20. Blended Component Unit Disclosure

The Western Nebraska Community College Facilities Corporation is presented as a blended component unit of the Western Community College Area. Summary information for the Facilities Corporation is presented below.

Condensed Statement of Financial Position

	<u>2018</u>		<u>2017</u>	
	<u>WNCC</u>	<u>Facilities Corporation</u>	<u>WNCC</u>	<u>Facilities Corporation</u>
Assets:				
Current assets	29,894,851	30,364	30,026,012	31,089
Capital assets	25,538,375	3,502,272	22,631,944	3,630,842
Other assets	<u>377,518</u>	<u>-</u>	<u>290,490</u>	<u>-</u>
Total assets	<u><u>55,810,744</u></u>	<u><u>3,532,636</u></u>	<u><u>52,948,446</u></u>	<u><u>3,661,931</u></u>
Liabilities:				
Current liabilities	4,646,180	238,286	3,215,768	219,470
Noncurrent liabilities	<u>4,477,688</u>	<u>1,083,773</u>	<u>4,838,450</u>	<u>1,827,970</u>
Total liabilities	9,123,868	1,322,059	8,054,218	2,047,440
Net investment in capital assets	20,647,924	2,181,667	17,386,970	1,585,656
Restricted	7,671,815	28,910	8,714,813	28,835
Unrestricted	<u>18,367,137</u>	<u>-</u>	<u>18,792,445</u>	<u>-</u>
	<u><u>46,686,876</u></u>	<u><u>2,210,577</u></u>	<u><u>44,894,228</u></u>	<u><u>1,614,491</u></u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 20. Blended Component Unit Disclosure (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Operating revenues	4,439,747	-	5,011,580	-
Depreciation expense	(1,661,821)	(128,570)	(1,562,189)	(128,570)
Other operating expenses	<u>(28,794,333)</u>	<u>(725)</u>	<u>(27,813,713)</u>	<u>-</u>
Operating income (loss)	(26,016,407)	(129,295)	(24,364,322)	(128,570)
Nonoperating revenue (expense)	26,194,581	-	26,320,484	-
Interest expense	(194,043)	(50,083)	(157,157)	(58,824)
Transfers in	-	775,464	-	269,859
Transfers out	(775,464)	-	(269,859)	-
Other Income	<u>2,583,981</u>	<u>-</u>	<u>2,672,778</u>	<u>-</u>
Change in net position	1,792,648	596,086	4,201,924	82,465
Beginning net position	<u>44,894,228</u>	<u>1,614,491</u>	<u>40,692,304</u>	<u>1,532,026</u>
Ending net position	<u>46,686,876</u>	<u>2,210,577</u>	<u>44,894,228</u>	<u>1,614,491</u>

Condensed Statement of Cash Flows

Net cash provided by (used in):				
Operating activities	(24,382,990)	775,464	(22,540,336)	269,859
Noncapital financing activities	26,187,406	-	25,665,967	-
Capital and related financing activities	(2,565,472)	(776,189)	669,028	(270,547)
Investing activities	<u>(705,655)</u>	<u>-</u>	<u>(3,917,091)</u>	<u>-</u>
Net increase (decrease)	(1,466,711)	(725)	(122,432)	(688)
Beginning cash and cash equivalents	<u>12,244,966</u>	<u>31,089</u>	<u>12,367,398</u>	<u>31,777</u>
Ending cash and cash equivalents	<u>10,778,255</u>	<u>30,364</u>	<u>12,244,966</u>	<u>31,089</u>

Note 21. Legal Restriction of Net Position

Of the \$6,951,648 of the net position restricted for capital projects as of June 30, 2018, \$1,284,216 was restricted by Nebraska statute section 85-1515 for facility fees.

Note 22. Prior Period Adjustment

There was an adjustment related to prior years of unrealized gains in the Western Nebraska Community College Foundation that should have been allocated to the College.

Note 23. Subsequent Events

Subsequent events have been evaluated through November 13, 2018 which is the date the financial statements were available to be issued.

ACCOMPANYING INFORMATION

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF GENERAL FUND REVENUES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
State aid	12,571,341	12,440,842
Property taxes	9,894,289	10,118,576
Tuition & Fees	3,845,749	4,044,967
Other income	568,501	349,254
(Add to) /use cash reserves	<u>334,224</u>	<u>(1,868,527)</u>
	<u>27,214,104</u>	<u>25,085,112</u>

The revenues in this schedule are presented on the same basis as the College's General Fund budget and are not on a GASB basis of accounting. In particular, tuition is not reduced for scholarship allowances from grants and some other funds.

PROPERTY VALUATION AND PROPERTY TAX REVENUE

The property valuation for Western Community College Area as reported by County Assessor in late August 2017 for use in property tax revenue for June 30, 2018, was \$12,990,978,312. The General Fund property tax rate for June 30, 2018, is 7.5436 cents per \$100 valuation.

The property valuation for Western Community College Area as reported by County Assessor in late August 2016 for use in property tax revenue for June 30, 2017, was \$12,516,070,016. The General Fund property tax rate for June 30, 2017, is 7.9637 cents per \$100 valuation.

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF GENERAL FUND EXPENDITURES
YEARS ENDED JUNE 30, 2018 AND 2017

PROGRAM CLASSIFICATION STRUCTURE

	2018	2017
INSTRUCTION		
Personnel services	7,266,946	7,012,999
Operating expenses	1,606,549	1,502,644
Travel	66,589	109,604
Equipment	<u>180,247</u>	<u>87,990</u>
	<u>9,120,331</u>	<u>8,713,237</u>
ACADEMIC SUPPORT		
Personnel services	2,771,015	2,959,299
Operating expenses	762,059	828,522
Travel	53,836	77,772
Equipment	<u>26,402</u>	<u>38,066</u>
	<u>3,613,312</u>	<u>3,903,659</u>
STUDENT SUPPORT		
Personnel services	2,142,549	1,762,473
Operating expenses	702,369	593,387
Travel	214,012	194,107
Equipment	<u>10,290</u>	<u>3,629</u>
	<u>3,069,220</u>	<u>2,553,596</u>
INSTITUTIONAL ADMINISTRATION		
Personnel services	3,087,762	3,275,764
Operating expenses	2,979,961	2,857,031
Travel	141,136	148,023
Equipment	<u>137,254</u>	<u>40,452</u>
	<u>6,346,113</u>	<u>6,321,270</u>
PHYSICAL PLANT OPERATIONS		
Personnel services	546,738	433,128
Operating expenses	3,621,621	2,283,441
Travel	711	1,142
Equipment	<u>13,181</u>	<u>11,159</u>
	<u>4,182,251</u>	<u>2,728,870</u>
STUDENT FINANCIAL SUPPORT		
Operating expenses	<u>882,877</u>	<u>864,478</u>

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF GENERAL FUND EXPENDITURES
YEARS ENDED JUNE 30, 2018 AND 2017

PROGRAM CLASSIFICATION STRUCTURE

	2018	2017
GRAND TOTAL FOR COLLEGE		
Personnel services	15,815,010	15,443,664
Operating expenses	10,555,436	8,929,504
Travel	476,284	530,648
Equipment	<u>367,374</u>	<u>181,296</u>
	<u>27,214,104</u>	<u>25,085,112</u>

The expenditures in this schedule are presented on the same basis as the College's General Fund budget and are not on a GASB basis of accounting. In particular, equipment is shown as an expense.

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Contract Number	Federal Expenditures
<u>U.S. Department of Education:</u>			
Direct Programs:			
Student Financial Aid Cluster:			
Federal Pell Grant Program 2016-17	84.063	P063P161785	2,732
Federal Pell Grant Program 2017-18	84.063	P063P171785	2,163,601
Federal Supplemental Educational Opportunity Grants 2017-18	84.007	P007A172463	27,225
Federal Work Study Program 2017-18	84.033	P033A172463	46,445
Federal Direct Student Loans 2016-17	84.268	P268K171785	21,143
Federal Direct Student Loans 2017-18	84.268	P268K181785	1,282,464
Total Student Financial Aid Cluster			<u>3,543,610</u>
Passed through Nebraska Department of Education:			
Adult Education - Basic Grants to States			
Adult Basic Education	84.002	17-2AEF-19-00-941000	146,192
Institutionalized	84.002	17-2AEF-19-00-941000	9,933
Volunteer Coordination	84.002	17-2AES-19-00-941000	10,698
Adult Education Professional Development	84.002	17-2AEP-19-00-941000	9,791
Total Adult Education Program			<u>176,614</u>
Direct Programs:			
TRIO - Upward Bound			
Upward Bound 2016-17	84.047A	P047A121585	61,140
Veterans Upward Bound 2016-17	84.047A	P047V120120	13,618
Veterans Upward Bound 2017-18	84.047A	P047V170028	212,101
TRIO - Student Support Services			
Title IV, Student Support Services 2016-17	84.042A	P042A150153	41,826
Title IV, Student Support Services 2017-18	84.042A	P042A150153	324,439
Student Support Services Supplementary	84.042A	P042A150153	5,000
			<u>658,124</u>
Passed through Nebraska Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	V048A160027	86,496
			<u>86,496</u>
Total U.S. Department of Education:			<u>4,464,844</u>
<u>National Aeronautics and Space Administration:</u>			
Passed through Board of Regents University of Nebraska:			
Education	43.008	NNX15AI09H	7,489
			<u>7,489</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>4,472,333</u>

See accompanying notes to schedule of federal awards.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes federal award activity of Western Community College Area. 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's not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is presented on the accrual basis of accounting.

NOTE 3. INDIRECT COST RATE

The College uses an indirect cost rate cost rate of 8% for its TRIO programs.

NOTE 4. SUBRECIPIENTS

Western Community College Area provided no federal awards to subrecipients.



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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 Governors
Western Community College Area
Scottsbluff, Nebraska

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 of America, the financial statements of the business-type activities and the discretely presented component unit of Western Community College Area (College) as of June 30, 2018, and the related the related notes to the financial statements, which collectively comprise Western Community College Area's basic financial statements, and have issued our report thereon dated November 13, 2018. The financial statements of Western Nebraska Community College Foundation (Foundation), a discretely presented component unit of the College, 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 non-compliance associated with the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Community College Area's internal control over financial reporting 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 Western Community College Area's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Community College Area's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana F Cole + Company, LLP

Scottsbluff, Nebraska
November 13, 2018



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Governors
Western Community College Area
Scottsbluff, Nebraska

Report on Compliance for Each Major Federal Program

We have audited Western Community College Area's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Western Community College Area's major federal programs for the year ended June 30, 2018. Western Community College Area's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion for each of Western Community College Area'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 Western Community College Area'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 Western Community College Area's compliance.

Opinion on Each Major Federal Program

In our opinion, Western Community College Area complied, in all material respects, with the 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

Management of Western Community College Area is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered Western Community College Area'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 that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Western Community College Area's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

Western Community College Area's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Western Community College Area's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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

Dana F Cole + Company, LLP

Scottsbluff, Nebraska
November 13, 2018

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified:	___Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses:	___Yes <u>X</u> No
Noncompliance matter to the financial statements disclosed:	___Yes <u>X</u> No

Federal Awards

Internal control over major programs:	
Material weakness identified:	___Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses:	<u>X</u> Yes ___No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accord- ance with 2 CFR Section 200.516(a):	<u>X</u> Yes ___No
Identification of major programs:	
Student Financial Aid Cluster	
Federal Pell Grant Program	84.063
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Direct Student Loans	84.268
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee:	<u>X</u> Yes ___No

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

SECTION II. FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-001 EXIT COUNSELING - FEDERAL DIRECT LOANS 84.268

Criteria

Per 34 CFR 682.604(g), if a student borrower withdraws from school or fails to complete an exit counseling session, the College must provide counseling materials to the student within 30 days after learning that the student has withdrawn.

Condition and Context

Of our sample of 40 student files, one case was noted where exit counseling information was not provided to the withdrawn student within the required time frame.

Questioned Costs

None.

Cause

Students that withdrew in the spring semester and did not require a return of Title IV aid were not identified to provide exit counseling materials. A review of non-returning students will be conducted in the fall. However, certain students will have gone over the required 30 day period before this process is completed.

Potential Effect

Students that are not provided with exit counseling materials may be not be fully aware of their repayment responsibilities, which could result in additional defaults on the loan program.

Recommendation

We recommend that the College provide written exit counseling materials to student borrowers within 30 days of becoming aware that a student has withdrawn, rather than waiting for the census date of the next term.

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2018-001 EXIT COUNSELING - FEDERAL DIRECT LOANS 84.268 (Continued)

Views of Responsible Officials and Planned Corrective Action

The College will provide withdrawn students exit counseling materials at the time of completing the determination of the Return to Title IV Funds rather than waiting for the census period of the next term.

2018-002 ALLOWABLE COSTS - FEDERAL DIRECT LOANS 84.268

Criteria

Per Chapter 7 of the *Federal Student Aid Handbook*, financial need is determined based on Cost of Attendance, less Expected Family Contribution and other estimated financial aid.

Condition and Context

Of our sample of 40 student files, 1 case was noted where a student received a combination of subsidized and unsubsidized loans that did not agree with the differences between the cost of attendance and the students' expected family contribution and other financial aid received.

Cause

Students' financial aid packages were not reviewed and compared to other information regarding the students' financial aid eligibility.

Effect

The students' awards contained incorrect allocations for subsidized and unsubsidized loans.

Questioned Costs

Known differences in subsidized and unsubsidized loans were \$122, and likely questioned loan awards were \$1,715.

Recommendation

We recommend that the College perform a review of student awards with a combination of subsidized and unsubsidized loans and make adjustments to students' subsidized loan awards where deemed necessary. We also recommend that the College correct the loan package for such student identified and conduct the proper loan change process to subsidized and unsubsidized loans.

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2018-002 ALLOWABLE COSTS - FEDERAL DIRECT LOANS 84.268 (Continued)

Views of Responsible Officials

The College has made the recommended adjustments. The College has also implemented procedures to assist in ensuring that student awards are reviewed and proper adjustments between loan types are made.

WESTERN COMMUNITY COLLEGE AREA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018

None reported.



Western Nebraska
Community College

CORRECTIVE ACTION PLAN

November 13, 2018

Western Nebraska Community College Area respectfully submits the following corrective action plan for the year ended June 30, 2018, for the findings identified by Dana F. Cole & Company, LLP, Scottsbluff, Nebraska.

The findings from the Schedule of Findings and Questioned Costs are discussed below and are numbered consistently with the numbers assigned in that schedule.

FEDERAL AWARD FINDINGS

DEPARTMENT OF EDUCATION

2018-001 EXIT COUNSELING - FEDERAL DIRECT LOANS 84.268

Recommendation: We recommend that the College provide written exit counseling materials to student borrowers within 30 days of becoming aware that a student has withdrawn, rather than waiting for the census date of the next term.

Action Taken: The College will provide withdrawn students exit counseling materials at the time of completing the determination of the Return to Title IV Funds rather than waiting for the census period of the next term.

2018-002 ALLOWABLE COSTS - FEDERAL DIRECT LOANS 84.268

Recommendation: The College should perform a review of student awards with a combination of subsidized and unsubsidized loan awards where deemed necessary. The College should also correct the loan packages for the student from the auditors' sample.

Action Taken: The College has made the recommended adjustments for correcting the loan allocations for the student identified in the auditors' sample. In addition, the College has implemented procedures to assist in ensuring that all procedures to properly award financial aid packages have been conducted and that such award packages are correct.

If the U.S. Department of Education has questions regarding this plan, please call Sheila Johns at 308-635-6011.

Sincerely yours,

Sheila Johns
Financial Aid Director

WESTERN COMMUNITY COLLEGE AREA
FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

WESTERN COMMUNITY COLLEGE AREA
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**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Governors
Western Community College Area
Scottsbluff, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Western Community College Area (College) as of and for the year ended June 30, 2017 and 2016, 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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. The financial statements of Western Nebraska Community College Foundation, a discretely presented component unit of the College, were not audited in accordance with *Government Auditing Standards*.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting principles used and 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Western Community College Area as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows for the year 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 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Western Community College Area's basic financial statements. The schedule of general fund revenues, schedule of general fund expenditures, 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*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of general fund revenues, schedule of general fund expenditures, 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 financial statements. Such 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 presented in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2017, on our consideration of Western Community College Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Nebraska College Area's internal control over financial reporting and compliance.

Dana F Cole+Company, LLP

Scottsbluff, Nebraska
November 2, 2017

WESTERN COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Western Community College Area's annual financial report presents management's discussion and analysis of the College's financial performance during the fiscal year ended June 30, 2017. Please read Management's Discussion and Analysis in conjunction with the College's financial statements, which follow this section.

Using this annual report

This discussion and analysis is intended as an introduction to the College's basic financial statements and notes to the financial statements. The financial statements include three components: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows provide information on the College as a whole and present a long-term view of the College's finances.

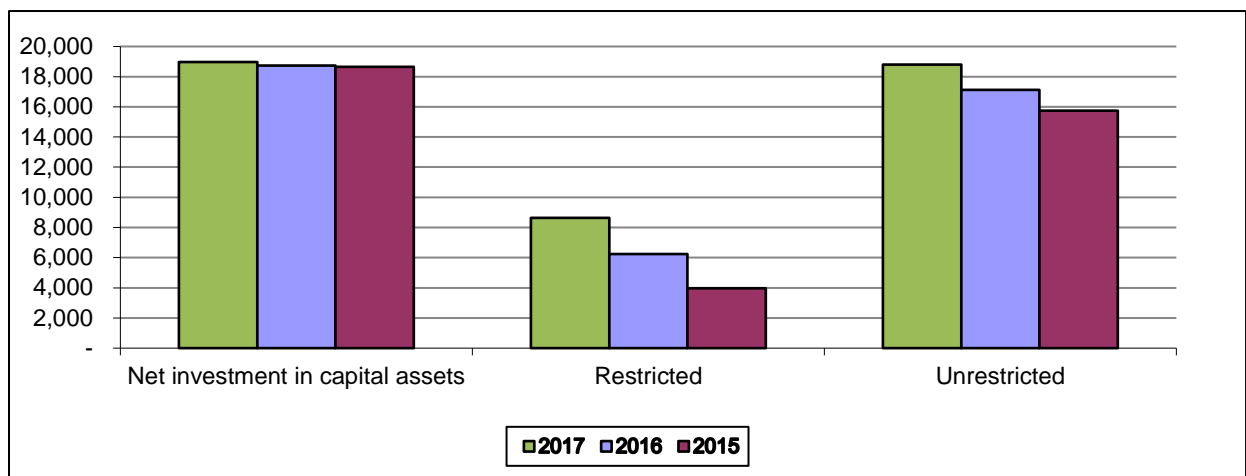
The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the College's finances is, "Is Western Community College Area, as a whole, better off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the College's operating results.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the College's net position and changes in it. You can think of the College's net position (the difference between assets and liabilities) as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position are one indicator of whether financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as enrollment trends, placement results, program quality, condition of buildings, campus safety and other factors to assess the overall health of the institution.

Figure 1
Western Community College Area
Net Position
(in thousands of dollars)



WESTERN COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1
Western Community College Area
Net Position
(in thousands of dollars)

	2017	2016	2015
Current assets	30,057	25,937	22,923
Noncurrent assets	174	172	184
Capital assets	<u>26,263</u>	<u>26,632</u>	<u>27,139</u>
Total assets	<u>56,494</u>	<u>52,741</u>	<u>50,246</u>
Deferred Outflows	<u>-</u>	<u>-</u>	<u>-</u>
Current liabilities	3,435	3,343	3,756
Noncurrent liabilities	<u>6,666</u>	<u>7,290</u>	<u>8,148</u>
Total liabilities	<u>10,101</u>	<u>10,633</u>	<u>11,904</u>
Deferred Inflows	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Invested in capital assets			
net of related debt	18,973	18,734	18,640
Restricted	8,628	6,248	3,968
Unrestricted	<u>18,792</u>	<u>17,126</u>	<u>15,734</u>
Total net position	<u>46,393</u>	<u>42,108</u>	<u>38,342</u>

Net position of the College increased by 10.2% (\$4,285 thousands) for the fiscal year ended June 30, 2017. The increase in net position is due to the following factors:

Net position increased due to expenditures being less than planned, and an increase in funds restricted for capital projects.

Table 2
Western Community College Area
Statement of Revenues, Expenses, and
Changes in Net Position
(in thousands of dollars)

	2017	2016	2015
Operating revenue			
Student tuition and fees	2,494	2,284	2,437
Grants and contracts	39	61	40
Sales and charges of educational departments	12	26	27
Auxiliary enterprises	2,404	2,125	2,138
Other	<u>62</u>	<u>103</u>	<u>183</u>
Total operating revenue	<u>5,011</u>	<u>4,599</u>	<u>4,825</u>

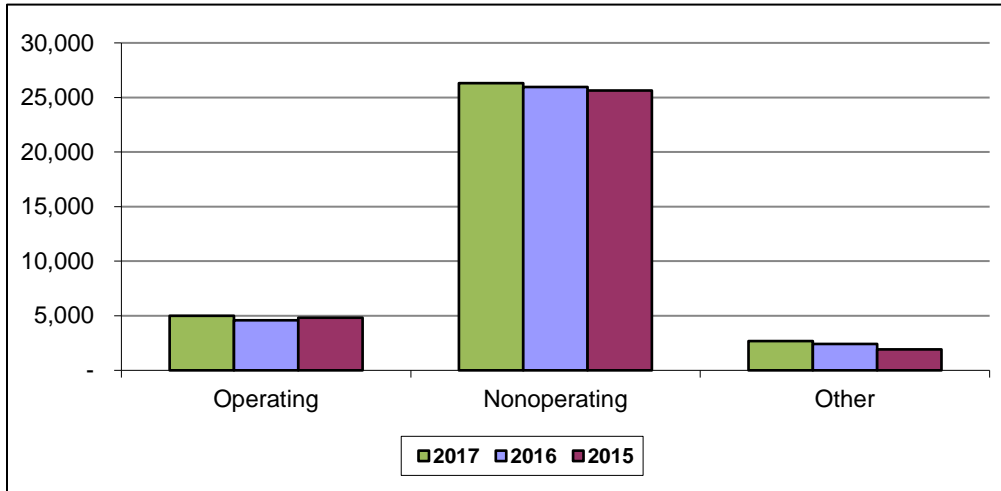
WESTERN COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2
Western Community College Area
Statement of Revenues, Expenses, and
Changes in Net Position (continued)
(in thousands of dollars)

	2017	2016	2015
Operating expense			
Personal services	17,420	16,858	16,525
Operating expenses	9,553	9,675	9,445
Travel	648	540	653
Capital assets not capitalized	192	266	293
Depreciation	<u>1,691</u>	<u>1,653</u>	<u>1,469</u>
Total operating expenses	<u>29,504</u>	<u>28,992</u>	<u>28,385</u>
Net operating loss	<u>(24,493)</u>	<u>(24,393)</u>	<u>(23,560)</u>
Non-operating revenue			
State aid	12,441	12,591	12,233
Property taxes	10,119	9,380	9,237
Grants and contracts	3,606	3,884	4,104
Other receipts	-	-	-
Investment income	155	91	72
Interest on capital debt	<u>(216)</u>	<u>(219)</u>	<u>(218)</u>
Net nonoperating revenues	<u>26,105</u>	<u>25,727</u>	<u>25,428</u>
Capital appropriations	2,664	2,430	1,902
Gain on sale of capital assets	<u>9</u>	<u>2</u>	<u>7</u>
Net other income	<u>2,673</u>	<u>2,432</u>	<u>1,909</u>
Increase in net position	4,285	3,766	3,777
Net position			
Net position beginning of year	<u>42,108</u>	<u>38,342</u>	<u>34,565</u>
Net position end of year	<u>46,393</u>	<u>42,108</u>	<u>38,342</u>

WESTERN COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure 2
Western Community College Area
Revenues
(in thousands of dollars)



The change in revenues was the result of the following:

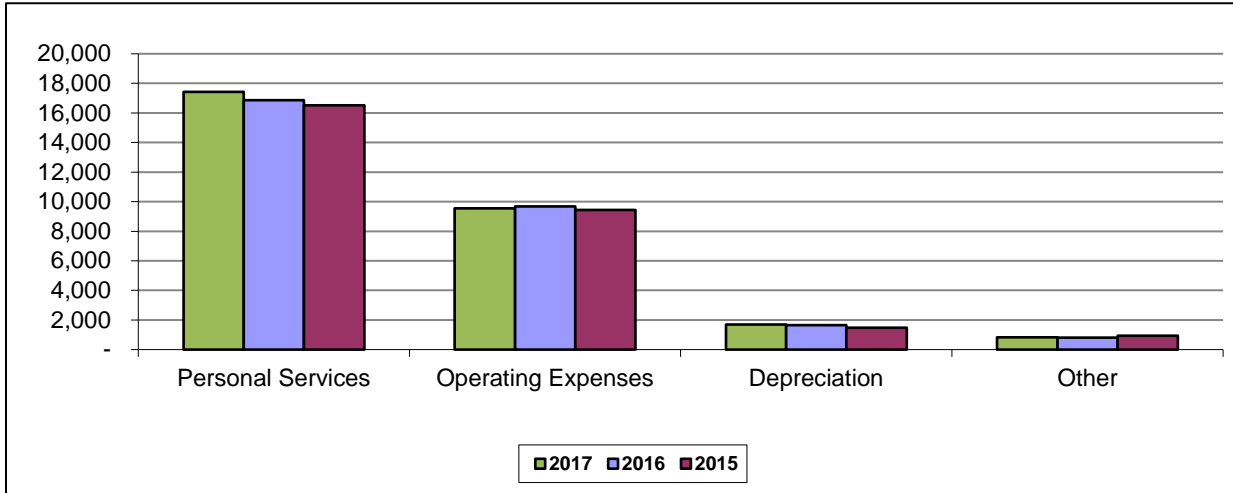
Operating revenue increased by 9.0% (\$412 thousands), primarily due to increases in tuition and fees revenues, and auxiliary enterprises.

Nonoperating revenue increased by 1.5% (\$375 thousands). State aid decreased by 1.2%, while property taxes increased by 7.9%. Government grants decreased by 7.2%.

Other income increased by 9.9% (\$241 thousands), primarily due to an increase in capital appropriations.

WESTERN COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure 3
Western Community College Area
Expenses
(in thousands of dollars)



The change in expenses was the result of the following:

Total expenses increased 1.7% (\$509 thousands) for fiscal year ended June 30, 2017. Personal services increased 3.3% (\$562 thousands). Operating expenses decreased 1.3% (\$122 thousands). Depreciation increased by 2.3% (\$38 thousands).

The Statement of Cash Flows

Another way to assess the financial health of the College is to look at the Statement of Cash Flows. The purpose of the Statement of Cash Flows is to provide relevant information about cash receipts and cash payments made by the College during a fiscal year. The Statement also helps users to assess the College's:

- Ability to generate future net cash flows
- Ability to meet its obligations as they come due
- Needs for external financing

Table 3
Western Community College Area
Cash Flows
(in thousands of dollars)

	2017	2016	2015
Cash provided (used) by:			
Operating activities	(22,270)	(23,439)	(23,018)
Non-capital financing activities	25,666	25,552	25,217
Capital and related financing activities	398	323	(1,912)
Investing activities	<u>(3,917)</u>	<u>(2,172)</u>	<u>(944)</u>
Net increase (decrease) in cash and cash equivalents	(123)	264	(657)
Cash and cash equivalents, beginning of year	<u>12,399</u>	<u>12,135</u>	<u>12,792</u>
Cash and cash equivalents, end of year	<u>12,276</u>	<u>12,399</u>	<u>12,135</u>

WESTERN COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

The change in cash flow was the result of the following:

Cash used by operating activities decreased \$1,169 thousands (5.0%) primarily due to an increase in operating expenses.

Cash provided by noncapital financing activities increased \$114 thousands (0.1%) due to increases in property tax receipts. This was offset by a decreases in state aid, and gifts and grants for other than capital purposes.

Cash provided by capital and related financing activities increased \$75 thousands (23.2%) primarily due to an increase in capital appropriations.

Cash used by investing activities increased \$1,745 thousands (80.3%) due primarily to the net purchase of CDs.

Cash and cash equivalents decreased for the 2016-17 year by \$123 thousands (0.1%) primarily because of a shift of cash and cash equivalents to investments.

Capital asset and debt administration

Capital Assets

Table 4
Western Community College Area
Capital Assets
(Net of depreciation, in thousands of dollars)

	2017	2016	2015
Land and improvements	2,070	1,998	2,085
Buildings	21,698	22,400	17,888
Equipment	2,437	2,201	2,084
Construction in progress	<u>58</u>	<u>33</u>	<u>5,082</u>
	<u>26,263</u>	<u>26,632</u>	<u>27,139</u>

Major capital additions funded this year and the source of resources that funded the acquisition include (in thousands of dollars):

Vehicle Shelter on the Scottsbluff Campus from capital improvement funds	195
Equipment purchases from general operating funds	478
Equipment purchases from grant funds	102
Equipment purchases from auxiliary funds	368
Construction in progress from capital improvement funds	219
Paving assessment from capital improvement funds	155

WESTERN COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

The College has planned capital expenditures for the fiscal year ending June 30, 2018 of approximately \$9,577 thousands.

Equipment financed by the General Fund, student fees and capital grants will total \$863 thousands.

Other capital construction projects of \$8,714 thousands will be financed from the Capital Improvement Fund, ADA/Hazardous Materials Fund, and bond proceeds.

More detailed information about the College's capital assets is presented in Note 6 of the financial statements.

Debt

At June 30, 2017 and 2016, the College had \$7,290 and \$7,898 thousands debt outstanding.

Table 5
Western Community College Area
Outstanding Debt
(in thousands of dollars)

	2017	2016	2015
2012 Student facility bond	2,042	2,216	2,385
2012 WNCC Facilities Corporation bond	2,045	2,256	2,463
2013 Limited tax facility refunding bonds	1,568	1,710	1,856
2015 Student facility revenue bond	<u>1,635</u>	<u>1,716</u>	<u>1,795</u>
	<u>7,290</u>	<u>7,898</u>	<u>8,499</u>

Economic factors that will affect the future

The economic position of Western Community College Area is closely tied to that of the State. For 2017-2018, the Nebraska Legislature decreased State Aid to Western Nebraska Community College in the amount of \$47,234.

The College Board of Governors adopted a total college property tax levy of 9.6815 cents for 2017-2018. Valuations for the 13-county service area increased 3.79% which also decreased the total college property tax request by \$5,555 at that levy.

Resident and border states tuition rates were increased \$2.50 per credit hour while non-resident tuition rates remained unchanged.

Financial contact

The College's financial statements are designed to present users with a general overview of the College's finances and demonstrate the College's accountability. If you have questions about the report or need additional information, contact the College's Vice President of Administrative Services, William D. Knapper, at 1601 East 27th Street, Scottsbluff, Nebraska 69361, or call (308) 635-3606.

Western Community College Area
Statements of Net Position
June 30, 2017 and 2016

	2017		2016	
	College	Foundation	College	Foundation
Assets				
Current Assets				
Cash and cash equivalents	12,248,914	588,977	12,386,162	379,598
Restricted cash	27,141	-	13,013	-
Short-term investments	11,172,189	4,943,223	7,126,975	4,011,012
Property taxes receivable	4,820,867	-	4,272,700	-
Accounts receivable (net)	1,136,032	1,706,585	1,173,783	2,110,070
Interest receivable	50,385	1,530	25,765	1,529
Inventories	238,562	-	177,524	-
Prepaid expense	363,011	-	761,141	-
Total current assets	<u>30,057,101</u>	<u>7,240,315</u>	<u>25,937,063</u>	<u>6,502,209</u>
Non-current Assets				
Deposit with Foundation	174,476	-	172,551	-
Capital assets - net	<u>26,262,786</u>	<u>183,946</u>	<u>26,631,892</u>	<u>191,946</u>
Total non-current assets	<u>26,437,262</u>	<u>183,946</u>	<u>26,804,443</u>	<u>191,946</u>
Total assets	<u>56,494,363</u>	<u>7,424,261</u>	<u>52,741,506</u>	<u>6,694,155</u>
Liabilities				
Current liabilities				
Accounts payable	802,694	110,511	634,927	6,036
Accrued salaries	1,789,880	-	1,862,210	-
Accrued interest	15,089	-	16,291	-
Deposits	31,115	-	37,121	-
Bonds payable - current	623,740	-	608,186	-
Annuity payable - current	-	12,059	-	11,266
Deposits held in custody for others	<u>172,720</u>	<u>174,476</u>	<u>184,295</u>	<u>172,551</u>
Total current liabilities	<u>3,435,238</u>	<u>297,046</u>	<u>3,343,030</u>	<u>189,853</u>
Non-current liabilities				
Bonds payable	6,666,420	-	7,290,160	-
Annuity payable	-	221,029	-	233,086
Total non-current liabilities	<u>6,666,420</u>	<u>221,029</u>	<u>7,290,160</u>	<u>233,086</u>
Total liabilities	<u>10,101,658</u>	<u>518,075</u>	<u>10,633,190</u>	<u>422,939</u>
Net Position				
Net investment in capital assets	18,972,626	183,946	18,733,546	191,946
Restricted for:				
Expendable				
Loans	133,269	-	132,044	-
Capital projects	8,084,354	-	5,804,679	-
Other	243,430	3,625,208	145,148	3,047,517
Nonexpendable	166,581	1,673,680	166,581	1,610,712
Unrestricted	<u>18,792,445</u>	<u>1,423,352</u>	<u>17,126,318</u>	<u>1,421,041</u>
Total net position	<u>46,392,705</u>	<u>6,906,186</u>	<u>42,108,316</u>	<u>6,271,216</u>

See accompanying notes to financial statements.

Western Community College Area
Statement of Revenues, Expenses and Changes in Net Position
For the Years ended June 30, 2017 and 2016

	2017		2016	
	College	Foundation	College	Foundation
REVENUES				
Operating revenues				
Tuition and fees	2,494,636	-	2,284,221	-
Nongovernmental grants and contracts	39,294	-	61,104	-
Sales and services of educational departments	12,335	-	25,345	-
Auxiliary enterprises	2,403,508	-	2,124,849	-
Other operating income	61,807	28,800	103,243	28,800
Total operating revenues	<u>5,011,580</u>	<u>28,800</u>	<u>4,598,762</u>	<u>28,800</u>
EXPENSES				
Operating expenses				
Personal services	17,420,369	-	16,857,904	-
Operating expenses	9,552,801	838,216	9,674,748	829,385
Travel	648,601	-	540,027	-
Noncapitalized capital assets	191,942	-	265,843	-
Depreciation	1,690,759	8,000	1,653,290	8,000
Total operating expenses	<u>29,504,472</u>	<u>846,216</u>	<u>28,991,812</u>	<u>837,385</u>
Operating income (loss)	<u>(24,492,892)</u>	<u>(817,416)</u>	<u>(24,393,050)</u>	<u>(808,585)</u>
NONOPERATING REVENUES (EXPENSES)				
Governmental appropriations				
State aid	12,440,842	-	12,590,911	-
Property taxes	10,118,576	-	9,380,359	-
Governmental grants and contracts				
Federal	3,295,847	-	3,320,649	-
State	310,549	-	563,792	-
Gifts	-	947,633	-	3,260,702
Investment income	154,670	504,753	91,104	97,531
Interest on capital assets - related debt	(215,981)	-	(219,522)	-
Net nonoperating revenues (expenses)	<u>26,104,503</u>	<u>1,452,386</u>	<u>25,727,293</u>	<u>3,358,233</u>
Income before other revenues, (expenses), gains, or (losses)	<u>1,611,611</u>	<u>634,970</u>	<u>1,334,243</u>	<u>2,549,648</u>
OTHER INCOME				
Capital appropriations	2,663,407	-	2,430,186	-
Gain on sale of capital assets	9,371	-	1,401	-
Total other income	<u>2,672,778</u>	<u>-</u>	<u>2,431,587</u>	<u>-</u>
Increase in net position	4,284,389	634,970	3,765,830	2,549,648
NET POSITION				
Net position - beginning of year	42,108,316	6,271,216	38,342,486	3,721,568
Net position - end of year	<u>46,392,705</u>	<u>6,906,186</u>	<u>42,108,316</u>	<u>6,271,216</u>

See accompanying notes to financial statements.

Western Community College Area
Statements of Cash Flows - Direct Method
For the Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Tuition and fees	2,324,393	2,232,094
Payments for personal services	(17,492,699)	(16,953,594)
Payments for operating expenses	(8,606,703)	(9,592,536)
Payments for non-capitalized assets	(191,942)	(265,843)
Payments for financial aid awards	(925,967)	(987,512)
Collection of loans to students and employees	15,183	31,976
Loans issued to students and employees	(19,663)	(29,303)
Sales and services of education departments	12,335	25,345
Auxiliary enterprise receipts	2,403,508	2,124,849
Other receipts (payments)	211,078	(24,815)
	<hr/>	<hr/>
Net cash provided (used) by operating activities	(22,270,477)	(23,439,339)
	<hr/>	<hr/>
Cash flows from noncapital financing activities		
State aid appropriation	12,440,842	12,590,911
Property taxes	9,697,684	9,126,803
Federal grants and awards	2,956,408	2,956,020
Gifts and grants for other than capital purposes	571,034	878,732
	<hr/>	<hr/>
Net cash provided (used) by noncapital financing activities	25,665,968	25,552,466
	<hr/>	<hr/>
Cash flows from capital financing activities		
Property taxes - capital improvement fund	2,536,132	2,288,940
Purchase of capital assets	(1,102,247)	(339,551)
Acquisition and construction of capital assets	(219,406)	(806,756)
Proceeds for capital debt issue	-	-
Principal paid on capital debt	(608,186)	(600,438)
Net proceeds from the sale of capital asset	9,371	1,401
Interest paid on capital debt	(217,183)	(220,685)
	<hr/>	<hr/>
Net cash provided (used) by capital financing activities	398,481	322,911
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	18,439,034	10,722,016
Interest on investments	130,050	89,849
Purchase of investments	(22,486,176)	(12,983,877)
	<hr/>	<hr/>
Net cash provided (used) by investing activities	(3,917,092)	(2,172,012)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(123,120)	264,026
	<hr/>	<hr/>
Cash and cash equivalents - beginning of year	12,399,175	12,135,149
	<hr/>	<hr/>
Cash and cash equivalents - end of year	12,276,055	12,399,175
	<hr/> <hr/>	<hr/> <hr/>

(Continued)

Western Community College Area
Statements of Cash Flows - Direct Method (Continued)
For the Years ended June 30, 2017 and 2016

	2017	2016
Reconciliation of net operating revenues (expenses) to net cash provided (used) in operating activities		
Operating income (loss)	(24,492,892)	(24,393,050)
Adjustments to reconcile net income (loss) to net cash provided (used) in operating activities:		
Depreciation	1,690,760	1,653,290
Changes in operating assets and liabilities:		
Accounts receivable	121,186	(73,453)
Student and staff notes receivable	(4,480)	2,674
Inventories	(61,038)	65,389
Prepaid expenses	398,130	(25,219)
Accounts payable	167,767	(595,381)
Accrued salaries	(72,330)	(95,690)
Other Liabilities	-	-
Deposits held for others	(17,580)	22,101
	<hr/>	<hr/>
Net cash used in operating activities	<u><u>(22,270,477)</u></u>	<u><u>(23,439,339)</u></u>

See accompanying notes to financial statements.

WESTERN COMMUNITY COLLEGE AREA NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies

Western Community College Area was established July 1, 1973 by legislative action. The Area encompasses the 13 counties of the Nebraska panhandle. An eleven member Board of Governors is the College's ruling body and establishes the policies and procedures by which the College is governed.

Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units as defined by Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity*. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Western Community College Area is not a component unit of another primary governmental reporting entity.

The Western Nebraska Community College Facilities Corporation (WNCCFC) is a legally separate, nonprofit corporation which is a component unit of Western Nebraska Community College. WNCCFC was formed by the College in 2003 to acquire property to be leased to and purchased by the College. The Board of Governors of the College appoints the members of the Board of WNCCFC. The WNCCFC provides services entirely to the college. The services provided by WNCCFC are so intertwined with the College that the WNCCFC is in substance the same as the College and it is reported as part of the College and blended into the College's financial statements.

College Foundation

Under GASB 39, *Determining Whether Certain Organizations are Component Units - an amendment of GASB 14*, legally separate organizations meeting certain criteria should be discretely presented as component units. The criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the college or its constituents (e.g., students, faculty and staff).
2. The college is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the college is entitled to, or has the ability to otherwise access, are significant to the college.

The Western Nebraska Community College Foundation (Foundation) is a legally separate, tax exempt component unit of Western Community College Area. The Foundation acts primarily as a fund-raising organization to provide support to the College. The Foundation is governed by a volunteer Board. Although the college does not control the timing or amounts of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because 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 and is discretely presented in the College's financial statements.

These financial statements do not contain disclosures of information of the Foundation. Complete financial statements for the Foundation can be obtained from the Foundation offices located in the John N. Harms Center at 2620 College Park, Scottsbluff, NE 69361.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

Basis of Accounting

The College's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues, expenses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, which has been superseded by GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the College has elected to follow all applicable GASB pronouncements, including all National Council of Governmental Accounting (NCGA) statements and interpretations currently in effect, as well as all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, except those that conflict or contradict GASB pronouncements.

In addition to the GASB Statements previously discussed the significant accounting policies followed by the college are described below:

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments*, establishes financial reporting requirements that require the basic financial statements and required supplementary information for general purpose governments should consist of: management's discussion and analysis, basic financial statements, and required supplementary information.

GASB Statement No. 35 – *Basic financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*, establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB 34. In accordance with this statement, the college presents statements of net position, revenues, expenses, and changes in net position, and cash flows on college-wide basis. The objective of this statement is to enhance the understandability of usefulness of the external financial reports issued.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities.

GASB Statement No 65, *Items Previously Reported as Assets and Liabilities*, amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly clarify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 958-205, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and

WESTERN COMMUNITY COLLEGE AREA NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of American as prescribed by Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

Donated Assets and Services

Donated materials or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt.

Budgets

Budgets are prepared on the same basis of accounting except that capital assets acquired are recorded as expenses and depreciation is not recorded.

Cash and Cash Equivalents

The College follows GASB No. 31 (as amended by GASB No. 40), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB 31 requires the College's investments to be recorded at market value with the changes in the market value of investments reported as investment income in the statement of revenues, expenses, and changes in fund equity. Investments are recorded at the market value as determined by quoted market prices.

Cash deposits, primarily interest bearing, are covered by federal depository insurance or pledged collateral of unregistered U.S. Government securities held by various depositories. Investments at June 30, 2017 and 2016 were in unregistered U.S. Government securities and Federal Agency obligations held in the College's name by the custodial banks.

For the purposes of the statements of cash flows, the College considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value.

Receivables

Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

Inventories

Inventories are valued at the lower-of-cost or market value as determined by the first-in, first-out (FIFO) method.

Bond Issuance Costs

Bond issuance costs are expenditures related to the issuance of bonds. With the implementation of GASB 65, these costs are now expensed when incurred.

Capital Assets

Capital assets are stated at cost at date of acquisition, or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are expensed.

Depreciation is computed using the straight-line method over the useful lives of the assets. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Building improvements	20 years
Building content replacements	10 years
Office furniture	10 years
Instructional equipment	7 years
Other equipment	5 years
Office equipment	3 years
Vehicles	3 years

Land, artwork and other collectible assets are not depreciated.

Restricted Assets

Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

Restricted/Unrestricted Resource Policy

If both restricted and unrestricted resources are available to finance a program, restricted resources are used first unless the restricted resources require unrestricted resources to be used first.

Unearned Revenue

Unearned revenue is revenue received but not earned as of the end of the fiscal year.

Operating Versus Nonoperating

Operating revenues and expenses generally result from providing services in connection with the College's ongoing operations. The principal operating revenues are charges to customers for services. Operating expenses include the cost of service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Compensated Absences

Vacation and personal leave meet the criteria in GASB Statement No. 16 and are included in accrued compensated absences. The criteria for accruing compensated absences are met when employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

compensate the employee through paid time off or some other means, such as cash at termination or retirement.

Noncurrent Liabilities

Noncurrent liabilities include accrued salaries for early retirement, deferred revenue, deposits held in custody for others, and notes and bonds payable.

Net Position

The net position of the College is broken down into three categories: (1) net invested in capital assets, (2) restricted component of net position and (3) unrestricted component of net position.

Net invested in capital assets - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - Consists of assets that do not meet the definition of restricted net position or net position invested in capital assets, net of related debt.

It is the College's policy to first use restricted components of net position prior to the use of unrestricted components of net position when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

Restricted Net Position

Restricted net position is further broken down into expendable and nonexpendable portions.

Restricted net position – expendable includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.

Restricted net position – nonexpendable consists of endowment funds in which the donors 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.

Scholarship Allowances

Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship allowances in the accompanying statement of revenues, expenses, and changes in net position. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying statements of revenues, expenses, and changes in net position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded them as scholarship allowances.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and summary of significant accounting policies (Continued)

Revenue and Expense Recognition

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the College. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are investing, capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying statements of revenues, expenses, and changes in net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reported period. Actual results could differ from those estimates.

Note 2. Cash and Investments

The College can invest, after proper consideration of the requirements for the availability of money, funds of the College in securities the nature of which individuals of prudence, discretion, and intelligence acquire or retain in dealing with the property of another.

Interest Rate Risk

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

In accordance with the College's investment policy, funds may be invested, within certain limits, in FDIC insured banks, U.S. Treasury and federal agencies, and certificates of deposit issued by FDIC insured banks.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits of the College is the risk that the College's deposits would not be covered by depository insurance. Deposits were reflected in the accounts of the banks at \$24,207,615 and \$19,988,163 as of June 30, 2017 and 2016. All of the balances for June 30, 2017 and 2016 were insured or fully collateralized

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of a failure of the counter party, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College has no custodial credit risk in its investment portfolio.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Investments (Continued)

Investments at June 30, 2017 and 2016 are summarized as follows:

Investment Type	2017 Fair Value	2016 Fair Value
Certificates of deposit	10,632,506	6,844,780
Money market accounts	<u>539,683</u>	<u>282,195</u>
	<u>11,172,189</u>	<u>7,126,975</u>

Note 3. Property Tax Receivable

Property taxes levied for the fiscal year ending June 30, 2017 were due December 31, 2016 and became delinquent in May and September of 2017. Property tax revenues, based on the assessed valuation and the levy set, are recognized in the current fiscal year even though part of the property tax revenue is not delinquent or collected until the following fiscal year. Property taxes are recognized net of the county collection fee of 1%. The assessed valuation and levies in cents per \$100 of assessed valuation for the fiscal years ended June 30 were as follows:

	<u>2017</u>	<u>2016</u>
Assessed valuation August 2017 and 2016	12,516,070,016	11,737,011,968
Levy in cents per \$100 of assessed valuation		
General fund	7.9637	7.9717
Capital improvement fund	2.0896	2.0816
ADA/Hazardous waste fund	<u>0.0000</u>	<u>0.0000</u>
Total	<u>10.0533</u>	<u>10.0533</u>

The amount of property tax receivable at June 30 was as follows:

	<u>2017</u>	<u>2016</u>
General Fund	3,818,092	3,397,200
Capital improvement fund	1,002,775	875,500
ADA/Hazardous waste fund	-	-
Total	<u>4,820,867</u>	<u>4,272,700</u>

The following amounts, which are included in the property tax receivable amount, were held as cash by county treasurers at June 30.

	<u>2017</u>	<u>2016</u>
General fund	108,591	111,087
Capital improvement fund	28,488	28,973
ADA/Hazardous waste fund	-	-
Total	<u>137,079</u>	<u>140,060</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 4. Accounts Receivable

Accounts receivable at June 30 were as follows:

	<u>2017</u>	<u>2016</u>
Federal nonexchange grants	368,510	381,204
Tuition and fees	351,397	465,706
State grants	211,418	119,769
Other	<u>204,707</u>	<u>207,104</u>
Total	<u>1,136,032</u>	<u>1,173,783</u>

Note 5. Inventories

Inventories at June 30 were as follows:

	<u>2017</u>	<u>2016</u>
Books and supplies	<u>238,562</u>	<u>177,524</u>
Total	<u>238,562</u>	<u>177,524</u>

Note 6. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	<u>June 30,</u> <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2017</u>
Capital assets, not being depreciated				
Land	849,878	154,810	-	1,004,688
Artwork & collectibles	190,861	-	-	190,861
Construction in progress	<u>32,984</u>	<u>219,406</u>	<u>194,976</u>	<u>57,414</u>
Total	<u>1,073,723</u>	<u>374,216</u>	<u>194,976</u>	<u>1,252,963</u>
Capital Assets, being depreciated				
Land improvements	2,034,519	-	-	2,034,519
Buildings	41,135,053	194,976	-	41,330,029
Equipment	<u>8,704,023</u>	<u>947,736</u>	<u>380,292</u>	<u>9,271,467</u>
Total	<u>51,873,595</u>	<u>1,142,712</u>	<u>380,292</u>	<u>52,636,015</u>
Less accumulated depreciation				
Land improvements	886,860	82,552	-	969,412
Buildings	18,735,070	896,744	-	19,631,814
Equipment	<u>6,693,496</u>	<u>711,463</u>	<u>379,993</u>	<u>7,024,966</u>
Total	<u>26,315,426</u>	<u>1,690,759</u>	<u>379,993</u>	<u>27,626,192</u>
Capital assets, net	<u>26,631,892</u>	<u>(173,831)</u>	<u>195,275</u>	<u>26,262,786</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	<u>June 30,</u> <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2016</u>
Capital assets, not being depreciated				
Land	849,878	-	-	849,878
Artwork & collectibles	190,861	-	-	190,861
Construction in progress	<u>5,081,725</u>	<u>345,520</u>	<u>5,394,261</u>	<u>32,984</u>
Total	<u>6,122,464</u>	<u>345,520</u>	<u>5,394,261</u>	<u>1,073,723</u>
Capital Assets, being depreciated				
Land improvements	2,034,519	-	-	2,034,519
Buildings	35,740,792	5,394,261	-	41,135,053
Equipment	<u>7,903,237</u>	<u>800,786</u>	-	<u>8,704,023</u>
Total	<u>45,678,548</u>	<u>6,195,047</u>	-	<u>51,873,595</u>
Less accumulated depreciation				
Land improvements	798,992	87,868	-	886,860
Buildings	17,853,219	881,851	-	18,735,070
Equipment	<u>6,009,925</u>	<u>683,571</u>	-	<u>6,693,496</u>
Total	<u>24,662,136</u>	<u>1,653,290</u>	-	<u>26,315,426</u>
Capital assets, net	<u>27,138,876</u>	<u>4,887,277</u>	<u>5,394,261</u>	<u>26,631,892</u>

Note 7. Accrued Salaries

Accrued salaries for the fiscal years ended June 30, 2017 and 2016 were composed of the following:

	<u>2017</u>	<u>2016</u>
Accrued salaries	1,188,173	1,272,240
Accrued compensated absences	<u>601,707</u>	<u>589,970</u>
Total accrued salaries	<u>1,789,880</u>	<u>1,862,210</u>

Note 8. Long-Term Liabilities

Long-term liability activity for the fiscal years ended June 30, 2017 was as follows:

	<u>June 30,</u> <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2017</u>	<u>Current</u> <u>Portion</u>
Student Facility Bond	2,215,970	-	173,875	2,042,095	178,924
Student Facility Revenue Bond	1,715,698	-	80,320	1,635,378	81,349
WNCC Facilities Corp Bond	2,256,678	-	211,491	2,045,187	217,217
WNCC/ESU #13 Bond	<u>1,710,000</u>	-	<u>142,500</u>	<u>1,567,500</u>	<u>146,250</u>
Total bonds and notes payable	<u>7,898,346</u>	<u>-</u>	<u>608,186</u>	<u>7,290,160</u>	<u>623,740</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Liabilities (Continued)

Long-term liability activity for the fiscal years ended June 30, 2016 was as follows:

	<u>June 30,</u> <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2016</u>	<u>Current</u> <u>Portion</u>
Student Facility Bond	2,384,938	-	168,968	2,215,970	173,875
Student Facility Revenue Bond	1,795,000	-	79,302	1,715,698	80,319
WNCC Facilities Corp Bond	2,462,596	-	205,918	2,256,678	211,492
WNCC/ESU #13 Bond	<u>1,856,250</u>	<u>-</u>	<u>146,250</u>	<u>1,710,000</u>	<u>142,500</u>
Total bonds and notes payable	<u>8,498,784</u>	<u>-</u>	<u>600,438</u>	<u>7,898,346</u>	<u>608,186</u>

Note 9. Debt Service Requirements

Student Facility Bond

February 10, 2012 issue. \$2,963,045 due in semi-annual installments of \$118,259 through April 30, 2027; interest at 2.883%, secured by residence hall rental receipts.

WNCC Facilities Corp Bond

February 10, 2012 issue. \$3,154,325 due in quarterly installments of \$67,464 through December 15, 2025; interest at 2.68%, secured by the taxing authority of WCCA.

WNCC/ESU #13 Limited Tax Facility Refunding Bonds

June 17, 2013 issue. \$2,148,750 due in annual installments of \$146,250 to \$175,500 through June 15, 2027; interest at 0.40% to 2.70%, secured by the taxing authority of WCCA.

Student Facilities Revenue Bond

January 29, 2015 issue. \$1,795,000 due in annual principal installments of \$79,302 to \$101,028, plus semi-annual interest payments through December 15, 2034; interest at 2.565%, secured by residence hall rental receipts.

Debt service requirements at June 30, 2017, were as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Student</u> <u>Facilities</u> <u>Revenue</u> <u>Bond</u> <u>Principal</u>	<u>Student</u> <u>Facility Bond</u> <u>Principal</u>	<u>WNCC</u> <u>Facilities</u> <u>Corp Bond</u> <u>Principal</u>	<u>WNCC/ESU</u> <u>Limited Tax</u> <u>Refunding</u> <u>Bond</u> <u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	81,349	178,924	217,217	146,250	182,203	805,943
2019	82,393	184,119	223,097	146,250	167,491	803,350
2020	83,449	189,466	229,136	150,000	152,077	804,128
2021	84,520	194,967	235,339	150,000	135,894	800,720
2022	85,604	200,629	241,710	153,750	119,055	800,748
2023-2027	444,770	1,093,990	898,688	821,250	324,794	3,583,492
2028-2032	474,032	-	-	-	69,087	543,119
2033-2035	<u>299,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,579</u>	<u>310,840</u>
	<u>1,635,378</u>	<u>2,042,095</u>	<u>2,045,187</u>	<u>1,567,500</u>	<u>1,162,180</u>	<u>8,452,340</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 10. Faculty Early Retirement Program

The College established a faculty early retirement during the year ended June 30, 1992, for eligible employees to provide an incentive for early separation from the College. Only full-time faculty members may participate. Further, eligible faculty must be at least 55 years of age and have a minimum of 15 years continuous full-time employment at the College prior to beginning early retirement. Approved participants receive a stipend based upon salary, years of service, and age.

At its January 16, 2013 meeting, the WCCA Board of Governors approved an agreement with the Western Education Association to terminate the Voluntary Early Retirement Incentive Plan as of June 30, 2013, and replace it with a Supplemental Retirement Account (SRA) benefit beginning July 1, 2013. The agreement calls for annual contributions totaling \$250,000 to faculty supplemental retirement accounts for the years ended June 30, 2014, 2015 and 2016. The contributions thereafter will total \$125,000 annually, per negotiations between the WCCA Board of Governors and the Western Education Association.

Assets	<u>2017</u>	<u>2016</u>
Cash	-	-
Liability – stipends due participants	-	250,000
Fund balance:		
Beginning fund balance	-	(250,000)
College contributions	-	250,000
Approved participant stipends	-	-
Relieve prior liability	-	-
Ending fund balance	-	-
Total liabilities and fund balance	-	-

Note 11. Scholarship Allowances

Scholarship allowances consist of the following:

1. Student tuition, room, board, and book waivers, institutional
2. Student tuition waivers, statutory (reserves and war orphan)
3. Grant Funds (PELL, SEOG, NSG/NOG) credited to student accounts to offset tuition fees, room and board, and bookstore charges.

Scholarship allowances for fiscal years ended June 30 were as follows:

	<u>2017</u>	<u>2016</u>
Tuition and fees	1,750,419	1,818,301
Room, board, and books	965,148	958,274
Total	<u>2,715,567</u>	<u>2,776,575</u>

Note 12. Expenses by Functional Category

Expenses for the financial statements are presented by natural classification (personnel services, operating expense, travel, and expensed capital assets). Both NACUBO and GASB have suggested that for historical purposes expenses also be presented by functional classifications. Expenses by functional classification for the fiscal year ended June 30 are as follows:

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 12. Expenses by Functional Category (Continued)

	<u>2017</u>	<u>2016</u>
Educational and general:		
Instructional	9,132,787	9,354,098
Academic support	4,212,923	3,550,860
Student services	3,134,907	3,256,137
Institutional support	6,354,707	6,390,262
Physical plant	1,794,711	1,801,832
Depreciation	1,690,759	1,653,290
Student financial aid	1,829,213	1,809,315
Auxiliary enterprises	<u>1,354,465</u>	<u>1,176,018</u>
Total expenses	<u>29,504,472</u>	<u>28,991,812</u>

Note 13. Retirement Plan

The College provides retirement benefits for its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Generally, all regular full-time employees are eligible to participate in the plan. Eligible employees are required to participate. The College matches employee contributions from 6.5% to 8.5% of the employee's gross annual salary. Prior to FYE 6/30/17, the matching contributions were from 6.0% to 8.0% of the employee's gross annual salary. The participants are 100% vested upon contributing to the plan.

	<u>2017</u>	<u>2016</u>
Total payroll	11,740,965	11,342,260
Covered payroll	10,648,050	10,402,978
Employer contributions	864,131	792,598
Employer contributions as a percentage of covered payroll	8.12%	7.62%

Note 14. Deferred Compensation

The College provides a deferred compensation plan, which was created in accordance with Internal Revenue Code Section 457(b). This plan permits the employee to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death or unforeseeable emergency.

Pursuant to Neb. Rev. Stat. Section 48-1401, all compensation deferred under this Plan, all property and rights purchased with the deferred compensation, and all investment income attributable to the deferred compensation, property, or rights shall be held in trust for the exclusive benefit of Participants and their Beneficiaries by the Employer until such time as payments are made under the terms of this plan.

The trust shall be administered in accordance with the requirements of applicable law, regulations and other guidance, including Neb. Rev. Stat. Section 48-1401 and Treas Regs. Section 1.457-8.

WESTERN COMMUNITY COLLEGE AREA NOTES TO FINANCIAL STATEMENTS

Note 15. Related Parties

The College is the beneficiary of a Foundation, which provides support for the College by way of scholarships and other direct resources. The College contracts to provide the Foundation limited services and office space without charge in exchange for the support the College receives. Scholarships and other direct resources provided by the Foundation are remitted to the College. Such amounts totaled \$709,756 and \$591,742 for the fiscal years ended June 30, 2017 and 2016. In addition, the Foundation holds investments for the College of approximately \$174,476 and \$172,551 as of June 30, 2017 and 2016 respectively.

The College also paid the Facilities Corporation, its blended component unit, rent of \$269,859 in 2017, and \$269,857 in 2016.

Note 16. Commitments

As of June 30, 2017 and 2016 the College had commitments of approximately \$0 and \$180,403 respectively with regard to uncompleted construction contracts.

The College has a commitment to contribute a total of \$125,000 annually to faculty supplemental retirement accounts per negotiations between the WCCA Board of Governors and the Western Education Association. See Note 10 for additional details.

Note 17. Risk Management

The College is exposed to various risks of loss from torts; theft of; damage to and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for employee group health and accident benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The College has joined with the other five Nebraska community colleges to form the Nebraska Community College Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for its members. The College pays an annual contribution to the Trust for its pooled self-insurance coverage of property, liability, workers' compensation, and associated excess coverages. The Trust self-insures to various levels for all categories of covered risk and purchases excess coverage for claims in excess of the self-insured limits. If the loss fund is exhausted, the Colleges may be assessed for additional costs.

The insurance year ended June 30, 2017 was the Trust's twenty-second year of operations. In May 2017, the Board of Directors of the Trust declared a dividend of \$300,000 to be used as an offset to total contributions for the 2018 year. The College anticipates no future liabilities for additional incurred losses for all previous years.

Note 18. Contingency

The College receives funds from various federal grants principally from the U.S. Department of Education. These funds are to be expended in accordance with the provisions of the grants.

Compliance with these grants is subject to audit by the U.S. Department of Education and by independent certified public accountants. Non-compliance could result in sanctions or questioned costs which may result in the return of funds to the Department of Education.

Note 19. Budget Process

Prior to August 31, the College's management and Board of Governors prepare a proposed operating budget on the cash basis for the general, restricted, and plant funds for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 19. Budget Process (Continued)

Public hearings are conducted at the September board meeting to obtain taxpayer comments. After the public hearings the budget is legally adopted by the Board of Governors through passage of a resolution at the September meeting.

Total expenditures may not legally exceed total appropriations and appropriations lapse at year end.

Note 20. Segment Disclosure

The College issued the 2015 series revenue bonds to remodel and expand a residence hall on the Scottsbluff campus for student living. Summary information for the Scottsbluff residence halls is presented below.

Condensed Statement of Financial Position

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets	25,796	1,060
Noncurrent assets	-	-
Capital assets	<u>9,748,909</u>	<u>10,035,430</u>
Total assets	<u>9,774,705</u>	<u>10,036,490</u>
Liabilities:		
Current liabilities	260,273	254,194
Noncurrent liabilities	<u>3,417,200</u>	<u>3,677,474</u>
Total liabilities	<u>3,677,473</u>	<u>3,931,668</u>
Net position:		
Net investment in capital assets	6,071,436	6,103,762
Restricted	-	-
Unrestricted	<u>25,796</u>	<u>1,060</u>
	<u>6,097,232</u>	<u>6,104,822</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating revenues (pledged against bonds)	649,626	619,587
Depreciation expense	(286,521)	(275,283)
Other operating expenses	<u>(350,164)</u>	<u>(424,481)</u>
Operating income (loss)	12,941	(80,177)
Nonoperating revenue (expense)		
Property Taxes	-	71,711
Interest expense	(105,620)	(112,573)
Transfers in	490,335	634,600
Transfers out	<u>(405,246)</u>	<u>(404,686)</u>
Change in net position	(7,590)	108,875
Beginning net position	<u>6,104,822</u>	<u>5,995,947</u>
Ending net position	<u>6,097,232</u>	<u>6,104,822</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 20. Segment Disclosure (Continued)

Condensed Statement of Cash Flows

Net cash provided (used) by:		
Operating activities	384,551	425,020
Noncapital financing activities	-	-
Capital and related financing activities	(359,815)	(611,369)
Investing activities	-	-
Net increase (decrease)	24,736	(186,349)
Beginning cash and cash equivalents	1,060	187,409
Ending cash and cash equivalents	25,796	1,060

Note 21. Blended Component Unit Disclosure

The Western Nebraska Community College Facilities Corporation is presented as a blended component unit of the Western Community College Area. Summary information for the Facilities Corporation is presented below.

Condensed Statement of Financial Position

	<u>2017</u>		<u>2016</u>	
	<u>WNCC</u>	<u>Facilities Corporation</u>	<u>WNCC</u>	<u>Facilities Corporation</u>
Assets:				
Current assets	30,026,012	31,089	25,905,286	31,777
Capital assets	22,631,944	3,630,842	22,872,480	3,759,412
Other assets	174,476	-	172,551	-
Total assets	<u>52,832,432</u>	<u>3,661,931</u>	<u>48,950,317</u>	<u>3,791,189</u>
Liabilities:				
Current liabilities	3,215,768	219,470	3,129,054	213,976
Noncurrent liabilities	4,838,450	1,827,970	5,244,973	2,045,187
Total liabilities	8,054,218	2,047,440	8,374,027	2,259,163
Net position:				
Net investment in capital assets	17,386,970	1,585,656	17,230,812	1,502,734
Restricted	8,598,799	28,835	6,219,160	29,292
Unrestricted	18,792,445	-	17,126,318	-
	<u>44,778,214</u>	<u>1,614,491</u>	<u>40,576,290</u>	<u>1,532,026</u>

WESTERN COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

Note 21. Blended Component Unit Disclosure (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating revenues	5,011,580	-	4,598,762	-
Depreciation expense	(1,562,189)	(128,570)	(1,524,720)	(128,570)
Other operating expenses	<u>(27,813,713)</u>	<u>-</u>	<u>(27,338,522)</u>	<u>-</u>
Operating income (loss)	(24,364,322)	(128,570)	(24,264,480)	(128,570)
Nonoperating revenue (expense)	26,320,484	-	25,946,815	-
Interest expense	(157,157)	(58,824)	(155,134)	(64,388)
Transfers in	-	269,859	-	269,855
Transfers out	(269,859)	-	(269,855)	-
Other Income	<u>2,672,778</u>	<u>-</u>	<u>2,431,587</u>	<u>-</u>
Change in net position	4,201,924	82,465	3,688,933	76,897
Beginning net position	<u>40,576,290</u>	<u>1,532,026</u>	<u>36,887,357</u>	<u>1,455,129</u>
Ending net position	<u>44,778,214</u>	<u>1,614,491</u>	<u>40,576,290</u>	<u>1,532,026</u>

Condensed Statement of Cash Flows

Net cash provided (used) by:				
Operating activities	(22,540,336)	269,859	(23,709,194)	269,855
Noncapital financing activities	25,665,967	-	25,552,466	-
Capital and related financing activities	669,028	(270,547)	593,443	(270,532)
Investing activities	<u>(3,917,091)</u>	<u>-</u>	<u>(2,172,011)</u>	<u>-</u>
Net increase (decrease)	(122,432)	(688)	264,704	(677)
Beginning cash and cash equivalents	<u>12,367,398</u>	<u>31,777</u>	<u>12,102,694</u>	<u>32,454</u>
Ending cash and cash equivalents	<u>12,244,966</u>	<u>31,089</u>	<u>12,367,398</u>	<u>31,777</u>

Note 22. Legal Restriction of Net Position

Of the \$8,084,354 of the net position restricted for capital projects as of June 30, 2017, \$1,025,282 were restricted by Nebraska statute section 85-1515 for facility fees.

Note 23. Subsequent Events

Subsequent events have been evaluated through November 2, 2017 which is the date the financial statements were available to be issued.

On March 16, 2017, the Nebraska Coordinating Commission for Postsecondary Education approved the WNCC Main Building Addition and Renovation project. The project will be financed from the Capital Improvement Fund, ADA/Hazardous Materials Fund, and certificate of participation (debt) proceeds.

ACCOMPANYING INFORMATION

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF GENERAL FUND REVENUES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
State aid	12,440,842	12,590,911
Property taxes	10,118,576	9,380,359
Tuition & Fees	4,044,967	3,921,989
Other income	349,254	311,587
(Add to) /use cash reserves	<u>(1,868,527)</u>	<u>(1,548,907)</u>
	<u>25,085,112</u>	<u>24,655,939</u>

The revenues in this schedule are presented on the same basis as the College's general fund budget and are not on a GASB basis of accounting. In particular, tuition is not reduced for scholarship allowances from grants and some other funds.

PROPERTY VALUATION AND PROPERTY TAX REVENUE

The property valuation for Western Community College Area as reported by County Assessor in late August 2016 for use in property tax revenue for June 30, 2017 was \$12,516,070,016. The General Fund property tax rate for June 30, 2017 is 7.9637 cents per \$100 valuation.

The property valuation for Western Community College Area as reported by County Assessor in late August 2015 for use in property tax revenue for June 30, 2016 was \$11,737,011,968. The General Fund property tax rate for June 30, 2016 is 7.9717 cents per \$100 valuation.

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF GENERAL FUND EXPENDITURES
YEARS ENDED JUNE 30, 2017 AND 2016

PROGRAM CLASSIFICATION STRUCTURE

	2017	2016
INSTRUCTION		
Personal services	7,012,999	7,366,682
Operating expenses	1,502,644	1,554,346
Travel	109,604	58,532
Equipment	<u>87,990</u>	<u>108,384</u>
	<u>8,713,237</u>	<u>9,087,944</u>
ACADEMIC SUPPORT		
Personal services	2,959,299	2,613,102
Operating expenses	828,522	699,518
Travel	77,772	67,821
Equipment	<u>38,066</u>	<u>38,859</u>
	<u>3,903,659</u>	<u>3,419,300</u>
STUDENT SUPPORT		
Personal services	1,762,473	1,777,940
Operating expenses	593,387	613,697
Travel	194,107	190,809
Equipment	<u>3,629</u>	<u>6,681</u>
	<u>2,553,596</u>	<u>2,589,127</u>
INSTITUTIONAL ADMINISTRATION		
Personal services	3,275,764	3,118,330
Operating expenses	2,857,031	2,836,263
Travel	148,023	144,712
Equipment	<u>40,452</u>	<u>47,018</u>
	<u>6,321,270</u>	<u>6,146,323</u>
PHYSICAL PLANT OPERATIONS		
Personal services	433,128	414,732
Operating expenses	2,283,441	2,139,691
Travel	1,142	-
Equipment	<u>11,159</u>	<u>3,419</u>
	<u>2,728,870</u>	<u>2,557,842</u>
STUDENT FINANCIAL SUPPORT		
Operating expenses	<u>864,478</u>	<u>855,403</u>

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF GENERAL FUND EXPENDITURES
YEARS ENDED JUNE 30, 2017 AND 2016

PROGRAM CLASSIFICATION STRUCTURE

	2017	2016
GRAND TOTAL FOR COLLEGE		
Personal services	15,443,664	15,290,786
Operating expenses	8,929,504	8,698,918
Travel	530,648	461,874
Equipment	<u>181,296</u>	<u>204,361</u>
	<u>25,085,112</u>	<u>24,655,939</u>

The expenditures in this schedule are presented on the same basis as the College's General Fund budget and are not on a GASB basis of accounting. In particular, equipment is shown as an expense.

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Contract Number	Federal Expenditures
<u>U.S. Department of Education:</u>			
Direct Programs:			
Student Financial Aid Cluster:			
Federal Pell Grant Program 2015-16	84.063	P063P151785	2,134
Federal Pell Grant Program 2016-17	84.063	P063P161785	1,925,309
Federal Supplemental Educational Opportunity Grants 2016-17	84.007	P007A162463	30,956
Federal Work Study Program 2016-17	84.033	P033A162463	50,158
Federal Direct Student Loans 2015-16	84.268	P268K161785	26,254
Federal Direct Student Loans 2016-17	84.268	P268K171785	1,155,411
Total Student Financial Aid Cluster			<u>3,190,222</u>
Passed through Nebraska Department of Education:			
Adult Education - Basic Grants to States			
Adult Basic Education	84.002	17-2AEF-19-00-941000	193,695
Adult Basic Education - Alliance	84.002	17-2AEF-01-00-941000	16,209
Institutionalized	84.002	17-2AEF-19-00-941000	11,353
Volunteer Coordination	84.002	17-2AES-19-00-941000	10,909
Adult Education Professional Development	84.002	17-2AEP-19-00-941000	6,225
Total Adult Education Program			<u>238,391</u>
Direct Programs:			
TRIO - Upward Bound			
Upward Bound 2015-16	84.047A	P047A121585	115,234
Upward Bound 2016-17	84.047A	P047A121585	192,498
Veterans Upward Bound 2015-16	84.047A	P047V120120	48,513
Veterans Upward Bound 2016-17	84.047A	P047V120120	242,276
TRIO - Student Support Services			
Title IV, Student Support Services 2015-16	84.042A	P042A150153	41,976
Title IV, Student Support Services 2016-17	84.042A	P042A150153	289,659
Student Support Services Supplementary	84.042A	P042A150153	5,000
			<u>935,156</u>
Passed through Nebraska Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	V048A160027	130,156
			<u>130,156</u>
Total U.S. Department of Education:			<u>4,493,925</u>
<u>National Aeronautics and Space Administration:</u>			
Passed through Board of Regents University of Nebraska:			
Education	43.008	NNX15AI09H	3,744
			<u>3,744</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>4,497,669</u></u>

See accompanying notes to schedule of federal awards.

WESTERN COMMUNITY COLLEGE AREA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes federal award activity of Western Community College Area. 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's not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is presented on the accrual basis of accounting.

NOTE 3. INDIRECT COST RATE

The College did not elect to use the indirect cost rate.

NOTE 4. SUBRECIPIENTS

Western Community College Area provided no federal awards to subrecipients.



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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 Governors
Western Community College Area
Scottsbluff, Nebraska

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 of America, the financial statements of the business-type activities and the discretely presented component unit of Western Community College Area (College) as of June 30, 2017, and the related the related notes to the financial statements, which collectively comprise Western Community College Area's basic financial statements, and have issued our report thereon dated November 2, 2017. The financial statements of Western Nebraska Community College Foundation (Foundation), a discretely presented component unit of the College, 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 non-compliance associated with the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Community College Area's internal control over financial reporting 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 Western Community College Area's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Community College Area's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana F Cole + Company, LLP

Scottsbluff, Nebraska
November 2, 2017



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Governors
Western Community College Area
Scottsbluff, Nebraska

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion for each of Western Community College Area'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 Western Community College Area'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 Western Community College Area's compliance.

Opinion on Each Major Federal Program

In our opinion, Western Community College Area complied, in all material respects, with the 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 Western Community College Area is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered Western Community College Area'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 that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Western Community College Area'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 have not been identified.

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

Dana F Cole + Company, LLP

Scottsbluff, Nebraska
November 2, 2017

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified:	___Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses:	___Yes <u>X</u> No
Noncompliance matter to the financial statements disclosed:	___Yes <u>X</u> No

Federal Awards

Internal control over major programs:	
Material weakness identified:	___Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses:	___Yes <u>X</u> No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accord- ance with 2 CFR Section 200.516(a):	___Yes <u>X</u> No

Identification of major programs:

Student Financial Aid Cluster	
Federal Pell Grant Program	84.063
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Direct Student Loans	84.268
TRIO Cluster	
TRIO Student Support Services	84.042
TRIO Upward Bound	84.047

WESTERN COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

SECTION I. SUMMARY OF AUDITORS' RESULTS (Continued)

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

Auditee qualified as a low-risk auditee: X Yes No

SECTION II. FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

WESTERN COMMUNITY COLLEGE AREA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

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