Wichita Area Technical College

Independent Auditor’s Report and Financial Statements

June 30, 2016 and 2015

BKD LLP
CPAs & Advisors

Wichita Area Technical College
June 30, 2016 and 2015

Contents

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Independent Auditor's Report

Board of Trustees
Wichita Area Technical College
Wichita, Kansas

Report on the Financial Statements

We have audited the accompanying basic financial statements of Wichita Area Technical College (the College), which are comprised of balance sheets as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wichita Area Technical College as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audits 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.

BKD, LLP

Wichita, Kansas
December 20, 2016

Wichita Area Technical College
Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015

Introduction

This discussion and analysis of the Wichita Area Technical College (the College) financial statements provides an overview of the College's financial performance during the years ended June 30, 2016, 2015 and 2014. Since the Management's Discussion and Analysis (MD&A) is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with the College's basic financial statements and the footnotes. The MD&A is unaudited.

Economic and Environmental Factors

Although pressure continues on state funded educational institutions, funding for 2016 was restored to the original 2015 level, following a return of $130,000 in funding that was cut during fiscal year 2015. There are currently two events being discussed and/or implemented that could have an effect on future operations. The first is re-centering where the current funding would be reallocated between colleges based on current credit hours taught by that institution compared to all others in the system. Re-centering would have a positive impact on the College due to the growth in credit hours relative to the other technical and community colleges in the system since the last baseline was established. The second is re-tiering existing courses. Based on a cost study currently being reviewed by the Kansas Board of Regents (KBOR), certain courses would have their funding level either reduced or increased based on the cost to produce that course. Phase 1 of the re-tiering project has been completed and was effective for the Senate Bill 155 (SB155) courses for the 2016 academic year. We anticipate that these proposals will continue to evolve as they make their way through KBOR and the state assembly.

The College continues to move forward in strengthening its relationship with Wichita State University (WSU). Toward the end of 2015, the College and WSU announced an initiative called Shocker Pathway that allows the College's students to transfer credits seamlessly to WSU. Discussions are currently ongoing to evaluate the possibility of a formal integration between the College and WSU.

Implementation of New Accounting Principle

In 2016, the College implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining and applying a fair value measurement for financial reporting purposes.

In 2015, the College implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which improve reporting by state and local governments for pensions that are provided to the employees of the government entity through pension plans. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources and expenses.

Financial Highlights

The 2016 fiscal year was successful for the College as it continued to experience positive operational and cash growth. This was primarily driven by a 150% increase in dual enrollment hours from high school students taking traditional programs, resulting in a 5.4% overall increase in total hours. The increase in credit hours coupled with an increase in rates resulted in increased tuition and fee income. This was partially offset by a 10% decrease in the hours from SB155 classes. This switch from SB155 to high school programming hours is primarily due to the State re-tiering project. In addition, the College continued to experience decreased adult enrollment, resulting in a 4.3% decrease in the number of credit hours produced for traditional programming from adult students. Operating costs increased in 2016; however at a lower rate than operating revenues, resulting in a smaller operating loss. The College's debt burden decreased slightly as payments for the early retirement program and the existing debt were made. Cash increased by $430,000 due to positive operational results. The Board of Trustees has designated the use of $3,990,000 for deferred maintenance, operating emergencies and capital projects. Such uses, depending on the amount, are subject to approval of the Board. The table below identifies the changes over the past three years to the College's net position.

In 2016, the College launched the Wichita Promise scholarship campaign, using both institutional and donor funds, to pay for tuition and fees for students training in nine identified fields of study beginning in the fall 2016 semester. This campaign is designed to increase Wichita's skilled workforce to assist in meeting industry demand. The College expects this campaign to continue through 2017.

The College continues to maintain existing, and develop new, relationships with local industry by offering customized training solutions in addition to the traditional for-credit classes. Revenue in 2016 increased by $170,000 from 2015.

The College experienced an increase in grant related activity in 2016 due to new awards and fluctuations in existing, longer-term grants. The first to note is a $2,250,000 five-year Title III grant from the Department of Education on October 1, 2015. This grant is called Pathways to Success in Health Sciences and is intended to expand enrollment capacity in key healthcare programs while testing intrusive advising models. This grant extends through September 30, 2020. The next grant to note is a $1,500,000 four-year Round 4 TAACCCT grant from the Department of Labor. This grant is called KanTrain and is intended to target Manufacturing and Healthcare industries for providing qualified employees across the state of Kansas. It extends through September 30, 2018. Finally, the awarding of the four-year National Aviation Consortium's (NAC's) $15,000,000 grant from the Department of Labor in 2013 has continued to increase the awareness of the College at the national level. This grant will expire on September 30, 2016. However, the College is working to develop a self-sustainability plan for this program.

				Increase (Decrease)			
				2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	Amount	Percent	Amount	Percent
Operating revenues	$ 13,157,272	$ 11,310,736	$ 12,036,663	$ 1,846,536	16.33	$ (725,927)	(6.03)
Operating expenses	25,578,402	24,056,141	25,215,459	1,522,261	6.33	(1,159,318)	(4.60)
Operating loss	(12,421,130)	(12,745,405)	(13,178,796)	324,275	2.54	433,391	3.29
Net nonoperating revenues	12,665,183	12,963,335	14,448,170	(298,152)	(2.30)	(1,484,835)	(10.28)
Capital revenues	204,847	262,879	145,696	(58,032)	(22.08)	117,183	80.43
Change in net position	$ 448,900	$ 480,809	$ 1,415,070	$ (31,909)	(6.64)	$ (934,261)	(66.02)

Financial Position

The balance sheets present the financial position of the College at the end of each fiscal year and include all assets and liabilities of the College. Assets and liabilities are generally measured using current values, with certain exceptions such as capital assets, which are stated at cost less accumulated depreciation. The balance sheet shows strengthening as current assets (including cash) increased, liabilities decreased and long-term debt decreased, offset by a decrease in capital and intangible assets due to depreciation and amortization. A summary of the College's assets, liabilities and net position at June 30, 2016, 2015 and 2014, are as follows:

Balance Sheets as of June 30, 2016, 2015 and 2014

				Increase (Decrease)			
				2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	Amount	Percent	Amount	Percent
Assets							
Current assets	$ 12,149,467	$ 11,518,452	$ 10,524,433	$ 631,015	5.48	$ 994,019	9.44
Capital assets, net of depreciation	2,545,595	2,971,270	3,527,064	(425,675)	(14.33)	(555,794)	(15.76)
Intangible assets, net of amortization	23,549	44,873	93,857	(21,324)	(47.52)	(48,984)	(52.19)
Total assets	$ 14,718,611	$ 14,534,595	$ 14,145,354	$ 184,016	1.27	$ 389,241	2.75
Current Liabilities	$ 2,791,215	$ 2,937,242	$ 3,016,753	$ (146,027)	(4.97)	$ (79,511)	(2.64)
Long-term Liabilities	193,698	312,555	324,612	(118,857)	(38.03)	(12,057)	(3.71)
Total liabilities	2,984,913	3,249,797	3,341,365	(264,884)	(8.15)	(91,568)	(2.74)
Net Position							
Net investment in capital assets	2,473,219	2,874,833	3,120,921	(401,614)	(13.97)	(246,088)	(7.89)
Restricted, unexpendable	900,000	900,000	900,000	-	0.00	-	0.00
Restricted, expendable	334,778	339,391	375,693	(4,613)	(1.36)	(36,302)	(9.66)
Unrestricted	8,025,701	7,170,574	6,407,375	855,127	11.93	763,199	11.91
Total net position	11,733,698	11,284,798	10,803,989	448,900	3.98	480,809	4.45
Total liabilities and net position	$ 14,718,611	$ 14,534,595	$ 14,145,354	$ 184,016	1.27	$ 389,241	2.75

Current Assets and Current Liabilities

- Current Assets – 2016 vs. 2015
  - Cash increased by $430,000. See discussion on cash flow statement for further explanation.
  - Accounts receivable increased by $240,000.
    - Student and third-party receivables increased by $90,000, primarily due to an increase in credit hours for the summer term.
    - Governmental receivables decreased slightly by $10,000 led by decreases in federal student grants receivables of $420,000 and NAC grant receivables of $110,000, offset by an increase in KanTrain grant receivable of $480,000.
    - Other receivables increased by $170,000, due to a refund of BCBS overfunding.
  - Pledges receivable increased by $25,000 due to the receipt of a pledge to the Wichita Promise campaign.

- Investments are held by the Wichita Area Technical College Foundation (Foundation) and decreased by $20,000, primarily due to changes in market activity.
- Prepaid expenses and other current assets decreased by $50,000, primarily due to a decrease of $150,000 in NAC grant prepaid expenses, offset partially by a $90,000 increase in bookstore inventories.

➢ Current Assets – 2015 vs. 2014

- Cash increased by $990,000. See discussion on cash flow statement for further explanation.
- Accounts receivable decreased by $50,000.
  - Students and third-party receivables decreased by $400,000 primarily due to a decrease in credit hours.
  - Government receivables increased by $350,000 led by an increase in federal student grants receivables of $450,000 offset by a decrease in NAC receivables of $90,000.
- Investments are held by the Foundation and increased by $20,000 primarily due to new gifts.
- The current portion of pledges receivable decreased by $100,000 due to payments of $70,000 on pledge commitments by Snap-On and a $30,000 write-off of the remaining Snap-On commitment.
- Prepaid expenses and other increased by $110,000 primarily due to an increase of $150,000 in NAC grant prepaid expenses offset by a $60,000 decrease in bookstore inventories. Miscellaneous prepaid expenses and other accounted for the remaining $20,000 increase.

➢ Current Liabilities – 2016 vs. 2015

- Current maturities of notes payable reflects the amount due to De Lage Landen Public Finance LLC (De Lage).
- Accounts payable decreased by $600,000. At June 30, 2015, there were $260,000 in refunds owed to students for financial aid posted to their accounts but had not yet been refunded to them. There was only a minimal amount of these payables at June 30, 2016. There was a decrease in payables from larger purchases of $250,000, primarily due to decreases in payables of $130,000 to the non-WATC colleges participating in the NAC grant. The remaining variance is due to normal fluctuation in payables.
- Accrued wages and related liabilities increased by $430,000.
  - Accrued salaries increased by $290,000 primarily due to two extra days of accrual as of June 30, 2016, and bonus pay related to 2016 but paid in 2017. The payroll accrual related to this bonus was $200,000.
  - Current accrued early retirement obligations decreased by $40,000 due to payments made during 2016.
  - Accrued payroll tax and benefit liabilities increased by $180,000 led by the increase in these costs associated with the bonus payment and additional salary accrual along with normal fluctuations in the timing of benefits.
- Unearned revenue increased by $20,000, primarily due to increases in summer enrollment.

➢ Current Liabilities – 2015 vs. 2014

- Current maturities of notes payable decreased by $450,000 with the final Cowley payment of $500,000 due June 30, 2015, offset by the current liability portion of the new De Lage liability.

- Accounts payable increased by $390,000 primarily due to a $270,000 increase in refunds owed to students for financial aid that was posted to their accounts on June 30, 2015, but had not yet been refunded to them. The other $120,000 variance is due to normal fluctuations in accounts payables.

- Accrued wages and related liabilities increased by $20,000.

  - Accrued salaries increased by $30,000 mostly from an extra day of accrual as of June 30, 2015.

  - Accrued paid time off (PTO) decreased by $30,000. There was a 2% decrease in accrued PTO hours from 2014 to 2015 along with a 3.4% decrease in the hourly rate used for the accrual. The employees who left the College during 2015 had, on average, larger PTO balances and a higher pay rate than the base.

  - Current accrued early retirement obligations decreased by $30,000 due to payments made during 2015.

  - Accrued payroll tax and benefit liabilities increased by $50,000 due to timing of payments.

- Unearned revenues decreased by $30,000 due to a $70,000 increase in tuition and fees caused by increased summer enrollments, offset by a $100,000 decrease in unearned grant and governmental revenues.

Capital Assets

As of June 30, 2016, the College had recorded $13,419,407 in gross capital assets and $10,873,812 in accumulated depreciation that resulted in $2,545,595 in net capital assets.

Capital Assets, Net
June 30, 2016

	Cost	Accumulated Depreciation	Net Capital Assets
Leasehold improvements	$ 1,445,111	$ 1,381,634	$ 63,477
Software	3,231,133	3,140,722	90,411
Furniture, fixtures and equipment	7,609,754	5,634,212	1,975,542
Trucks	196,506	139,236	57,270
Aviation	936,903	578,008	358,895
Totals	$ 13,419,407	$ 10,873,812	$ 2,545,595

As of June 30, 2015, the College had recorded $12,921,232 in gross capital assets and $9,949,962 in accumulated depreciation that resulted in $2,971,270 in net capital assets.

Capital Assets, Net
June 30, 2015

	Cost	Accumulated Depreciation	Net Capital Assets
Leasehold improvements	$ 1,445,111	$ 1,349,848	$ 95,263
Software	3,224,578	2,689,766	534,812
Furniture, fixtures and equipment	7,110,859	5,258,346	1,852,513
Trucks	203,781	122,451	81,330
Aviation	936,903	529,551	407,352
Totals	$ 12,921,232	$ 9,949,962	$ 2,971,270

As of June 30, 2014, the College had recorded $12,481,928 in gross capital assets and $8,954,864 in accumulated depreciation that resulted in $3,527,064 in net capital assets.

Capital Assets, Net
June 30, 2014

	Cost	Accumulated Depreciation	Net Capital Assets
Leasehold improvements	$ 1,396,405	$ 1,286,707	$ 109,698
Software	3,125,689	2,237,116	888,573
Furniture, fixtures and equipment	6,869,753	4,867,330	2,002,423
Trucks	149,020	113,474	35,546
Leasehold improvements - CIP	4,158	-	4,158
Aviation	936,903	450,237	486,666
Totals	$ 12,481,928	$ 8,954,864	$ 3,527,064

Long-term Liabilities

- The decrease from 2015 to 2016 is due to the $70,000 payment of early retirement obligations and the $50,000 payment on the De Lage note.
- The decrease from 2014 to 2015 is due to the $110,000 payment of early retirement obligations offset by the $100,000 addition of the De Lage note.

Net Position

Net position represents the reserve of the College after accounting for all liabilities. It is categorized by the type of restrictions and defined as follows:

- Net investment in capital assets – This represents the net book value of capital assets less any debt against those assets. These assets are not available to be used for operational purposes unless they are liquidated.
- Restricted, unexpendable – This represents the net position that has been restricted by a donor for a particular purpose and will remain in perpetuity. Any income earned on the underlying assets can be used in accordance with the stated purpose of the donor. These assets consist of the corpus portion of endowment gifts.
- Restricted, expendable – This represents the net position that has been restricted for a particular purpose by a donor or grantor.
- Unrestricted – This represents the net position that has no underlying restrictions attached to the receipt or gift. These assets can be used for any purpose that the College deems appropriate.

The makeup of net position as of June 30, 2016, 2015 and 2014, is as follows:

Analysis of Net Position
June 30, 2016, 2015 and 2014

	2016	2015	2014
Net investment in capital assets	$ 2,473,219	$ 2,874,833	$ 3,120,921
Restricted, unexpendable	900,000	900,000	900,000
Restricted, expendable	334,778	339,391	375,693
Unrestricted	8,025,701	7,170,574	6,407,375
Total net position	$ 11,733,698	$ 11,284,798	$ 10,803,989

Operating Results

The statements of revenues, expenses and changes in net position present the College's results of operations. The statements distinguish revenues and expenses between operating and nonoperating categories and provide a view of the College's operating margin. Summary statements of revenues, expenses and changes in net position for the years ended June 30, 2016, 2015 and 2014, are as follows:

Summary Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016, 2015 and 2014

				Increase (Decrease)			
				2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	Amount	Percent	Amount	Percent
Operating Revenues							
Tuition and fees, net	$ 8,144,988	$ 6,957,248	$ 5,940,556	$ 1,187,740	17.07	$ 1,016,692	17.11
Auxiliary	1,362,755	1,503,645	1,992,598	(140,890)	(9.37)	(488,953)	(24.54)
Grants and contracts	3,510,049	2,316,720	3,440,958	1,193,329	51.51	(1,124,238)	(32.67)
Other	139,480	533,123	662,551	(393,643)	(73.84)	(129,428)	(19.53)
Total operating revenues	13,157,272	11,310,736	12,036,663	1,846,536	16.33	(725,927)	(6.03)
Operating Expenses							
Compensation and benefits	15,545,833	14,749,810	14,247,134	796,023	5.40	502,676	3.53
Other	9,060,907	8,183,531	9,706,416	877,376	10.72	(1,522,885)	(15.69)
Depreciation and amortization	971,662	1,122,800	1,261,909	(151,138)	(13.46)	(139,109)	(11.02)
Total operating expenses	25,578,402	24,056,141	25,215,459	1,522,261	6.33	(1,159,318)	(4.60)
Operating Loss	(12,421,130)	(12,745,405)	(13,178,796)	324,275	2.54	433,391	3.29
Nonoperating Revenues (Expenses)							
Appropriations and grants	11,209,533	11,676,599	13,014,752	(467,066)	(4.00)	(1,338,153)	(10.28)
Contributions	1,451,254	1,246,339	1,288,135	204,915	16.44	(41,796)	(3.24)
Net investment income	1,866	42,752	147,458	(40,886)	(95.64)	(104,706)	(71.01)
Gain (loss) on disposal of capital assets	2,530	(2,355)	(2,175)	4,885	(207.43)	(180)	8.28
Net nonoperating revenues	12,665,183	12,963,335	14,448,170	(298,152)	(2.30)	(1,484,835)	(10.28)
Capital Revenues	204,847	262,879	145,696	(58,032)	(22.08)	117,183	80.43
Increase in Net Position	448,900	480,809	1,415,070	$ (31,909)	(6.64)	$ (934,261)	(66.02)
Net Position, Beginning of Year	11,284,798	10,803,989	9,388,919				
Net Position, End of Year	$ 11,733,698	$ 11,284,798	$ 10,803,989				

Revenues

- Tuition and auxiliary fees revenues are reported only to the extent billed to students and earned by the College. Tuition and fees waivers, scholarship awards and financial aid grant awards are reported as a reduction in tuition and fees revenues. Student financial assistance provided by federal sources is reported as federal grant revenues rather than as tuition and fees revenues.

    - Net tuition and fees revenues from 2015 to 2016 increased by $1,190,000. Student related tuition and fees increased by $480,000 primarily due to a 5.4% increase in credit hours and a 4.5% increase in tuition rates. Customized training revenues increased by $170,000 due to expanded training with the aviation companies. Net revenues from SB155 high school classes decreased by $70,000 due to a $450,000 reduction in revenues offset by a $380,000 reduction in associated payments made to the high schools. The reduction in revenue was due to KBOR reclassifying some classes as non-SB155 eligible. Because most of these classes were taught by the high school instructors, the payments to the high schools declined accordingly. Lab books and materials decreased by $10,000 due to an approximate 9% decrease in credit hours with lab fees offset almost entirely by an increase in lab fee rates. These changes in tuition and fees revenues resulted in a $560,000 increase in gross income. Deductions from tuition and fees decreased by $630,000, due to a $530,000 reduction in federal Pell grant awards due to lower program credit hours, a $150,000 decrease in bad debt expense and a $50,000 increase in institutional aid.

- Net tuition and fees revenues from 2014 to 2015 increased by $1,020,000. Student related tuition and fees decreased by $530,000, primarily due to a 7.5% decrease in credit hours offset slightly by an average 2.4% increase in tuition rates. Lab books and materials decreased by $40,000 primarily due to the decrease in credit hours. These decreases were offset by a decrease of $1,100,000 in deductions, primarily due to a decrease in federal Pell grant awards due to the lower enrollment and a decrease in the limits allowed. Revenues from SB155 high school classes increased by $500,000 due to additional classes in 2015. Customized training revenues remained flat from 2014 to 2015.

- Auxiliary revenues from 2015 to 2016 decreased by $140,000. This was due to a decline in bookstore sales due to the decrease in program credit hours and a move away from the usage of traditional books in the classroom.

- Auxiliary revenues from 2014 to 2015 decreased by $490,000. This was due to the decrease in credit hours along with a move from the use of traditional books to e-books.

➢ Grants and contracts revenues are from governmental agencies or charitable organizations. These are typically restricted funds.

- Grants and contracts revenues from 2015 to 2016 increased by $1,190,000 driven by higher revenues from the KanTrain grant of $780,000, higher revenues from the NAC grant of $180,000, a new Title III grant of $200,000 and a new Workforce grant of $180,000. Offsetting these increases in revenues are decreases in Workforce and AOK grant funding of $160,000 as those grants expired.

- Grants and contracts revenues from 2014 to 2015 decreased by $1,120,000 driven by lower revenues of $1,130,000 from the NAC grant. Other federal grant revenues decreased by $20,000. Private grants decreased by $40,000, primarily due to a decrease in grant revenues from the Mid America Manufacturing Training Center (MAMTC). These decreases were offset by a $60,000 increase in state grants, primarily from workforce grants.

➢ Other revenues represent rental and other miscellaneous income transactions.

- Other revenues from 2015 to 2016 decreased by $390,000, due primarily to a decrease of $330,000 in rent income from Spirit for the Southside facility and a decrease of $50,000 in commission income from the expired Pratt partnership.

- Other revenues from 2014 to 2015 decreased by $130,000 primarily due to $140,000 of miscellaneous revenues recognized in 2014 when a $150,000 liability accrued for the Department of Education audit was only $13,000.

➢ Appropriations and grants represent state and local appropriations and nonoperating grants.

- Appropriations and grants revenues from 2015 to 2016 decreased by $470,000. State appropriations increased by $130,000 due to the funding being reestablished at 2014 levels. Student financial aid grants decreased by $530,000 due to lower program credit hours. Funding from the County decreased by $75,000.

- Appropriations and grants revenues from 2014 to 2015 decreased by $1,340,000. State appropriations decreased by $130,000 due to cutbacks the last half of 2015. Student financial aid grants decreased by $1,110,000 due to lower enrollment and a decrease in the limits allowed. Funding from the County decreased by $100,000.

➢ Contributions consist of gifts of cash and contributed materials, equipment, compensation and rent. Pledges received are recorded as contributions in the year that the agreement is made.

  - Contributions from 2015 to 2016 increased by $200,000, primarily due to a $170,000 increase in contributed Kansas Public Employees Retirement System (KPERS) pension fund payments from the State on the College's behalf and a $20,000 pledge for the Wichita Promise campaign.

  - Contributions from 2014 to 2015 decreased by $40,000 due to a decrease in contributed KPERS pension fund payments from the State on the College's behalf.

➢ Net investment income (expense) represents the net amount of investment income received on investment balances and interest paid on debt.

  - Net investment income (expense) from 2015 to 2016 decreased by $40,000 due to a decrease in the amount of gains earned on Foundation investments.

  - Net investment income (expense) from 2014 to 2015 decreased by $100,000 due to a decrease in the amount of gains earned on Foundation investments.

➢ Capital revenues is funding specifically identified by the State of Kansas for capital projects. The decrease from 2015 to 2016 and the increase from 2014 to 2015 are due to fluctuations in the timing of expenditures.

Operating Expenses

The College elected to use the natural classification for operating expenses. The amounts incurred for the various expense classifications are as follows:

Analysis of Operating Expenses by Natural Classification
Years Ended June 30, 2016, 2015 and 2014

				Increase (Decrease)			
				2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	Amount	Percent	Amount	Percent
Compensation and benefits	$ 15,545,833	$ 14,749,810	$ 14,247,134	$ 796,023	5.40	$ 502,676	3.53
Contractual services	375,989	383,333	367,832	(7,344)	(1.92)	15,501	4.21
Supplies and materials	3,355,701	3,046,502	3,597,727	309,199	10.15	(551,225)	(15.32)
Professional services	1,882,782	1,510,001	2,552,566	372,781	24.69	(1,042,565)	(40.84)
Depreciation and amortization	971,662	1,122,800	1,261,909	(151,138)	(13.46)	(139,109)	(11.02)
Repairs and maintenance	330,368	349,865	278,879	(19,497)	(5.57)	70,986	25.45
Facilities and equipment rental	942,028	952,089	945,060	(10,061)	(1.06)	7,029	0.74
Utilities	776,642	841,501	801,087	(64,859)	(7.71)	40,414	5.04
Other	1,397,397	1,100,240	1,163,265	297,157	27.01	(63,025)	(5.42)
Total operating expenses	$ 25,578,402	$ 24,056,141	$ 25,215,459	$ 1,522,261	6.33	$ (1,159,318)	(4.60)

- Total operating expenses from 2015 to 2016 increased by $1,520,000.

  - Compensation and benefits increased by $800,000. Salary expense increased by $920,000, due primarily to three factors. There was an approximate 2.9% raise in 2016 resulting in approximately $330,000 in additional salary expense. There was a bonus paid out for 2016 services resulting in approximately $280,000 in additional salaries. Additional employees from 2015 resulted in approximately $210,000 in additional salaries. Salary and benefit reimbursements decreased by $180,000 as there was a reduction in the approved funding from National Center of Aviation Training (NCAT) funds. Benefit costs decreased by $300,000, primarily due to a $170,000 refund of unspent FY16 health insurance claims and a $140,000 reduction in unemployment insurance costs due to a rate adjustment effective January 1, 2016.

  - Supplies and materials increased by $310.000. Instructional supplies increased by $230,000 due to additional costs for student licensing and tools. Equipment, software and facility improvements increased by $200,000, net of capitalization, due to increased amounts of equipment purchased with new grant funds. These increases are offset by a $100,000 reduction in bookstore purchases, due to decreased sales.

  - Professional services increased by $370,000. NAC grant costs increased by $180,000 as the grant moved into an evaluative stage and additional costs were incurred for the sustainability aspect of the grant. Additional consulting services of $80,000 were incurred for evaluating a more formal integration with WSU. Other smaller initiatives accounted for the remaining increase.

  - Depreciation and amortization decreased by $150,000 as previously capitalized items became fully depreciated.

  - Other operating expenses increased by $300,000 due primarily to two factors. Advertising costs increased by $150,000 as additional funds were provided for a larger marketing presence and professional development costs increased by $120,000 due to additional funding from grant funds and for presidential professional development.

- Total operating expenses from 2014 to 2015 decreased by $1,160,000.

  - Compensation and benefits increased by $500,000. Salary expense increased by $190,000, comprised primarily of an increase in administrative/staff pay of $140,000 due to a slight increase in the number of employees, offset by a decrease in faculty pay of $90,000 due to less classes being taught. Salary and benefit reimbursements decreased by $140,000 as there was a reduction in approved funding from NCAT funds. Benefit costs increased by $320,000, primarily due to increased health insurance costs.

  - Supplies and materials decreased by $550,000. Bookstore purchases decreased by $440,000 due to the reduction in sales. Instructional supplies decreased by $210,000 due to fewer credit hours taught. Facility site expenditures decreased by $50,000 due to the completion of certain improvement projects. Equipment and software purchases increased by $150,000, net of capitalization, due to increased software costs.

  - Professional services decreased by $1,040,000. NAC grant costs decreased by $950,000, due to a continued decline in these services needed by the grant as it matured into a production mode. Informational technology costs decreased by $180,000 as some services were brought in-house. These decreases were offset by an increase in Adult Literacy professional services of $50,000 due to the payment of management services from grant funds.

- Depreciation and amortization decreased by $140,000 as previously capitalized items became fully depreciated.

- Repairs and maintenance increased by $70,000 primarily due to the College using deferred maintenance funds for several projects during 2015.

A second method of reporting operating expenses is by functional classification. The following shows the amount of expenses by functional use.

Analysis of Operating Expenses by Functional Classification
Years Ended June 30, 2016, 2015 and 2014

				Increase (Decrease)			
				2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	Amount	Percent	Amount	Percent
Instructional	$ 9,094,709	$ 8,007,092	$ 8,106,883	$ 1,087,617	13.58	$ (99,791)	(1.23)
Academic support	4,426,357	4,334,167	4,723,244	92,190	2.13	(389,077)	(8.24)
Student services	3,194,410	2,922,749	2,797,942	271,661	9.29	124,807	4.46
Institutional support	4,407,268	3,892,974	4,125,188	514,294	13.21	(232,214)	(5.63)
Auxiliary	1,233,758	1,300,839	1,762,317	(67,081)	(5.16)	(461,478)	(26.19)
Operation and maintenance of plant	3,221,900	3,598,320	3,699,885	(376,420)	(10.46)	(101,565)	(2.75)
Total operating expenses	$ 25,578,402	$ 24,056,141	$ 25,215,459	$ 1,522,261	6.33	$ (1,159,318)	(4.60)

- Total operating expenses from 2015 to 2016 increased by $1,520,000.

  - Instructional expenses increased by $1,090,000. Total salaries and benefit expenses increased by $320,000 due to the compensation increases in 2016 as well as additional trainers for the customized training programs. Supplies and materials increased by $220,000 due to additional costs for student licensing and tools. Equipment costs increased by 440,000 due to large purchases made from new grant funding. Professional services increased by $130,000 due to an increase of $80,000 in grant related costs and a $50,000 reduction of professional services reimbursements from NCAT funding. Other miscellaneous expenses decreased by $20,000 due to normal fluctuations.

  - Academic support expenses increased by $90,000. Total salary and benefits decreased by $30,000. Salary and benefits decreased by $80,000 due to a slight decrease in the number of FTE positons, offset by the compensation increases in 2016, along with the decrease in pooled benefit rates. This decrease was offset by a $50,000 decrease in the amount of salary reimbursements from the Pratt partnership. Equipment costs decreased by $70,000 primarily due to the non-renewal of some academic software licensing. Professional services increased by $150,000, largely due to a $180,000 increase in NAC grant related evaluation services. Other costs increased by $40,000 due to grant related professional development costs.

  - Student services expenses increased $270,000. Salaries and benefits increased by $200,000 as additional positions were added as well as well as the compensation increases in 2016. Professional services decreased by $50,000, primarily due to decreases in media production costs by marketing. Other costs increased by $120,000 due to increases in advertising costs.

  - Institutional support expenses increased by $510,000. Total salary and benefit expenses increased by $270,000. Additional FTE positions were added in 2016 as well as the compensation increases in 2016. In addition, $30,000 in severance payments were made in 2016. Professional services increased by $130,000, largely due to consulting services provided for the potential integration WSU and additional evaluation costs associated with the NAC grant. Equipment costs decreased by $30,000 due to normal fluctuations. Other costs increased by $140,000, primarily due to a $50,000 increase in institutional and Foundation marketing and related costs, $30,000 in presidential professional development, $20,000 in collection and credit card fees associated with increased activity and $30,000 in fines associated with a financial aid audit.

- Auxiliary expenses decreased by $70,000. Total salary and benefit expenses increased by $20,000 due to the compensation increases in 2016. Cost of goods sold decreased by $90,000 due to the decrease in bookstore sales.

- Operation and maintenance of plant expenses decreased by $380,000. Total salary and benefit expenses increased by $20,000 due to the compensation increases in 2016. Equipment and facility improvement costs increased by $40,000 due to improvement projects at the Grove facility. Utilities decreased by $70,000 due to lower gas and electricity costs. Depreciation decreased by $150,000 as previously capitalized assets became fully depreciated. The College capitalized $190,000 more in 2016 than in 2015, resulting in fewer purchases being expensed.

➢ Total operating expenses from 2014 to 2015 decreased by $1,160,000.

- Instructional expenses decreased by $100,000. Total salary and benefit expenses increased by $140,000. Salary expenses decreased by $160,000, but pooled benefits actually increased by $140,000 due to higher benefit costs and a change in the payroll mix between faculty and adjunct/overload agreements. Salary and benefit reimbursements decreased by $160,000 as there was a reduction in approved funding from NCAT funds. Supplies and materials decreased by $200,000 due to lower enrollments. Equipment costs increased by $60,000, due primarily to an increase of $70,000 for the automotive program at Goddard. Professional services decreased by $80,000, largely due to a decrease in instructional professional services costs for the Adult Literacy program as more of the instructors are employed by NexStep.

- Academic support expenses decreased by $390,000. Salary and benefit expenses increased by $250,000 due to higher administrative salaries and an increase in pooled benefit rates. Equipment costs increased by 80,000 due to tablets and software purchased for instructional design and assessment purposes. Professional services decreased by $730,000, primarily due to a decrease of $890,000 in NAC related costs due to the maturing of the program, offset by an increase of $120,000 in Adult Literacy costs due to NexStep taking over more of the administrative responsibilities.

- Student services expenses increased by $120,000. Salary and benefit expenses increased by $110,000 primarily due to a pay increase in 2015 as well as higher benefit costs. Other expense categories had only minor variations from 2014.

- Institutional support expenses decreased by $230,000. Salary and benefit expenses increased by $30,000, due to the increase in pooled benefit rates. Professional services decreased by $240,000, largely due to a decrease in Information Technology costs of $180,000 as some services were brought in-house and NAC related costs of $60,000.

- Auxiliary expenses decreased by $460,000 primarily due to decreased inventory purchases.

- Operation and maintenance of plant expenses decreased by $100,000. Salary and benefit expenses decreased slightly due to less spent on part-time workers. Utility expenses increased by $40,000 due to higher electricity costs. Repairs and maintenance expenses increased by $70,000 primarily due to the College using deferred maintenance funds for several projects during 2015. Depreciation decreased by $140,000 as previously capitalized items became fully depreciated. The College capitalized $80,000 more in 2015 than in 2014, resulting in fewer purchases being expensed.

Cash Flows

The statements of cash flows provide a view of the sources and uses of the College's cash resources. A summary statement is as follows:

Cash Flows
Years Ended June 30, 2016, 2015 and 2014

				Increase (Decrease)			
				2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	Amount	Percent	Amount	Percent
Cash Provided by (Used in)							
Operating activities							
Cash inflows	$ 12,934,562	$ 11,447,291	$ 12,112,349	$ 1,487,271	12.99	$ (665,058)	(5.49)
Cash outflows	(23,408,515)	(21,522,111)	(22,729,564)	(1,886,404)	(8.76)	1,207,453	5.31
Net operating activities	(10,473,953)	(10,074,820)	(10,617,215)	(399,133)	(3.96)	542,395	5.11
Noncapital financing activities	11,245,017	11,729,454	13,077,413	(484,437)	(4.13)	(1,347,959)	(10.31)
Capital and related financing activities	(367,957)	(667,651)	(1,058,776)	299,694	44.89	391,125	36.94
Investing activities	24,923	(578)	(181,163)	25,501	4,411.94	180,585	99.68
Increase (Decrease) in Cash and Cash Equivalents	428,030	986,405	1,220,259	$ (558,375)	(56.61)	$ (233,854)	(19.16)
Cash and Cash Equivalents, Beginning of Year	7,496,690	6,510,285	5,290,026				
Cash and Cash Equivalents, End of Year	$ 7,924,720	$ 7,496,690	$ 6,510,285				

Cash and cash equivalents increased by $430,000 in 2016 as compared to a $990,000 increase in 2015.

- Net cash used in operating activities from 2015 to 2016 increased by $400,000.
    - Total operating revenues increased by $1,850,000 and total operating expenses increased by $1,520,000, resulting in a decrease in operating loss of $320,000.
    - Noncash expenses included in the operating loss such as depreciation, contributed services and materials and bad debts decreased by $180,000.
    - Net working capital accounts increased by $710,000 in 2016 as compared to an increase of $170,000 in 2015, resulting in a $540,000 decrease in cash inflows from 2015 to 2016.

- Net cash provided by noncapital financing activities from 2015 to 2016 decreased by $480,000.
    - Cash provided by federal grants and contracts decreased by $520,000 due to a decrease in cash received for student financial aid grants.
    - Cash provided by state and local appropriations increased by $60,000 due to a $130,000 increase in funding from the State as funding levels were restored to 2014 levels, offset by a $75,000 decrease in funding from Sedgwick County.
    - Cash provided by contributions decreased by $20,000.
- Net cash used in capital and related financing activities from 2015 to 2016 decreased by $300,000.
    - Cash provided from the State for capital outlay decreased by $10,000.
    - Cash used to pay long-term debt and associated interest decreased by $500,000.
    - Cash used to pay for the purchase of capital assets increased by $190,000.
- Net cash provided by investing activities from 2015 to 2016 increased by $30,000.
    - Cash provided from investment income remained stable while there were no additional purchases of certificate of deposits in 2016 as there were in 2015.

Cash and cash equivalents increased by $990,000 in 2015 as compared to a $1,220,000 increase in 2014.

- Net cash used in operating activities from 2014 to 2015 decreased by $540,000.
    - Total operating revenues decreased by $730,000 and total operating expenses decreased by $1,160,000, resulting in a decrease in operating loss of $430,000.
    - Noncash expenses included in the operating loss such as depreciation, contributed services and materials and bad debts decreased by $90,000.
    - Net working capital accounts decreased by $170,000 in 2015 as compared to a decrease of $370,000 in 2014, resulting in a $200,000 decrease in cash outflows from 2014 to 2015.
- Net cash provided by noncapital financing activities from 2014 to 2015 decreased by $1,350,000.
    - Cash provided by federal grants and contracts decreased by $1,110,000 due to a decrease in cash received for student financial aid grants.
    - Cash provided by state and local appropriations decreased by $230,000 due to a $130,000 decrease in funding from the State and a $100,000 decrease in funding from Sedgwick County.
    - Cash provided by contributions decreased by $10,000.
- Net cash used in capital and related financing activities from 2014 to 2015 decreased by $390,000.
- Cash provided from the State for capital outlay increased by $10,000.
- Cash used to pay long-term debt and associated interest decreased by $460,000.

- Cash provided from the sale of capital assets decreased by $10,000.
- Cash used to pay for the purchase of capital assets increased by $70,000.

➢ Net cash used in investing activities from 2014 to 2015 decreased by $180,000.

- In 2014, the Foundation purchased $200,000 in investments. This was partially offset in 2015 with the addition of $25,000 to a certificate of deposit held by the College.

Supplemental disclosures on noncash financing and investing activities represent financing and investing transactions that are not shown on the cash flow statement as they had no effect on cash but affected other balance sheet or statement of revenues, expenses and changes in net position accounts. There are four such disclosures.

➢ The amount of pension plan contributions made by the State of Kansas to KPERS on behalf of the College.

➢ The amount of in-kind contributions the College received for the use of the Grove facilities and for supplies and materials for the use of various programs.

➢ Contributed supplies in connection with a pledge receivable.

➢ Purchase of capital assets through issuance of debt.

Wichita Area Technical College Foundation Activity

The Foundation began operations in 2008 when it received its nonprofit designation from the IRS. The activity of the Foundation for 2016, 2015 and 2014 is included in the College's financial statements and is as follows:

	2016	2015	2014
Beginning net position balance	$ 1,283,890	$ 1,256,998	$ 1,116,785
Gift income	42,331	17,601	28,099
Investment and miscellaneous income (loss)	(10,426)	32,559	137,407
Operating expenses	(46,018)	(12,413)	(18,874)
Grant awards	(8,500)	(10,855)	(6,419)
Ending net position balance	$ 1,261,277	$ 1,283,890	$ 1,256,998
Cash balance	$ 45,162	$ 60,305	$ 52,037
Pledges receivable	$ 25,000	$ -	$ -
Accounts receivable	$ -	$ 3,755	$ 1,825
Accounts payable	$ 6,625	$ 33	$ 34
Payable to Wichita Area Technical College	$ 18,713	$ 15,988	$ 9,283
Investments	$ 1,216,453	$ 1,235,851	$ 1,212,453

Wichita Area Technical College

Balance Sheets

June 30, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash		
Unrestricted	$ 3,934,771	$ 3,789,877
Board restricted	3,989,949	3,706,813
Total cash	7,924,720	7,496,690
Certificate of deposit, restricted	100,000	100,000
Accounts receivable, net of allowance; 2016 - $510,000, 2015 - $570,000	2,220,639	1,978,159
Pledges receivable, net of discount	25,000	-
Investments	1,216,453	1,235,851
Prepaid expenses and other	662,655	707,752
Total current assets	12,149,467	11,518,452
Capital Assets, Net	2,545,595	2,971,270
Intangible Assets, Net	23,549	44,873
Total assets	$ 14,718,611	$ 14,534,595
Liabilities and Net Position		
Current Liabilities		
Current portion of notes payable	$ 47,082	$ 45,385
Accounts payable	591,210	1,193,821
Accrued wages and related liabilities	1,522,552	1,087,556
Unearned revenue	630,371	610,480
Total current liabilities	2,791,215	2,937,242
Long-term Liabilities		
Notes payable	48,843	95,925
Accrued benefits payable	144,855	216,630
Total liabilities	2,984,913	3,249,797
Net Position		
Net investment in capital assets	2,473,219	2,874,833
Restricted, unexpendable	900,000	900,000
Restricted, expendable	334,778	339,391
Unrestricted	8,025,701	7,170,574
Total net position	11,733,698	11,284,798
Total liabilities and net position	$ 14,718,611	$ 14,534,595

Wichita Area Technical College

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenues		
Tuition and fees, net	$ 8,144,988	$ 6,957,248
Auxillary	1,362,755	1,503,645
Federal grants and contracts	3,073,120	1,926,910
State grants and contracts	279,090	231,940
Local grants	157,839	157,870
Other operating revenues	139,480	533,123
Total operating revenues	13,157,272	11,310,736
Operating Expenses		
Compensation and benefits	15,545,833	14,749,810
Contractual services	375,989	383,333
Supplies and materials	3,355,701	3,046,502
Professional services	1,882,782	1,510,001
Depreciation and amortization	971,662	1,122,800
Repairs and maintenance	330,368	349,865
Facilities and equipment rent	942,028	952,089
Utilities	776,642	841,501
Other	1,397,397	1,100,240
Total operating expenses	25,578,402	24,056,141
Operating Loss	(12,421,130)	(12,745,405)
Nonoperating Revenues (Expenses)		
Federal grants and contracts	3,980,936	4,503,214
State appropriations	6,510,597	6,380,385
State contributions to KPERS	1,170,002	995,336
Local appropriations	718,000	793,000
Contributions	60,484	23,249
Contributed services and materials	220,768	227,754
Investment income	5,524	47,820
Interest expense	(3,658)	(5,068)
Gain (loss) on disposal of equipment	2,530	(2,355)
Net nonoperating revenues	12,665,183	12,963,335
Net Income Before Capital Revenues	244,053	217,930
Capital Revenues		
Capital appropriations – State	204,847	262,879
Increase in Net Position	448,900	480,809
Net Position, Beginning of Year	11,284,798	10,803,989
Net Position, End of Year	$ 11,733,698	$ 11,284,798

Wichita Area Technical College

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	2016	2015
Operating Activities		
Tuition and fees	$ 9,271,880	$ 8,606,707
Grants and contracts	3,523,202	2,307,461
Payments to suppliers	(8,624,980)	(6,797,754)
Payments for utilities	(776,870)	(884,023)
Payments to and on behalf of employees	(14,006,665)	(13,840,334)
Other receipts	139,480	533,123
Net cash used in operating activities	(10,473,953)	(10,074,820)
Noncapital Financing Activities		
Federal grants and contracts	3,980,936	4,503,214
State appropriations	6,510,597	6,380,385
Local appropriations	718,000	793,000
Contributions	35,484	52,855
Net cash provided by noncapital financing activities	11,245,017	11,729,454
Capital and Related Financing Activities		
Capital appropriations - State	204,846	211,416
Principal paid on long-term debt	(45,385)	(550,670)
Interest paid on long-term debt	(5,285)	-
Proceeds from sale of assets	2,530	1,803
Purchase of capital assets	(524,663)	(330,200)
Net cash used in capital and related financing activities	(367,957)	(667,651)
Investing Activities		
Investment income	24,923	24,422
Purchase of certificate of deposit and investments	-	(25,000)
Net cash provided by (used in) investing activities	24,923	(578)
Increase in Cash	428,030	986,405
Cash, Beginning of Year	7,496,690	6,510,285
Cash, End of Year	$ 7,924,720	$ 7,496,690

Wichita Area Technical College
Statements of Cash Flows (Continued)
Years Ended June 30, 2016 and 2015

	2016	2015
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (12,421,130)	$ (12,745,405)
Items not requiring cash		
Depreciation and amortization expense	971,662	1,122,800
Contributed benefits, supplies and services and materials	1,390,770	1,263,090
Bad debt expense	299,535	453,588
Changes in operating assets and liabilities		
Receivables, net	(542,015)	(375,794)
Prepaid expenses	45,097	(106,616)
Accounts payable and accrued liabilities	(237,763)	297,278
Unearned revenue	19,891	16,239
Net cash used in operating activities	$ (10,473,953)	$ (10,074,820)
Noncash Investing, Capital and Financing Activities		
Contributions to pension plan by State on behalf of the College	$ 1,170,002	$ 995,336
Contributed services	$ 220,768	$ 227,754
Contributed supplies	$ -	$ 40,000
Purchase of capital assets through issuance of debt	$ -	$ 191,980

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Wichita Area Technical College (the College) is a public, state-supported institution providing secondary and postsecondary technical education programs operating under the jurisdiction of the Kansas Board of Regents. Major federally funded student financial aid programs in which the College participates include the Federal Pell Grant and Federal Direct Student Loan programs. The College extends unsecured credit to students.

Basis of Accounting and Presentation

The financial statements of the College have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used externally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as state appropriations) and investment income are included in nonoperating revenues. The College first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The College considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016 and 2015, there were no cash equivalents.

The Board of Trustees has designated a portion of the College's unrestricted cash to be set aside for specific future purposes. These purposes and their respective amounts are as follows:

	2016	2015
Maintenance reserve fund	$ 1,321,485	$ 922,760
Operating cash reserve fund	1,556,604	1,624,031
Capital reserve fund	1,111,860	1,160,022
Total board desginated cash	$ 3,989,949	$ 3,706,813

Investments and Investment Income

Investments in equity and debt securities are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit are carried at cost.

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and third parties and nonreimbursed grant expenditures. The College provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the College:

Leasehold improvements	3 – 10 years
Software	2 – 7 years
Furniture, fixtures and equipment	2 – 15 years
Trucks	3 – 10 years
Aviation	5 – 15 years

Intangible Assets

Intangible assets are amortized on the straight-line basis over periods ranging from 5 to 10 years. Such assets are periodically evaluated as to the recoverability of their carrying values.

Long-lived Asset Impairment

The College evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2016 and 2015.

Compensated Absences

College policies permit most employees to accumulate paid time off (PTO) benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as PTO benefits and are earned whether the employee is expected to realize the benefit as time off or in cash. Accrued PTO benefits are computed using the subsequent July 1 pay rates.

Unearned Revenue

Unearned revenue represents unearned student tuition and fees and advances on grants and contract awards for which the College has not met all of the applicable eligibility requirements.

Cost-Sharing Defined Benefit Pension Plan

The College participates in the Kansas Public Employees Retirement System Plan (KPERS) (the Plan), a cost-sharing multiple-employer defined benefit pension plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position of the College is classified in four components. Net investment in capital assets consists of capital assets and intangible assets net of accumulated depreciation and amortization, and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the College. Restricted unexpendable net position is noncapital assets that are required to be maintained in perpetuity as specified by parties external to the College, such as permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

Classification of Revenues

The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, net of scholarship allowances.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating activities by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as nonoperating revenues and other governmental grants are recorded as operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the years ended June 30, 2016 and 2015, were $4,524,834 and $5,150,033, respectively.

Contributed Services and Materials

In addition to receiving cash contributions, the College receives contributed services for use of the Grove facilities from USD 259 and other contributed services and materials from various donors. It is the policy of the College to record the estimated fair value of certain contributed services and materials as an expense in its financial statements and similarly increase contribution revenue by a like amount. For the years ended June 30, 2016 and 2015, $220,768 and $227,754, respectively, were received in contributed services and materials.

Income Taxes

As a governmental institution of higher education, the income of the College is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the College is subject to federal income tax on any unrelated business taxable income.

Foundation

Wichita Area Technical College Foundation (the Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation's primary function is to raise and hold funds to support the College and its programs. The board of the Foundation is self-perpetuating and consists of friends of the College. The sole constituency of the Foundation is the College, and the College has the right to exercise superior authority over the Foundation board at any time.

Although the College does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the College. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is presented using the blending method in the College's financial statements.

Note 2: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The College's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state of Kansas; or bonds of any city, county, school district or special road district of the state of Kansas; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2016 and 2015, none of the College's bank balances were exposed to custodial credit risk. At June 30, 2016 and 2015, none of the Foundation's bank balances were exposed to custodial credit risk.

In accordance with Kansas State Statute 12-1675, the College may legally invest in repurchase agreements with Kansas banks, savings and loan associations or federally chartered savings banks with an office located in Sedgwick County, Kansas; temporary notes or no-fund warrants issued by the College; or U.S. Treasury bills or notes with maturities not exceeding two years.

The College has one certificate of deposit account at June 30, 2016, acting as a compensating balance for bank credit cards.

Investments

The College did not have any investments at June 30, 2016 and 2015.

The Foundation is a 501(c)(3) organization and, as such, is not subjected to the same investing restrictions as the College. Investable assets of the Foundation are segregated from College accounts and are separately managed by the Foundation's Board of Trustees. Investments held in the Foundation at June 30, 2016 and 2015, consist of the following:

	2016		2015	
	Carrying Value	Cost	Carrying Value	Cost
Money market funds	$ 42,802	$ 42,802	$ 28,792	$ 28,792
Equity mutual funds	740,049	717,140	830,906	770,015
Bond and fixed income mutual funds	433,602	430,762	376,153	380,738
	$ 1,216,453	$ 1,190,704	$ 1,235,851	$ 1,179,545

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation's policy limits its investment portfolio to maturities of less than two years. The Foundation's investments at June 30, 2016, are all redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Foundation invests in mutual funds to help mitigate the credit risk to its investments.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Foundation uses UMB, a large well-funded banking institution, as its custodial agent.

Concentration of Credit Risk – The Foundation places no limit on the amount that may be invested in any one issuer.

Summary of Carrying Values

The carrying values of deposits and investments included in the balance sheets as of June 30, 2016 and 2015, were as follows:

	2016	2015
Carrying value		
Deposits, including certificate of deposit	$ 8,024,720	$ 7,596,690
Investments	1,216,453	1,235,851
	$ 9,241,173	$ 8,832,541

	2016	2015
Included in the following balance sheet captions		
Cash	$ 7,924,720	$ 7,496,690
Certificate of deposit, restricted	100,000	100,000
Investments	1,216,453	1,235,851
	$ 9,241,173	$ 8,832,541

Investment Income

Investment income for the years ended June 30, 2016 and 2015, consists of:

	2016	2015
Interest and dividend income	$ 41,914	$ 39,600
Net increase (decrease) in fair value of investments	(36,390)	8,220
	$ 5,524	$ 47,820

Disclosures About Fair Value of Assets

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

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

- Money market funds of $42,802 and $28,792 at June 30, 2016 and 2015, respectively, are valued using quoted market prices (Level 1 inputs)
- Equity mutual funds of $740,049 and $830,906 at June 30, 2016 and 2015, respectively, are valued using quoted market prices (Level 1 inputs)
- Bond and fixed income mutual funds of $433,602 and $376,153 at June 30, 2016 and 2015, respectively, are valued using quoted market prices (Level 1 inputs)

Note 3: Endowments

The Foundation's Board of Trustees has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. It is the goal of the Foundation to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 100%, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings. As of June 30, 2016 and 2015, the Foundation had a total of $181,207 and $201,667, respectively, of net appreciation from investment of donor-restricted endowments available for expenditure. This amount is reported in expendable restricted net position on the balance sheets. The laws of the State of Kansas do not currently restrict the Foundation's ability to spend net appreciation on donor-restricted endowment funds.

Note 4: Foundation

Condensed Balance Sheets – Foundation

	2016	2015
Assets		
Current Assets		
Cash	$ 45,162	$ 60,305
Investments	1,216,453	1,235,851
Pledges receivable	25,000	-
Accounts receivable	-	3,755
Total current assets	1,286,615	1,299,911
Total assets	$ 1,286,615	$ 1,299,911
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ 6,625	$ 33
Payable to Wichita Area Technical College	18,713	15,988
Total current liabilities	25,338	16,021
Total liabilities	25,338	16,021
Net Position		
Restricted, unexpendable	900,000	900,000
Restricted, expendable	308,085	309,295
Unrestricted	53,192	74,595
Total net position	1,261,277	1,283,890
Total liabilities and net position	$ 1,286,615	$ 1,299,911

Condensed Statements of Revenues, Expenses and Changes in Net Position – Foundation

	2016	2015
Operating Revenues	$ -	$ -
Operating Expenses	54,518	23,268
Operating Loss	(54,518)	(23,268)
Nonoperating Revenues (Expenses)		
Contributions	42,331	17,601
Investment income (loss)	(10,426)	32,559
Net nonoperating revenues	31,905	50,160
Increase (Decrease) in Net Position	(22,613)	26,892
Net Position, Beginning of Year	1,283,890	1,256,998
Net Position, End of Year	$ 1,261,277	$ 1,283,890

Condensed Statements of Cash Flows – Foundation

	2016	2015
Operating Activities	$ (41,446)	$ (18,494)
Investing Activities	8,972	9,161
Financing Activities	17,331	17,601
Increase (Decrease) in Cash	(15,143)	8,268
Cash, Beginning of Year	60,305	52,037
Cash, End of Year	$ 45,162	$ 60,305

Note 5: Capital Assets

Capital assets activity for the years ended June 30, 2016 and 2015, was:

	2016				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Leasehold improvements	$ 1,445,111	$ -	$ -	$ -	$ 1,445,111
Software	3,224,578	6,555	-	-	3,231,133
Furniture, fixtures and equipment	7,110,859	518,108	(19,213)	-	7,609,754
Trucks	203,781	-	(7,275)	-	196,506
Aviation	936,903	-	-	-	936,903
	12,921,232	524,663	(26,488)	-	13,419,407
Less accumulated depreciation:					
Leasehold improvements	1,349,848	31,786	-	-	1,381,634
Software	2,689,765	450,957	-	-	3,140,722
Furniture, fixtures and equipment	5,258,347	395,078	(19,213)	-	5,634,212
Trucks	122,451	24,060	(7,275)	-	139,236
Aviation	529,551	48,457	-	-	578,008
	9,949,962	950,338	(26,488)	-	10,873,812
Net capital assets	$ 2,971,270	$ (425,675)	$ -	$ -	$ 2,545,595

	2015				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Leasehold improvements	$ 1,396,405	$ 48,706	$ -	$ -	$ 1,445,111
Software	3,125,689	98,889	-	-	3,224,578
Furniture, fixtures and equipment	6,869,753	306,521	(65,415)	-	7,110,859
Trucks	149,020	68,064	(13,303)	-	203,781
Leasehold improvements - CIP	4,158	-	(4,158)	-	-
Aviation	936,903	-	-	-	936,903
	12,481,928	522,180	(82,876)	-	12,921,232
Less accumulated depreciation:					
Leasehold improvements	1,286,707	63,141	-	-	1,349,848
Software	2,237,116	452,649	-	-	2,689,765
Furniture, fixtures and equipment	4,867,330	456,432	(65,415)	-	5,258,347
Trucks	113,474	22,280	(13,303)	-	122,451
Aviation	450,237	79,314	-	-	529,551
	8,954,864	1,073,816	(78,718)	-	9,949,962
Net capital assets	$ 3,527,064	$ (551,636)	$ (4,158)	$ -	$ 2,971,270

Note 6: Long-term Debt

The following is a summary of long-term debt transactions for the College for the years ended June 30, 2016 and 2015:

	2016				
	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Capitalized lease obligations (A)	$ 141,310	$ -	$ (45,385)	$ 95,925	$ 47,082

	2015				
	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Notes payable (B)	$ 500,000	$ -	$ (500,000)	$ -	$ -
Capitalized lease obligations (A)	-	191,980	(50,670)	141,310	45,385
Total long-term debt	$ 500,000	$ 191,980	$ (550,670)	$ 141,310	$ 45,385

(A) The College entered into a lease-purchase agreement with De Lage Landen Public Finance LLC on July 1, 2014, with a maturity date of July 15, 2017. Payments of $50,670, including effective interest at 3.74%, are due annually.

(B) The College entered into an agreement with Cowley County Community College (Cowley) on January 16, 2008, that transferred rights of the Southside Education Center's (SSEC) assets along with Cowley's interest in its FAA license for the Aviation Tech Center and the rights to the curriculum. This agreement took effect on July 1, 2008, with total consideration given in the amount of $5,000,000 and payments due in installments over the next three years. During the year ended June 30, 2010, the debt repayment schedule was renegotiated, extending it with final payment due during 2015. This note was paid in full in 2015.

Future principal and interest payments are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2017	$ 50,670	$ 47,082	$ 3,588
2018	50,670	48,843	1,827
	$ 101,340	$ 95,925	$ 5,415

Note 7: Restricted Net Position

Restricted net position is classified as either unexpendable or expendable as directed by the donors or for time restrictions. The balances, along with their restricted uses, are as follows as of June 30, 2016 and 2015:

	2016	2015
Restricted, unexpendable		
Scholarships	$ 360,000	$ 360,000
Instructional	540,000	540,000
	$ 900,000	$ 900,000
Restricted, expendable		
Scholarships	$ 164,329	$ 155,909
Instructional	153,724	166,757
Capital outlay	16,725	16,725
	$ 334,778	$ 339,391

Note 8: Operating Leases

Operating leases for equipment and office and classroom space expire in various years through 2019. Leases pertaining to office and classroom space require the College to pay all executory costs (maintenance and insurance).

Future minimum lease payments at June 30, 2016, were:

2017	$ 715,095
2018	715,934
2019	227,089
2020	128,391
2021	116,943
	$ 1,903,452

Rental expense for all operating leases was $938,428 and $952,089 for the years ended June 30, 2016 and 2015, respectively.

Note 9: Pension Plan

Kansas Public Employees Retirement System Plan

Plan Description

The Kansas Public Employees Retirement System Plan is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74, Article 49: Kansas Public Employees Retirement System (KPERS), Kansas Police and Fire Retirement System and Kansas Retirement System for Judges. All employees in a qualified KPERS position must participate in the plan.

The KPERS plan is a cost-sharing, multi-employer, defined benefit plan. KPERS is intended to be a qualified retirement plan under Section 401(a) of the Code. Information relating to KPERS, including stand-alone financial statements, is available by writing to KPERS, 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869 or accessing the internet at www.KPERS.org.

Benefits Provided

Retirement benefits for employees are calculated based on the credited service, final average salary and a statutory multiplier. KPERS has three levels of benefits depending on hire date, retirement age and years of credited service. Tier 1 benefits are for members hired before July 1, 2009, who are age 65 or age of 62 with 10 years of credited service or of any age when combined age and years of credited service equal 85 "points." Tier 2 benefits are for members hired between July 1, 2009 and December 31, 2014, who are age 65 with five years of credited service or age 60 with 30 years of credited service. Tier 3 benefits are for members who were hired on or after January 1, 2015, and are age 65 with five years credited service or are age 60 with 30 years of credited service. Tier 1 members receive a participating service credit of 1.75% of the final average salary for years of service prior to January 1, 2014. Participating service credit is 1.85% of final average salary for years of service after December 31, 2013. Tier 2 members retiring on or after January 1, 2012, participating service credit is 1.85% for all years of service. Tier 3 members earn retirement credits between 3% of pay to 5% of pay depending on length of service at retirement.

For Tier 1 participants, early retirement is permitted at the age of 55 and 10 years of credited service. Benefits are reduced by 0.2% per month for each month between the ages of 60-62, plus 0.6% for each month between the ages of 55 and 60 for Tier 1 members. For Tier 2 members, benefits are reduced actuarially for each early commencement. The reduction factor is 35% at the age of 60 and 57.5% at age 55. If the member has 30 years of credited service, the early retirement reduction is less (50% of regular reduction). Tier 3 participants can retire at age 60 with 30 years of service, at age 65 with five years of service or at age 55 with at least 10 years of service but receiving a reduced benefit. All three plans provide disability and death benefits to plan members and their beneficiaries.

Contributions

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the state wide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4.0% of their annual pay. Effective January 1, 2014, the rate was raised to 5.0% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014, for future years of service only. Tier 2 participants are required to contribute 6% of compensation. The State of Kansas is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2016, was 11.91% of annual payroll for the period of July 1, 2015 through December 31, 2015. The rate for the year ended June 30, 2015, was 11.12% of annual payroll for the period from July 1, 2014 through December 31, 2014, and 9.5% for the period from January 1, 2015 through June 30, 2015. The State of Kansas contribution, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with this special funding situation, the State of Kansas' contributions to the plan for College employees for the years ended June 30, 2016 and 2015, were $1,170,002 and $995,336, respectively, which equaled 100% of the required contributions.

Pension Liabilities and Pension Expense

At June 30, 2016 and 2015, the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

	2016	2015
College's proportionate share of the net pension liability	$ -	$ -
State's proportionate share of the net pension liability attributed to the College	15,042,004	14,012,478
	$ 15,042,004	$ 14,012,478

The net pension liability at June 30, 2016 and 2015, was measured at June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2014 and 2013, respectively, which were rolled forward to June 30, 2015 and 2014, respectively. As a result of the special funding situation provided by the State of Kansas to technical colleges as defined under K.S.A. 74-4931 (2) and (3), at June 30, 2016 and 2015, the College's proportion of the net pension liability was 0%, and the College is not required to record the pension liability.

For the years ended June 30, 2016 and 2015, the College recognized pension expense and revenue of $1,170,002 and $995,336, respectively, for support provided by the State.

Actuarial Assumptions

The total pension liability in the December 31, 2014, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4% to 16%, including inflation (4% to 10.5%, including inflation for 2013)
Investment rate of return	8%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Healthy Annuitant table, as appropriate with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2014 and 2013, valuations were based on the results of an actuarial experience study for the three-year periods ended December 31, 2012 and 2009, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Allocation		Long-term Expected Rate of Real Return	
Asset Class	2014	2013	2014	2013
Global equity	47%	47%	6.30%	6.00%
Fixed income	13%	14%	0.80%	0.85%
Yield driven	8%	8%	4.20%	5.50%
Real return	11%	11%	1.70%	3.75%
Real estate	11%	11%	5.40%	6.65%
Alternatives	8%	8%	9.40%	9.50%
Short-term investments	2%	1%	-0.50%	0.00%
	100%	100%		

Discount Rate

The discount rate used to measure the total pension liability was 8% for the years ended December 31, 2014 and 2013. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by KPERS' Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS' financial report.

Note 10: Early Retirement Program

At the discretion of the Board of Trustees, the College offered a voluntary early retirement program to eligible employees who have been employed by the College in a permanent position for 15 or more years, are at least age 50 when they retire and have an effective hire date prior to July 1, 1996. Benefits at attaining age 60 are based on the retiree's final average salary used by KPERS, a 1.4% multiplier for all years of participating service credit with KPERS, and the total number of years of credited KPERS service (excluding any purchased or repurchased years), paid in not more than 60 monthly payments. The benefits also include an amount equal to the amount of the social security benefit the retiree would have been eligible to receive if the employee were age 62, paid in not more than 24 monthly payments. This benefit will be reduced by 5% for each year by which the employee's years of qualified service are less than 20.

The College records a liability for future payments once an eligible employee formally elects to participate in the program. The expected cash flows to provide this benefit to the employee are discounted and recorded as a liability and expense in the year the election is made. The amount of this liability at June 30, 2016 and 2015, totaled $225,902 and $335,702, respectively. The current portion of the liability totaling $81,047 and $119,072 at June 30, 2016 and 2015, respectively, is included in accrued wages and related liabilities in the accompanying balance sheets.

During the year ended June 30, 2011, the Board of Trustees voted to abolish the early retirement program effective July 15, 2011. All eligible employees had until that date to formally elect to participate. There is no change to benefits for those employees who are currently participating.

Note 11: Defined Contribution Pension Plan

The College has a defined contribution section 457 pension plan covering substantially all employees. There were no employer contributions during 2016 and 2015.

Note 12: Commitments and Contingencies

Claims and Litigation

The College is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The College administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the College.

Government Grants

The College is currently participating in several grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

Purchase Agreement

During 2010, the College entered into a five-year purchase agreement with a vendor ending December 31, 2015. The College is required to purchase $1,000,000 of classroom equipment and instructional supplies during the five-year period. This payment is reduced based on a percentage of student and College purchases from this vendor. As of January 5, 2015, the remaining balance on this commitment was $32,821.

Effective January 6, 2015, this agreement was renegotiated and extended to January 5, 2018. The College is required to purchase $182,821 (including the remaining balance on the previous agreement) of classroom equipment and instructional supplies during the new three-year period.

Note 13: Risk Management

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

Required Supplementary Information

Wichita Area Technical College

Schedule of College's Proportionate Share of the Net Pension Liability
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2015	2014
College's proportion of the net pension liability	0.00%	0.00%
College's proportionate share of the net pension liability	$ -	$ -
State's proportionate share of the net pension liability associated with the College	15,042,004	14,012,478
Total	$ 15,042,004	$ 14,012,478
College's covered-employee payroll during the measurement period	$ 11,376,951	$ 11,191,309
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	64.95%	66.60%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Wichita Area Technical College

Schedule of College Contributions

Kansas Public Employees Retirement System Plan

Last Ten Fiscal Years

	2016	2015
Statutorily required contributions	$ -	$ -
Contribution in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll	$ 12,299,560	$ 11,376,951
Contributions as a percentage of covered-employee payroll	0.00%	0.00%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Wichita Area Technical College

Notes to Required Supplementary Information

June 30, 2016

Changes of Benefit and Funding Terms: The following changes to the plan provisions were reflected in the valuation performed as of January 1 listed below:

Effective January 1, 2014, KPERS Tier I members' employee contribution rate increased to 5.0% and had a benefit multiplier of 1.85% for years of service after December 31, 2013. Tier II members are required to contribute 6%. For Tier II members retiring after January 1, 2012, the cost of living adjustment was eliminated, but they continue to receive a 1.85% multiplier for all years of service. Tier III members are required to contribute 6% and receive a service credit between 3%-5% depending on length of service at retirement.