Blue Ridge Community and Technical College

Financial Statements as of and for the
Years Ended June 30, 2014 and 2013, and Independent
Auditor's Reports

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Governing Board
Blue Ridge Community and Technical College
Martinsburg, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Blue Ridge Community and Technical College (a component unit of the State of West Virginia), which comprise the balance sheets as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the entity'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 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 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 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 the business-type activities of Blue Ridge Community and Technical College as of June 30, 2014, and the changes in its financial position and its 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 3-11, as listed in the table of contents, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2014, on our consideration of Blue Ridge Community and Technical College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Blue Ridge Community and Technical College's internal control over financial reporting and compliance.

Other Matter

The 2013 financial statements of Blue Ridge Community and Technical College were audited by other auditors whose report dated October 28, 2013, expressed an unmodified opinion on those statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 6, 2014

The Blue Ridge Community and Technical College

Management Discussion and Analysis

Fiscal Year 2014

About The Blue Ridge Community and Technical College

The Blue Ridge Community and Technical College (the “College”) is a State- supported institution within the West Virginia System of Higher Education Policy. The College is under the authority of the West Virginia Council for Community and Technical College Education (the “Council”).

The College offers associate degrees, workforce development programs, and collaborative programs in government, business and industry sectors. The College achieved separate accreditation during fiscal year 2005, and became a complete separate entity for financial reporting purposes on July 1, 2006.

Overview of the Financial Statements and Financial Analysis

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The discussion and analysis of the College’s financial statements provides an overview of its financial activities for the three years ended June 30, 2014, with a focus on 2014, and is required supplemental information.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point-of-time financial statement. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets minus liabilities). From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors, employees, lenders and others. Finally, the Statement of Net Position provides a snapshot picture of the net position (assets minus liabilities) and their availability for expenditure by the College.

Net position is divided into three major categories. The first category, net investment in capital assets-net of related debt, provides equity in property, plant, and equipment owned by the College. The second asset category is restricted net position, which is divided into two categories, nonexpendable and expendable. The College does not currently have nonexpendable restricted assets. The corpus of nonexpendable restricted resources is available only for investment purposes. Expendable restricted net position resources are available for expenditure by the College but must be spent for purposes as determined by donors and/ or external entities that have placed time or purpose restrictions on the use of the assets. The third category is unrestricted net position. Unrestricted net position is available to the College for any lawful purpose of the College.

Condensed Schedules of Net Position
As of June 30, 2014, 2013, and 2012
(In thousands of dollars)

	2014	2013	2012
Assets			
Cash	$ 7,426	$ 7,375	$ 9,847
Other Current Assets	535	741	331
Capital Assets	19,567	20,279	19,822
Total Assets	27,528	28,395	30,000
Liabilities			
Current Liabilities	2,635	3,529	5,266
Noncurrent Liabilities	1,436	1,389	1,351
Total Liabilities	4,071	4,918	6,617
Deferred Inflows of Resources			
Service Concession Arrangement	14	14	-
Net Position			
Invested in Capital Assets	19,567	20,279	19,281
Restricted	1,753	1,235	1,214
Unrestricted	2,122	1,949	2,888
Total Net Position	$ 23,442	$ 23,463	$ 23,383

The liquidity position of the College continues to remain strong as cash exceeds total current and noncurrent liabilities. The College's quick ratio (cash to current liabilities) is 2.82, 2.09 and 1.87 as of June 30, 2014, 2013 and 2012, respectively. The working capital (current assets to current liabilities) is 3.02, 2.30 and 1.93 as of June 30, 2014, 2013 and 2012, respectively.

Other items of interest related to assets are as follows:

- Approximately 27% of the assets as of June 30, 2014 were held in cash and cash equivalents, compared to 26% and 33% in cash and cash equivalents as of June 30, 2013 and 2012, respectively. The decreasing trend from 2012 to 2013 in Cash and cash equivalents as a smaller amount of total assets is a direct result of the addition of the main campus and accompanying capital assets. However, a slight increase is achieved in 2014 over 2013.
- Other current assets include Due from the Council/Commission; net accounts receivable, which is a combination of student accounts receivable, grants receivable and other receivable; service concession arrangement; and prepaid expenses.
    - The amount in Due from the Council/Commission as of June 30, 2014 represents $136,521 related to grants and $737 in interest receivable from interagency funds.
    - The net student accounts receivable is $130,108, $87,427 and $75,346 at June 30, 2014, 2013 and 2012, respectively. The bad debt reserve is $1,374,120, $1,097,488 and $827,204 as of June 30, 2014, 2013 and 2012, respectively. The growing allowance is an

indication that the collectability of the accounts is unlikely. The majority of receivables resulted from the return of financial aid to federal and state agencies for students that withdrew from classes. The College will assess the need to write off these receivables as the collectability trends through the third party becomes apparent.

- Grants receivable consists of $125,299, $144,042 and $115,852 at June 30, 2014, 2013 and 2012, respectively. The current year balance primarily represents various amounts due to the College for financial aid disbursed to students.
- Other receivables represent amounts due for private grant matches and workforce development contracted training.
- Prepaid expenses of $51,943, $47,163 and $47,325 at June 30, 2014, 2013 and 2012, respectively, include expenditures for services of more than $500 that span over a six month period. Much of this amount represents costs for software warranties and subscriptions.

- Noncurrent assets are capital assets.
  - Construction in Process (CIP) balances at June 30, 2014, 2013, and 2012 were $14,620, $685,944 and $16,727,697, respectively. The construction costs in CIP at June 30, 2013 for land improvements and security system equipment for the headquarters building have transitioned out of CIP and are now capitalized. The current CIP balance consists of expenditures for an outdoor storage unit and minor building improvement project on main campus.
  - Significant fixed asset additions during fiscal year 2014 include land improvements and security system for the headquarters building, valued at $659,403 and $127,129, respectively.
  - The remaining fixed asset additions were mechatronics lab equipment ($239,133), other classroom equipment ($63,028), administrative IT equipment ($40,515), and general building improvements ($25,478).

Items of interest related to liabilities are as follows:

- Current liabilities of $2,635,462, $3,528,384 and $5,265,643 at June 30, 2014, 2013 and 2012 decreased by $892,922 and $1,737,259 in fiscal years 2014 and 2013, respectively and increased by $2,471,013 in 2012.

  - Non-construction accounts payable of $187,936, $323,720 and $164,156 at June 30, 2014, 2013 and 2012, respectively, represent typical operating expenses such as supplies and utilities. The 2013 balance contained a temporary spike resulting from one-time expenditures of approximately $65,000 in classroom equipment and $37,000 in contractual services for workforce development training.
  - Accrued payroll of $346,263, $343,069 and $335,636 at June 30, 2014, 2013 and 2012, respectively, increased each year. The current year increase is contributed to the annual increment expense. Employees who have a minimum of three years of service with the State earn $60 for each year served. Each year, an increased cost to the institution is evidenced by more employees qualifying for the benefit, in addition to those employees already receiving the benefit adding $60 to their benefit.
  - Due to Council/Commission and State agencies amounts reported of $39,109, $28,635 and $9,929 at June 30, 2014, 2013 and 2012, respectively, represent a combination of amounts due for services the State provides the College and for West Virginia financial aid grants. The 2014 balance includes unused grant funds of $22,038 from WV Higher Education and $17,071 from HEAPS that are returned to the State. The 2013 balance is primarily comprised of amounts due for services rendered by WVNET and a consortium purchase of online tutoring services facilitated by the WVCTCS.

- Accrued annual leave, or compensated absences, total $488,650, $468,952 and $431,087 at June 30, 2014, 2013 and 2012, respectively, increased year over year due to additional employees, increased wages, and an increase in unused hours by full time employees.
- Unearned revenues were $1,562,545, $2,353,458 and $2,622,160 at June 30, 2014, 2013 and 2012, respectively. The balance is largely driven by the grants awarded to the College by the CTCS Council. The College applies for these grants on behalf of local businesses for workforce training and for creation of new technical programs or sustaining existing technical programs. Grant awards vary from year to year depending on market demand and the school's desire to create new programs. Two major drivers of unearned revenue include new grants and summer school. During FY14, the school received new State grants totaling $616,645, but expended $1,365,751 in total State grants. This resulted in a net decrease in unearned grant revenue of $749,106. Regarding the summer school component of unearned revenue, approximately 43% of the 2014 summer term revenue was deferred to FY15, which equates to $193,850. The deferral calculation is driven by the dates of the 3 summer terms.

- Noncurrent Liabilities include:
  - Other post-employment benefits (OPEB) accrued at June 30, 2014, 2013 and 2012 total $1,435,873, $1,389,331 and $1,350,900, respectively. The liability is determined by the number of employees enrolled in the health insurance program. The College accrued $94, $79 and $794 per month per person, in each of the respective years.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the College, operating and non-operating, and any other revenues, expenses, gains, and losses received or expended by the College.

In general, operating revenues are received for goods and services rendered to various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided resulting in operating revenues, and to accomplish the mission of the College. Revenues received for which goods and services are not provided are reported as non-operating revenues. For example, State appropriations are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues and are, therefore reported as non-operating revenues.

Condensed Schedules of
Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2014, 2013 and 2012
(In thousands of dollars)

	2014	2013	2012
Operating Revenues	$ 8,251	$ 8,278	$ 7,767
Operating Expenses	18,354	18,798	16,471
Operating Loss	(10,103)	(10,520)	(8,704)
Nonoperating Revenues - Net	10,048	10,325	8,793
Increase in Net Assts	(55)	(195)	89
Capital Payments Made/ Expenses Incurred on Behalf of College	34	275	10,398
Increase in Net Position	(21)	80	10,487
Net Position - Beginning of Year	23,463	23,383	12,896
Net Position - End of Year	23,442	23,463	23,383

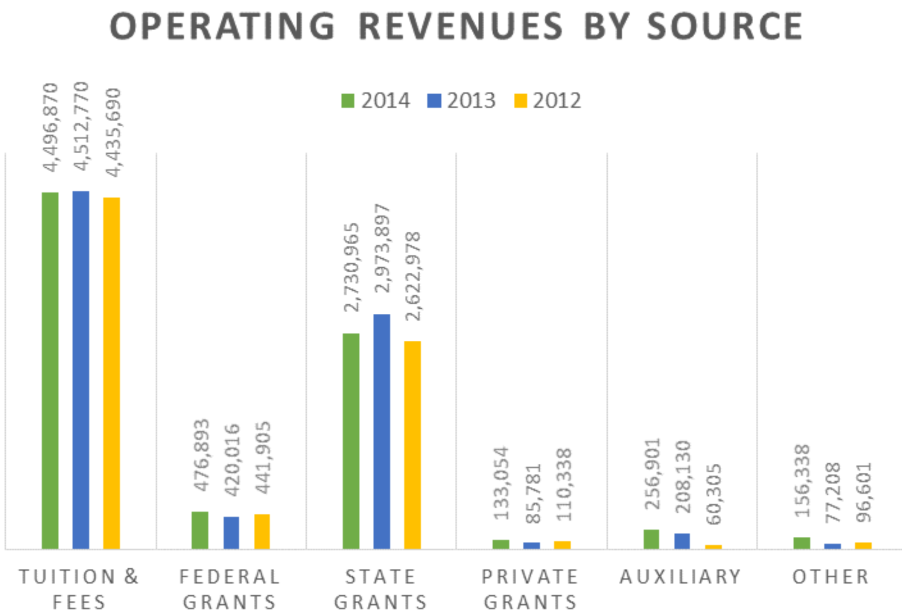
Operating Revenues

Over half of the operating revenue for the College is derived from tuition and fee assessments. Federal grants provide funding for varying degrees of technical education support and grant funds for students. State grants provide funding for new technical program activities, business and industry workforce development, and sustainability funds for high cost programs. The following is an overview of revenues and their sources:

- Student tuition and fees – net of scholarship allowance decreased slightly from 2013 but remained well above the 2012 level. This revenue category can be segregated by two types of tuition and fee revenues – academic and workforce development. The academic revenues increased by approximately $50,000 from 2013, and $29,000 from 2012. The tuition rate did not change over this period. Workforce development revenue, which is generated by Career Advancement courses and contracted training with local employers, decreased by $66,000 from 2013, but has experienced an overall increase of $31,000 since 2012.
- Revenues from federal sources totaling $476,893 consist of 58% Carl D. Perkins Act funds, 21% Department of Labor project, “Bridging the Gap” funds, and 21% student financial aid grants.
- State grants in the form of WV Advance, Technical Program, and HB3009 grants make up approximately 50%, or $1,363,697 of total revenues reported as State Contracts and Grants. The remaining 50% of revenues is attributed to WV student financial aid grants.

Operating revenues are down slightly from FY 2013, however, they have remained relatively stable amid a trend of declining enrollment among the CTCS system. Blue Ridge CTC’s FY14 Fall FTE exceeded the FY13 Fall FTE by 287 full time equivalent students. The FTEs for FY14 and FY13 Fall semesters were 2,025 and 1,738, respectively. The gain in revenue resulting from this increase is offset by the change in scholarship allowance, and state grant and Career Advancement decreases.

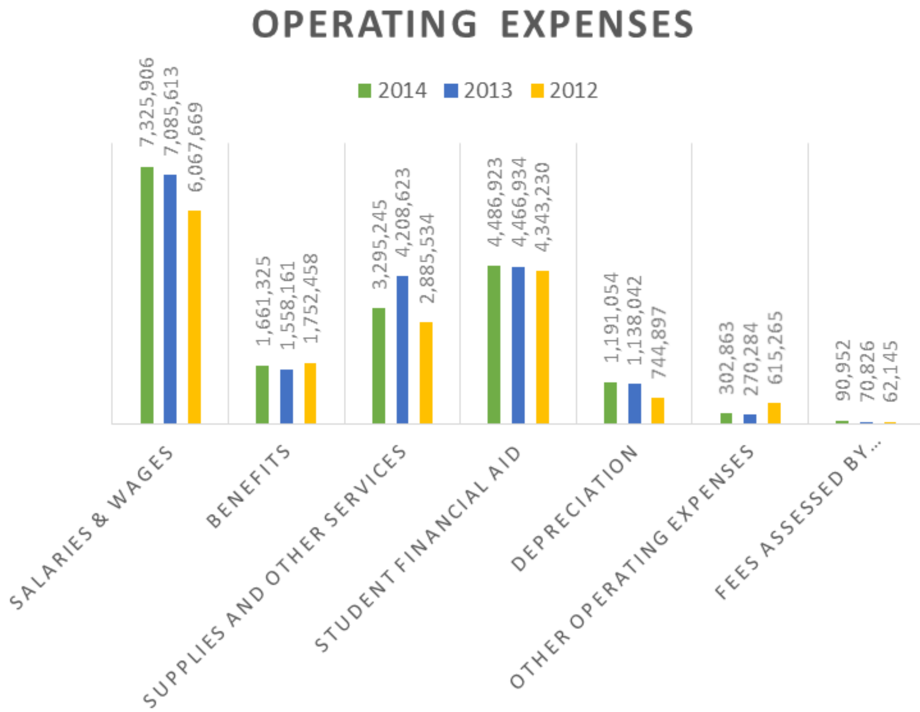
Figure A



Operating Expenses

Operating expenses decreased by 2.4% from 2013 to 2014. The 2014 expenses represent a full year of stable activity with all locations remaining constant and fully functional. This year has been identified as a benchmark for future operations costs. Nearly half of the fiscal year 2014, 2013 and 2012 operating expenses were incurred for personnel services and benefits. Supplies and other services decreased by $913,378 from fiscal year 2013 to 2014. Expenses incurred for maintaining and furnishing the new facility completed in 2013 explain the substantial decrease during 2014. Other incremental decreases that occurred in 2014 include contractual and rent. The College transitioned to internally managed housekeeping services, as opposed to a contractual arrangement. Rent expense decreased due to a full year of no rent expense at the formerly leased Dunn Building. Student scholarships account for 24%, 24% and 26% of the operating expenses in fiscal years 2014, 2013 and 2012, respectively. Other operating expenses represents the estimated bad debt expense that is accrued annually. This calculation is an analysis of the financial aid that the Institution returns to the Department of Education when the College determines that the student is no longer entitled to the funds. The return of aid results in a receivable balance on the student's account. Fees assessed by the Commission are funds remitted to Higher Education Policy Commission (HEPC) for the Higher Education Resource Assessment (HERA). This fee is a percentage of the previous year's tuition and fee revenues. See Figure B.

Figure B



Non-operating Revenue (Expense)

The net non-operating revenues in fiscal year 2014 decreased by $276,989 over fiscal 2013, largely in part to a decrease in the State appropriation of $431,762 and a decrease in the Service Concession arrangement of $93,500. Federal Pell Grant funds received increased by approximately $254,371.

Investment income in fiscal year 2014 decreased by $1,531 from 2013. Fees assessed by the Commission also remained constant in fiscal 2014 and a loss on disposal of $4,567 brings the total to $276,989. The non-operating Commission fees are remitted to HEPC for a capital assessment.

Capital Payments Made on Behalf of College

Payments have been made on behalf of the College six of the last eight fiscal years. Payments amounted to $34,453 in 2014, $274,840 in 2013, and $10,398,028 in 2012. All payments have been in conjunction with the acquisition of a permanent main campus. The funds originated from the 2009 bonds issued by HEPC. A total of $13,500,000 was available from this source for the construction and furnishing of this facility.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activities of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, noninvesting, and non-capital financing purposes. The third section deals with cash flows from capital related financing activities. This section deals with cash used for the acquisition and construction of capital assets and related items, and related funding received. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash provided by (used in) operating activities to the operating income (loss) reflected in the Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Schedules of Cash Flows
For the Year Ended June 30, 2014, 2013 and 2012
(In thousands of dollars)

	2014	2013	2012
Cash Provided by (Used in):			
Operating Activities	$ (9,511)	$ (9,816)	$ (6,295)
Noncapital Financing Activities	10,053	10,230	8,822
Capital and Related Financing Activities	(499)	(2,896)	(1,265)
Investing Activities	8	10	9
Increase(Decrease) in Cash and Cash Equivalents	51	(2,472)	1,271
Cash and Cash Equivalents - Beginning of Year	7,375	9,847	8,576
Cash and Cash Equivalents - End of Year	$ 7,426	$ 7,375	$ 9,847

Cash used in 2014 operating activities was less than 2013 due to fewer payments to suppliers, although personnel expenditures increased and less cash was generated by student tuition and fees than previous years. Cash used in operating activities in 2013 increased from 2012 due to increases in payroll, payments to suppliers, and utilities. The new headquarters facility and increased enrollment directly impacts the need for more salaries, supplies and student financial aid scholarships. The fiscal 2013 increase in noncapital financing activities resulted from increased State appropriation funding, while the 2014 decrease is attributable to less State appropriation funding. Capital financing activities in 2014 decreased to a level reflective of normal operating activities. Fixed asset additions relating to the construction and furnishing of the new building and new classroom space at the Technology Center are contained in years 2013 and 2012.

Capital Asset Activity

2014:

The College transitioned the two remaining CIP projects associated with the new building construction into service. These included $659,000 in land improvements and $127,000 for the security system. Other significant additions include $302,000 of grant funded classroom technology, of which $239,000 was invested in the Mechatronics program. Other minor additions include internal information technology upgrades and expansion of bookstore space at the Technology Center.

2013:

Approximately $160,000 of furniture for the new building was capitalized. Two computer labs amounting to approximately $40,000 of equipment were added to the new facility as well. Smartboards, servery equipment, IT infrastructure, hospital beds for healthcare labs, and an ambulance simulator are examples of the investments made for the new headquarters. The Mechatronics program continued outfitting its lab with an investment of $238,780 in various pieces of equipment.

Economic Outlook

The College continues to enjoy and appreciate the new headquarters facility. The Barnes & Noble bookstore has been provided with additional space at our Tech Center location for storage and book "rush" that occurs at the start of each semester. Additional office space was also completed at the Tech Center to accommodate the growing staff and faculty at both that location and the Headquarters campus.

The College was awarded a $2.6M Department of Labor grant as part of a consortium which consists of all nine Community and Technical Colleges in WV. The grant began October 1, 2013 and will continue until September 30, 2017. Also known as "Bridging the Gap", the grant seeks to create career pathways for energy, manufacturing, information technology, and construction trades; enhance academic instruction; and close student support gaps created during the period of rapid expansion of the CTCs. Programs benefiting from this grant include Mechatronics, IT and Electrical Distribution. The Mechatronics program will receive additional lab equipment, and two faculty members have achieved Siemens Level two certification as a result of the professional development funds available. This certification will allow Blue Ridge students to become Siemens certified mechatronic systems associates, a qualification in demand in a region rich with manufacturing plants. Other objectives within the grant include enhancing e-learning initiatives, strengthening developmental education resources, and increasing career placement by building relationships with local employers.

The College applied for and received approval from its accrediting agency, Higher Learning Commission, to initiate delivery of distance education courses and programs. The substantive change required a campus visit by peer reviewers selected by the Commission in which the College had to demonstrate its financial ability to support and sustain on-line courses in various areas such as student support, IT bandwidth, and administrative services. Of paramount importance was the assurance of quality course design, delivery and academic integrity.

During FY14, the State was also preparing to transition to a new ERP system, wvOASIS, effective July 1, 2014. Preparations with State agencies began in 2012, and required tremendous effort by the Finance staff. While the new system is not the College's system of record, it is an additional system with which it must interface, maintain and transact. Business processes, a new chart of accounts, and new funds and organization codes are just a few of the changes that have resulted from the wvOASIS implementation. Additional modules, including payroll, human resource, and travel, will be rolled out in FY15.

Fiscal Year 2015 will have its share of challenges, including a 2.37% State appropriation cut, a national trend of declining enrollment, and management of the new wvOASIS system and module implementations. While the College's revenue generating enrollment is expected to remain flat, a 10% tuition and fee increase will help offset the loss of State appropriation revenue and support the increasing demands of salaries and inflation while remaining competitive.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2014 AND 2013

		2014		2013
ASSETS AND DEFERRED OUTFLOWS				
CURRENT ASSETS:				
Cash and cash equivalents	$	7,425,870	$	7,374,729
Due from the Council/Commission		137,258		335,944
Accounts receivable — net		321,089		333,086
Service concession arrangement		25,000		25,000
Prepaids		51,943		47,163
Total current assets		7,961,160		8,115,922
NONCURRENT ASSETS:				
Capital assets — net		19,566,843		20,279,102
Total noncurrent assets		19,566,843		20,279,102
TOTAL	$	27,528,003	$	28,395,024
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION				
CURRENT LIABILITIES:				
Accounts payable	$	188,344	$	323,720
Accrued liabilities		346,264		343,069
Due to the Council/Commission		39,109		28,635
Compensated absences		488,650		468,952
Service concession arrangement liability		10,550		10,550
Unearned revenue		1,562,545		2,353,458
Total current liabilities		2,635,462		3,528,384
NONCURRENT LIABILITIES:				
Other postemployment benefits liability		1,435,873		1,389,331
Total noncurrent liabilities		1,435,873		1,389,331
DEFERRED INFLOWS OF RESOURCES:				
Service concession arrangement		14,450		14,450
Total deferred inflows of resources		14,450		14,450
NET POSITION:				
Net investment in capital assets		19,566,843		20,279,102
Restricted for — expendable — other		1,753,536		1,235,205
Unrestricted		2,121,839		1,948,552
Total net position		23,442,218		23,462,859
TOTAL	$	27,528,003	$	28,395,024

The Accompanying Notes Are An Integral Part Of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of $2,518,199 and $2,238,283 in 2014 and 2013, respectively	$ 4,496,870	$ 4,512,770
Contracts and grants:		
Federal	476,893	420,016
State	2,730,965	2,973,897
Private	133,054	85,781
Auxiliary enterprise revenue	256,901	208,130
Other operating revenues	156,338	77,208
Total operating revenues	8,251,021	8,277,802
OPERATING EXPENSES:		
Salaries and wages	7,325,906	7,085,613
Benefits	1,661,325	1,558,161
Supplies and other services	3,295,245	4,208,623
Student financial aid — scholarships and fellowships	4,486,923	4,466,934
Depreciation	1,191,054	1,138,042
Other operating expenses	302,863	270,284
Fees assessed by the Commission for operations	90,952	70,826
Total operating expenses	18,354,268	18,798,483
OPERATING LOSS	(10,103,247)	(10,520,681)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	4,706,653	5,138,415
Federal Pell Grant	5,346,113	5,091,742
Service concession arrangement	-	93,500
Investment income	8,318	9,849
Fees assessed by the Commission	(8,364)	(8,364)
Loss on disposals	(4,567)	-
Net nonoperating revenues	10,048,153	10,325,142
DECREASE IN NET POSITION BEFORE OTHER REVENUE, EXPENSES, GAINS, OR LOSSES	(55,094)	(195,539)
CAPITAL PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF THE COLLEGE	34,453	274,840
INCREASE (DECREASE) IN NET POSITION	(20,641)	79,301
NET POSITION — Beginning of year	23,462,859	23,383,558
NET POSITION — End of year	$ 23,442,218	$ 23,462,859

The Accompanying Notes Are An Integral Part Of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 3,360,413	$ 3,966,204
Contracts and grants	3,594,277	3,102,113
Payments to and on behalf of employees	(8,917,798)	(8,560,045)
Payments to suppliers	(3,383,121)	(4,071,997)
Payments for scholarships and fellowships	(4,486,923)	(4,466,934)
Auxiliary enterprise charges	256,901	208,130
Fees retained by Commission	(90,952)	(70,826)
Other receipts — net	156,337	77,208
Net cash used in operating activities	(9,510,866)	(9,816,147)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	4,706,653	5,138,415
Federal Pell Grant	5,346,113	5,091,742
Federal student loan program — direct lending receipts	9,129,018	9,698,764
Federal student loan program — direct lending payments	(9,129,018)	(9,698,764)
Net cash provided by noncapital financing activities	10,052,766	10,230,157
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(490,713)	(2,887,809)
Fees assessed by the Commission	(8,364)	(8,364)
Net cash used in capital financing activities	(499,077)	(2,896,173)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	8,318	9,849
Net cash provided by investing activities	8,318	9,849
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	51,141	(2,472,314)
CASH AND CASH EQUIVALENTS — Beginning of year	7,374,729	9,847,043
CASH AND CASH EQUIVALENTS — End of year	$ 7,425,870	$ 7,374,729
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (10,103,248)	$ (10,520,681)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,191,054	1,138,042
Bad debt expense	276,632	270,284
Effect of changes in assets and liabilities:		
Accounts receivable, net	(264,635)	(363,452)
Due from the Council/Commission	209,160	(273,287)
Prepaid expenses	(4,780)	162
Accounts payable	(93,570)	117,758
Accrued liabilities	3,194	7,433
Compensated absences	19,698	37,865
Other postemployment benefits liability	46,542	38,431
Unearned revenue	(790,913)	(268,702)
Net cash used in operating activities	$ (9,510,866)	$ (9,816,147)
NONCASH TRANSACTIONS:		
Capital expenses in accounts payable	$ 0	$ 41,806
Appropriations from Primary Government	$ 0	$ 540,267
Capital payments made and expenses incurred on behalf of the College	$ 34,453	$ 274,840

The Accompanying Notes Are An Integral
Part of These Financial Statements

1. ORGANIZATION

Blue Ridge Community and Technical College (the “College”) is governed by Blue Ridge Technical College Board of Governors (the “Board”). The Board was established by Senate Bill 448 (“S.B. 448”).

Powers and duties of the Board include, but are not limited to, the power to determine, control, supervise, and manage the financial, business, and educational policies and affairs of the College under its jurisdiction, the duty to develop a master plan for the College, the power to prescribe the specific functions and College’s budget request, the duty to review, at least every five years, all academic programs offered at the College, and the power to fix tuition and other fees for the different classes or categories of students enrolled at the College.

S.B. 448 also gives the West Virginia Council for Community and Technical College Education (the “Council”) the responsibility of developing, overseeing, and advancing the state of West Virginia’s (the “State”) public policy agenda as it relates to community and technical college education.

The accompanying financial statements exclude Blue Ridge Community and Technical College Foundation because, based on the criteria provided by GASB Statement No. 39 and No. 61, the economic resources received or held by the related Foundation to which the College, or its component units, is entitled or has the ability to otherwise access, are not significant to the College.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board standards (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the College’s assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows and replaces the fund-group perspective previously required.

Reporting Entity — The College is a component unit of the State of West Virginia and an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State that are not included in the State’s general fund. The College is a separate entity that, along with all State institutions of higher education, the Council, the West Virginia Higher Education Policy Commission (the “Commission”), which includes West Virginia Network for Educational Telecomputing (WVNET), form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State’s comprehensive annual financial report.

The accompanying financial statements present all funds under the authority of the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College’s ability to significantly influence operations and accountability for fiscal matters of related entities.

Financial Statement Presentation — GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a combined basis to focus on the College as a whole. Net Position is defined as an organization's worth after all debts and liabilities have been deducted from its gross assets. Net position is classified into three categories according to external restrictions or availability of assets for satisfaction of College obligations. The College's net position is classified as follows:

Net Investment in Capital Assets — This represents the College's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position — This category is comprised of two components, *Expendable* and *Nonexpendable.*

> *Expendable* — This includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
>
> The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees, and Other Money Collected at State Institutions of Higher Education*, of the West Virginia State Code. House Bill No. 101 passed in March 2004, simplified the tuition and fee restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the College. These restrictions are subject to change by future actions of the West Virginia State Legislature.
>
> *Nonexpendable* — This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have any restricted nonexpendable net position at June 30, 2014 or 2013.

Unrestricted Net Position— Unrestricted net position represent resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the Board to meet current expenses for any purpose.

Basis of Accounting — For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenses when materials or services are received.

Cash and Cash Equivalents — For purposes of the statements of net position, the College considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash.

Cash and cash equivalents balances on deposit with the State Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes and are overseen and managed by the West Virginia Board of Treasury Investments (BTI). The BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the West Virginia State Legislature and is subject to oversight by the West Virginia State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or, on the first day of each month for the WV Short Term Bond Pool, and accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the College may invest in. These pools have been structured as multi-participant variable net position funds to reduce risk and offer investment liquidity diversification to the fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Boulevard, E. Room E-122, Charleston, WV 25305, or http://www.wvbti.com.

Appropriations Due from Primary Government — For financial reporting purposes, appropriations due from the State are presented separate from cash and cash equivalents, as amounts are not specific deposits with the State Treasurer but are obligations of the State.

Allowance for Doubtful Accounts — It is the College's policy to provide for future losses on uncollectible accounts, contracts, and grants receivable based on an evaluation of the underlying account, contract, and grant balances, the historical collectability experienced by the College on such balances and such other factors which, in the College's judgment, require consideration in estimating doubtful accounts.

Noncurrent Due From Primary Government — An appropriation due from primary government, that is (1) externally restricted to make debt service payments, long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets, or (3) held for permanently restricted net position, is classified as a noncurrent asset in the statements of net position.

Capital Assets — Capital assets include land, land improvements, buildings and leasehold improvements, and equipment. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 years for library books, 50 years for buildings and 3–10 years for furniture and equipment. Leasehold improvements are amortized over the period of the lease. The College uses a capitalization threshold of $5,000 for capital assets.

Unearned Revenue — Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue. Financial aid and other deposits are separately classified as deposits.

Compensated Absences and Other Postemployment Benefits (OPEB)— GASB provides standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the College was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of WV. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, WV 25305–0710, or http://www.wvpeia.com.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned, and payment becomes probable. The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1 1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988 or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later, will no longer receive sick leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple employer cost-sharing plan approved by the State.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3 1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage. Employees hired after July 1, 2010 receive no health insurance premium subsidy from the College. Two groups of employees hired after July 1, 2010 will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

The estimated expense incurred for vacation leave or OPEB benefits is recorded as a component of benefits expense on the statements of revenues, expenses, and changes in net position.

Deferred Inflows and Outflows

Deferred outflows of resources represent consumption of net position by the College that is applicable to a future fiscal year. The College had no deferred outflows at June 30, 2014 and 2013.

Deferred inflows of resources represent an acquisition of net position by the College that is applicable to a future fiscal year. Deferred inflows are related to and are accreted over the life of the College's service concession arrangement.

Risk Management — The State's Board of Risk and Insurance Management (BRIM) provides general, property, casualty, and liability coverage to the College and its employees. Such coverage may be provided to the College by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of premium adjustments to the College or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the College is currently charged by BRIM and the ultimate cost of that insurance based on the College's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the College and the College's ultimate actual loss experience, the difference will be recorded as the change in estimate becomes known.

In addition, through its participation in PEIA and third-party insurers, the College has obtained health, life, prescription drug coverage, and coverage for job-related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurers, the College has transferred its risks related to health, life, prescription drug coverage, and job-related injuries.

Classification of Revenues — The College has classified its revenues according to the following criteria:

Operating Revenues — Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.

Nonoperating Revenues — Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB such as state appropriations, federal Pell grants, investment income, and sale of capital assets (including natural resources).

Other Revenues — Other revenues consist primarily of capital grants and gifts.

Use of Restricted Net Position — The College has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Generally, the College attempts to utilize restricted net position first when practicable.

Federal Financial Assistance Programs — The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through institutions like the College. Direct student loan receivables are not included in the College's statements of net position as the loans are repayable directly to the U.S. Department of Education. In 2014 and 2013, the College received and disbursed approximately $9,129,000 and $9,699,000, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2014 and 2013, the College received and disbursed approximately $5,454,000 and $5,208,000, respectively, under these federal student aid programs.

Scholarship Allowances — Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements 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 student's behalf.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and College Business Officers. Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

Government Grants and Contracts — Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The College recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to five years.

Income Taxes — The College is exempt from income taxes, except for unrelated business income, as a nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service.

Cash Flows — Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves have not been included as cash and cash equivalents for the purpose of the statements of cash flows.

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 and expenditures during the reporting period. Actual results could differ from those estimates.

Risk and Uncertainties — Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain securities, it is reasonably possible that changes in risk and values will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board — The GASB has issued Statement No. 69¸*Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning after December 31, 2014. This statement provides guidance on measurement and reporting of combinations and disposals of government operations. The Council has not yet determined the effect that the adoption of GASB Statement No. 69 may have on its financial statements.

The GASB also issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for fiscal years beginning after June 15, 2014. This statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. In addition, the Statement requires: (1) A government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required. Such factors may include whether the issuer of the guaranteed obligation is experiencing significant financial difficulty or initiating the process of entering into bankruptcy or financial reorganization; (2) An issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released. When a government is released, the government would recognize revenue as a result of being relieved of the obligation; (3) A government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The Council has not yet determined the effect that the adoption of GASB Statement No. 70 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was held as follows:

	June 30, 2014		
	Current	Noncurrent	Total
State Treasurer	$ 7,025,725	$ -	$ 7,025,725
In Bank	400,145	-	400,145
Total	$ 7,425,870	$ -	$ 7,425,870

	June 30, 2013		
	Current	Noncurrent	Total
State Treasurer	$ 7,131,093	$ -	$ 7,131,093
In Bank	243,636	-	243,636
Total	$ 7,374,729	$ -	$ 7,374,729

Cash held by the State Treasurer includes $7,025,725 and $7,131,093 at June 30, 2014 and 2013, respectively, of restricted cash for sponsored projects, loans, and other purposes.

The combined carrying amount of cash in bank at June 30, 2014 and 2013, was $400,145 and $243,636 as compared with the combined bank balance of $538,372 and $377,235, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. Non-interest-bearing accounts are 100% insured through December 31, 2014.

Amounts with the State Treasurer as of June 30, 2014 and 2013, are comprised of three investment pools, the WV Money Market Pool, the WV Government Money Market Pool and the WV Short Term Bond Pool.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table provides information on the Standard & Poor's rating of the investment pools as of June 30:

	2014		2013	
External Pool	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	$ 6,820,156	AAAm	$ 6,607,021	AAAm
WV Government Money Market Pool	$ 56,644	AAAm	$ 46,451	AAAm
WV Short Term Bond Pool	$ 144,683	Not Rated	$ 485,798	Not Rated

A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All the amounts with the State Treasurer are subject to interest rate risk. The following table provides information on the weighted-average maturities for the WV Money Market Pool and the WV Government Money Market Pool:

	2014		2013	
External Pool	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	$ 6,820,156	36	$ 6,607,021	52
WV Government Money Market Pool	$ 56,644	37	$ 46,451	50

The following table provides information on the effective duration for the WV Short Term Bond Pool:

	2014		2013	
External Pool	Carrying Value	Effective Duration (Days)	Carrying Value	Effective Duration (Days)
WV Short Term Bond Pool	$ 144,683	407	$ 485,798	358

Other Investment Risks — Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI's Consolidated Fund's investment pools or accounts is exposed to these risks as described below.

<u>Concentration of Credit Risk</u>

Concentration of credit risk is the risk of loss arising from a large position in a single asset or market exposure.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy limits investment maturities from potential fair value losses due to increasing interest rates. No more than 5% of the money market fund's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. government and its agencies.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The College has no securities with foreign currency risk.

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2014 and 2013, is as follows:

	2014	**2013**
Student tuition and fees — net of allowance for doubtful account of $1,374,120 and $1,097,488 in 2014 and 2013, respectively	$ 130,108	$ 87,427
Grants and contracts receivable	190,981	245,659
	$ 321,089	$ 333,086

5. CAPITAL ASSETS

Summary of capital assets transactions for the College as of June 30, 2014 and 2013, is as follows:

	2014			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,605,550	$ -	$ -	$ 1,605,550
Construction in progress	685,944	106,233	(777,556)	14,620
Total capital assets not being depreciated	$ 2,291,494	$ 106,233	$ (777,556)	$ 1,620,170
Capital assets being depreciated:				
Land Improvements	$ -	$ 659,403	$ -	$ 659,403
Buildings/Leasehold improvements	17,654,772	25,478	-	17,680,250
Library books	1,492	-	-	1,492
Equipment	3,601,327	469,804	(175,204)	3,895,928
Total capital assets being depreciated	21,257,591	1,154,685	(175,204)	22,237,072
Less accumulated depreciation for:				
Land Improvements	-	20,832	-	20,832
Buildings/Leasehold improvements	1,233,546	571,139	-	1,804,685
Library books	1,072	187	-	1,259
Equipment	2,035,365	598,896	(170,637)	2,463,624
Total accumulated depreciation	3,269,983	1,191,054	(170,637)	4,290,400
Capital assets being depreciated — net	$ 17,987,608	$ (36,369)	$ (4,567)	$ 17,946,673
Capital assets — net	$ 20,279,102	$ 69,863	$ (782,123)	$ 19,566,843

CAPITAL ASSETS (Continued)

	2013			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ -	$ 1,605,550	$ -	$ 1,605,550
Construction in progress	16,727,697	1,148,286	17,190,039	685,944
	$ 16,727,697	$ 2,753,836	$ 17,190,039	$ 2,291,494
Capital assets being depreciated:				
Buildings	$ 1,997,053	$ 15,657,719	$ -	$ 17,654,772
Library books	1,492	-	-	1,492
Equipment	2,723,971	914,031	36,676	3,601,326
Total capital assets being depreciated	4,722,516	16,571,750	36,676	21,257,590
Less accumulated depreciation for:				
Buildings	707,811	525,734	-	1,233,545
Library books	884	188	-	1,072
Equipment	1,459,921	612,120	36,676	2,035,365
Total accumulated depreciation	2,168,616	1,138,042	36,676	3,269,982
Capital assets being depreciated — net	$ 2,553,900	$ 15,433,708	$ -	$ 17,987,608
Capital assets — net	$ 19,281,597	$ 18,187,544	$ 17,190,039	$ 20,279,102

6. LONG-TERM LIABILITIES

Summary of long-term obligation transactions for the College for the years ended June 30, 2014 and 2013, is as follows:

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term liabilities:					
OPEB liability	$ 1,389,331	$ 260,264	$ 213,722	$ 1,435,873	$ -

	2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term liabilities:					
OPEB liability	$ 1,350,900	$ 208,078	$ 169,647	$ 1,389,331	$ -

7. OTHER POSTEMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarially determined amounts. At June 30, 2014, 2013, and 2012 the noncurrent liability related to OPEB costs was $1,435,873, $1,389,331, and $1,350,900, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $260,264 and $213,722, respectively, during 2014, or 82%. The total OPEB expense that relates to retirees was $208,078 and $169,647, respectively, during 2013, or 82%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $588,087 and $134,713, respectively, during 2012, or 23%. As of and for the years ended June 30, 2014, 2013, and 2012 there were two, three, and two, respectively, retirees receiving these benefits. During the 2012 Legislative session, the State took proactive measures to address the unfunded liability, which will take effect in future fiscal years and fully fund the liability by 2037.

8. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The College is a State institution of higher education, and the College receives a State appropriation to finance its operations. In addition, it is subject to the legislative and administrative mandates of the State government. Those mandates affect all aspects of the College's operations, its tuition and fee structure, its personnel policies, and its administrative practices.

The State has chartered the Commission with the responsibility to construct or renovate, finance, and maintain various academic and other facilities of the State's universities and colleges, including certain facilities of the College. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the University and College Systems (the "Boards"). These obligations administered by the Commission are the direct and total responsibility of the Municipal Bond Commission, as successor to the former Boards.

The Municipal Bond Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution. Although the bonds remain as capital obligation of the Commission, an estimate of the obligation of each institution was reported as a long-term payable by each institution and as a receivable by the Commission, The College has no liability to the Commission at June 30, 2014 and 2013.

9. LEASES AND AMOUNT DUE TO BERKELEY BUSINESS PARK ASSOCIATES, L.C. AND MORGAN COUNTY COMMISSION

The College leases space at two locations as of June 30, 2014, which are accounted for as operating leases.

Future annual scheduled lease payments on operating leases for years subsequent to June 30, 2014, are as follows presented on a straight-line basis:

Year Ending June 30,	**Berkeley Business Park**	**Morgan County Commission**	**Total**
2015	$ 239,124	$ 59,025	$ 298,149
2016	239,124	59,025	298,149
2017	239,124	59,025	298,149
2018	239,124	-	239,124
Total	$ 956,496	$ 177,075	$ 1,133,571

Total lease expense for the years ended June 30, 2014 and 2013, was $294,663 and $333,090, respectively.

The College does not have any non-cancellable leases.

10. UNRESTRICTED NET POSITION

The College did not have any designated unrestricted net position as of June 30, 2014 or 2013.

	2014	2013
Total unrestricted net position before OPEB liability	$ 3,557,712	$ 3,337,883
Less OPEB liability	(1,435,873)	(1,389,331)
Total unrestricted net position	$ 2,121,839	$ 1,948,552

11. RETIREMENT PLANS

Substantially, all full-time employees of the College participate in either the West Virginia Teachers' Retirement System (STRS) or the Teachers' Insurance and Annuities Association — College Retirement Equities Fund (TIAA-CREF). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants. Current participants in the STRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan. Contributions to and participation in the West Virginia Teachers' Defined Contribution Plan by College employees have not been significant to date.

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the New Educators Money 401(a) basic retirement plan ("Educators Money"). New hires have the choice of either plan.

The STRS is a cost-sharing, defined benefit, public employee retirement system. Employer and employee contribution rates are established annually by the West Virginia State Legislature. The contractual maximum contribution rate is 15%. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for the years ended June 30, 2014 and 2013. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2014 and 2013. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years' salary out of the last 15 years) multiplied by the number of years of service.

The contribution rate is set by the West Virginia State Legislature on an overall basis and the STRS does not perform a calculation of the contribution requirement for individual employers, such as the College. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of the report may be obtained by writing to the Consolidated Public Retirement Board, Building 5, Room 1000, Charleston, WV 25305.

The TIAA-CREF and Educators Money are defined contribution benefit plans in which benefits are based solely upon amounts contributed, plus investment earnings. Employees who elect to participate in this plan are required to make a contribution equal to 6% of total annual compensation. The College matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF and Educators Money, which are not matched by the College.

RETIREMENT PLANS

	STRS		
Source of contributions:	2014	2013	2012
Employee	$ 4,054	$ 4,153	$ 4,053
Employer	11,141	10,382	10,134
Total contributions	$ 15,194	$ 14,535	$ 14,187

	Educators Money		
Source of contributions:	2014	2013	2012
Employee	$ 1,491	$ 1,371	$ 1,428
Employer	1,491	1,371	1,428
Total contributions	$ 2,983	$ 2,742	$ 2,856

	TIAA-CREF		
Source of contributions:	2014	2013	2012
Employee	$ 366,873	$ 350,780	$ 289,270
Employer	366,873	350,780	289,270
Total contributions	$ 733,745	$ 701,560	$ 578,540

The following is the covered payroll by plan for the year ended June 30:

BENEFITS ELIGIBLE PAYROLL

	2014	2013	2012
Employees' Salaries-STRS	$ 67,561	$ 69,211	$ 67,557
Employees' Salaries-TIAA-CREF	6,114,544	5,846,335	4,821,175
Employees' Salaries-Educators Money	24,857	22,841	23,803
Total	$ 6,206,962	$ 5,938,387	$ 4,912,535

12. CONTINGENCIES

The nature of the educational industry is such that, from time-to-time, claims will be presented against the College on account of alleged negligence, acts of discrimination, breach of contract, or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. In the opinion of management, all known claims are covered by insurance or are such that an award against the College would not have a significant financial impact on the financial position of the College.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The College's management believes disallowances, if any, will not have a significant financial impact on the College's financial position.

13. SERVICE CONCESSION ARRANGEMENTS

The College has adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The College has identified one contract for services that meet the four criteria of a service concession arrangement. SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided and the government retains ownership of the assets at the end of the contract. The contract is with Barnes & Noble College Booksellers, LLC (Barnes & Noble).

The College contracts with Barnes & Noble to operate the bookstore located on the main campus. These services provide the College community with a professional bookstore to meet the needs of students, faculty and staff. The current contract began on May 1, 2013 and allows for five annual renewals. A subsequent contract amendment became effective May 1, 2014 that addressed additional capacity and commission terms. The College receives commission payments calculated as a contractually agreed percentage of bookstore revenue.

14. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Operating expenses within both natural and functional classifications for the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
Instruction	$ 5,922,803	$ 5,737,902
Academic support	566,583	547,603
Student services	1,428,004	1,464,824
General institutional support	3,219,279	3,679,023
Operations and maintenance of plant	1,201,655	1,190,048
Student financial aid	4,486,923	4,466,934
Depreciation	1,191,054	1,138,042
Auxiliary	247,017	232,997
Other	90,950	341,110
Total	$ 18,354,268	$ 18,798,483

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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*

Board of Governors
Blue Ridge Community and Technical College
Martinsburg, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Blue Ridge Community and Technical College (the College) (a component unit of the State of West Virginia), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Blue Ridge Community and Technical College's basic financial statements, and have issued our report thereon dated December 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies.

Compliance and Other Matters

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

Blue Ridge Community and Technical College's Response to Findings

Blue Ridge Community and Technical College's response to the findings identified in our audit are described in the accompanying Schedule of Findings. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 6, 2014

Blue Ridge Community & Technical College
Schedule of Findings and Responses
June 30, 2014

FINDING 2014-001:

Outstanding Checks – Student Refunds

Criteria: The Federal Student Aid (FSA) Handbook requires a college to return to the issuing organization all FSA student refunds that remain outstanding after 240 days.

Condition: The College did not comply with the FSA Handbook, as they had a number of outstanding checks with FSA Student Refunds that have not been cashed by the student.

Cause: The College was not aware of this rule and not sure of the process to return the funds.

Effect: The College is not in full compliance of the FSA Handbook as they still have possession of FSA funds after 240 days.

Recommendation: The College should review their internal control structure as it relates to FSA funds and incorporate a process to insure all FSA funds are returned if not disbursed in 240 days.

Management Response:
Management will review the internal control structure as it relates to FSA funds and incorporate a process to insure all FSA funds are returned if not disbursed in 240 days. Management has been actively working to contact and locate affected students so that checks may be properly reissued to students. It is important to note that outstanding checks are accounted for properly and their existence does not affect the accuracy of the financial statements; accordingly, a material misstatement is not probable since this is a compliance issue, which is more appropriately addressed by means of a compliance audit.

FINDING 2014-002:

Minimize Opportunity for Management Override of Controls

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the College's ability to ensure financial transactions are authorized and accurate and the financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Condition: The College lacks controls as noted:

Reconciliation Process

The College's reconciliation processes are insufficient to ensure that documentation of reconciliations are performed in a timely manner and prepared and reviewed by appropriate personnel. Our review of the April and June 2014 bank reconciliations and the June 30, 2014 Appropriation reconciliation did not contain documentation of the personnel and dates of the preparer and reviewer.

Refund check Process

There is a lack of sufficient evidence that controls are being followed during the check refund process.

Journal Entry Posting & Reviews

The journal entry process is insufficient to ensure that the same person does not prepare, record and approve journal entries.

Cause: Lack of controls in policies and procedures.

Effect: Controls are not performed as they are not required by the College.

Recommendation: The College should review their internal control structure policies and procedures as they relate to reconciliations and financial reporting to ensure that proper controls are in place and the proper segregation of duties is in place in significant areas. This may be accomplished through hiring of additional staff in the areas with accounting responsibilities and use of compensating controls such as exception reporting. Additionally, the College should implement policies and procedures to ensure that reviews and timely approval of financial data are documented as they incur to provide evidence of the control.

Management Response:
The College will review its internal control structure policies and procedures as recommended and noted in the following areas:

Reconciliation Process – The College recognizes that signatures and dates strengthen the evidence needed by third parties to verify that reconciliations are performed in a timely manner and prepared and reviewed by appropriate personnel. The process will be revised to require signatures and dates by all parties involved in the reconciliation process.

Refund Check Process – The College recognizes that with multiple step processes, signatures and dates within the process strengthen the evidence needed by third parties to verify that preparation and review steps are performed and proper segregation of duties exists. Management believes that proper segregation of duties currently exist and will be evidenced in the future by signatures and dates throughout the process, in addition to the current sign offs at the completion of the process.

Blue Ridge Community & Technical College
Schedule of Findings and Responses
June 30, 2014
(Continued)

Journal Entry Posting & Reviews – The College will further augment the evidence of signatures by preparers, data entry staff, and approvers with system verification to provide further evidence of proper segregation of duties. This will require the services of a programmer since a report of this nature is not a standard Banner report. The College followed the recommendation of the previous year's auditor that "all journal entries be prepared, approved, and posted by separate individuals," which did not include the recommendation of a system report.