

New River
Community and Technical College

Financial Statements
Years Ended June 30, 2015 and 2014

and

Independent Auditor's Reports

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
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INDEPENDENT AUDITOR'S REPORT

Board of Governors
New River Community and Technical College
Beckley, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of New River Community and Technical College (the College), a component unit of the West Virginia Council for Community and Technical Education, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the discretely presented New River Community and Technical College Foundation, Inc. (a component unit of the College). Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of the New River Community and Technical College Foundation, Inc. is based solely on the reports of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of New River Community and Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audits 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 opinions.

Opinions

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College as of June 30, 2015 and 2014, and the respective changes in financial position, and where applicable, cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in note 3 to the financial statements, in 2015, the College adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB No. 68. Our opinion is not modified with respect to this matter.

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 5 through 11, and the schedule of proportionate share of the net pension liability and schedule of contributions, and related footnote on pages 59 through 61 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 January 20, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Charleston, West Virginia
January 20, 2016

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Our discussion and analysis of New River Community and Technical College's (the "College") financial performance provides an overview of the College's financial activities during the years ended June 30, 2015 and 2014. Since this discussion and analysis is designed to focus on current activities, resulting changes, and currently known facts, please refer to the College's basic financial statements on pages 12 to 17 and the notes to financial statements on pages 18 to 57.

Financial Highlights

With the passage of Senate Bill 448, the College was established and attained independent accreditation in February, 2005, separating from Bluefield State College ("BSC"). Senate Bill 401 defined the process for separation of assets and liabilities from BSC to BSC and the College. The attached statements represent separate financial information for the College. The following are brief summaries for the College:

- The College's assets exceeded its liabilities by approximately \$29.8 million for FY2015 and approximately \$24.1 million for FY2014.
- Net operating loss was approximately \$(13.1) million in FY2015 and approximately \$(14.1) million in FY2014.

Overview of the Financial Statements

The College has implemented Governmental Accounting Standards Board (GASB) Statement Number 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. GASB 35 requires the College to present financial information as a whole rather than focusing on individual funds.

This report consists of management's discussion and analysis, the basic financial statements, and the notes to the financial statements. The basic financial statements include the statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows.

The statement of net position presents the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Increases or decreases in net position can be an indicator of improvement or deterioration of the College's financial position.

Changes in net position during the year are reported in the statement of revenues, expenses, and changes in net position. All revenues, expenses, and changes are reported as the underlying event occurs that results in the revenue, expense, or change. The statement of cash flows presents information on actual cash inflows or outflows as they occur.

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

The New River Community and Technical College Foundation, Inc. (Foundation) is significant enough to be included in the financial statements of the College in accordance with GASB 39. As such, the Foundation audited financial statements are discretely presented as part of the College's financial statements. The assets of the Foundation are controlled by an independent board.

Financial Analysis of the College

Total net position of the College for FY2015 and FY2014 was approximately \$29.8 million and approximately \$24.1 million, with net investment in capital assets comprising approximately \$33.5 million and approximately \$26.1 million of the total, respectively, an increase of 28% from FY2014 to FY2015. These capital assets are utilized to provide educational and related services to students and the communities but are not readily available for future spending. The unrestricted net position was approximately \$(3.7) million deficit (12%) and approximately \$(2.1) million (9%) of the total net position for FY2015 and FY2014, respectively. The deficit in unrestricted net position is primarily due to the accumulation of the OPEB liability. The unrestricted net position represents amounts not restricted by plant operations, grant and loan funds, and State code restrictions.

**Condensed Schedules of Net Position
June 30, 2015, 2014 and 2013
(in millions)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash	\$ 0.7	\$ 1.9	\$ 4.0
Other current assets	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total current assets	<u>1.7</u>	<u>2.9</u>	<u>5.0</u>
Capital assets	<u>33.5</u>	<u>26.1</u>	<u>15.8</u>
Total noncurrent assets	<u>33.5</u>	<u>26.1</u>	<u>15.8</u>
Total assets	<u>35.2</u>	<u>29.0</u>	<u>20.8</u>
Deferred outflows of resources	<u>0.1</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 35.3</u>	<u>\$ 29.0</u>	<u>\$ 20.8</u>
Current liabilities	\$ 2.5	\$ 2.4	\$ 3.3
Noncurrent liabilities	<u>2.9</u>	<u>2.5</u>	<u>2.5</u>
Total liabilities	<u>5.4</u>	<u>4.9</u>	<u>5.8</u>
Deferred inflows of resources	<u>0.1</u>	<u>-</u>	<u>-</u>
Net position (deficit)			
Investment in capital assets	33.5	26.1	15.5
Restricted, expendable	-	0.1	1.0
Unrestricted net position (deficit)	<u>(3.7)</u>	<u>(2.1)</u>	<u>(1.5)</u>
Total net position	<u>29.8</u>	<u>24.1</u>	<u>15.0</u>
Total	<u>\$ 35.3</u>	<u>\$ 29.0</u>	<u>\$ 20.8</u>

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

For the years ended June 30, 2015 and 2014 the decrease in net position before other revenues, expenses, gains or losses was approximately \$(1.8) million and approximately \$(1.5) million. Net tuition revenue decreased for FY2015 by approximately \$1.9 million to approximately \$2.4 million due to decreased enrollment. Financial aid assistance is reflected in the appropriate Federal, State or Pell grant revenue source from which the financial aid was issued. The State appropriation for FY2015 decreased by approximately \$0.1 million to approximately \$5.7 million as the State implemented a budget decrease.

**Condensed Schedules of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015, 2014 and 2013
(in millions)**

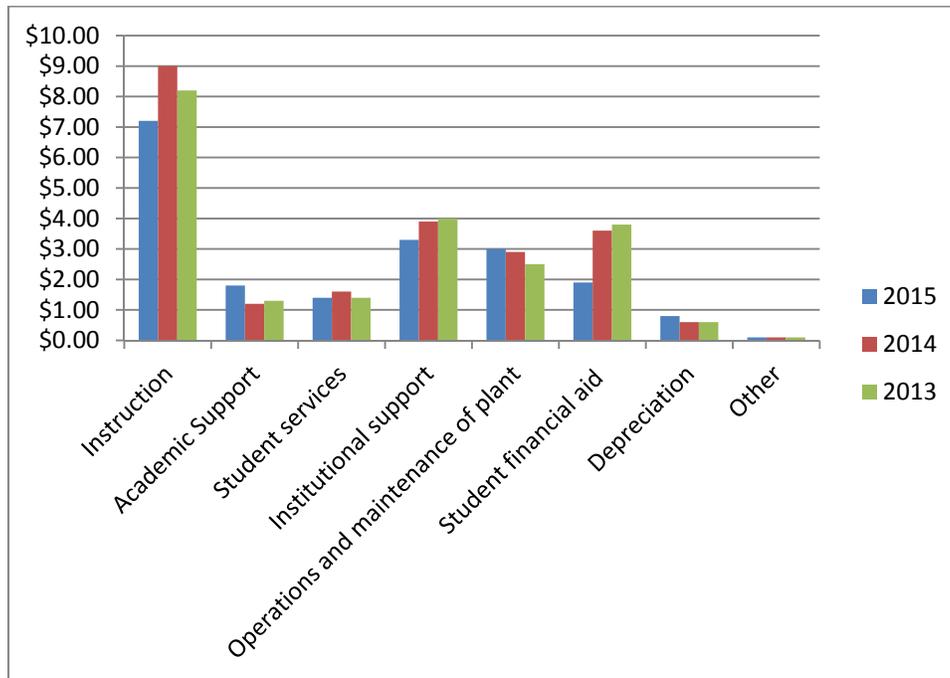
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues			
Tuition and fees	\$ 2.4	\$ 4.3	\$ 3.8
Contracts and grants	3.4	3.8	3.6
Other	<u>0.6</u>	<u>0.7</u>	<u>0.5</u>
Total operating revenues	6.4	8.8	7.9
Less: operating expenses	<u>19.5</u>	<u>22.9</u>	<u>21.9</u>
Operating loss	(13.1)	(14.1)	(14.0)
Nonoperating revenues			
State appropriation	5.7	5.8	6.4
Pell grant revenue	5.6	6.8	6.8
Other	<u>-</u>	<u>-</u>	<u>(0.1)</u>
Net nonoperating revenue	<u>11.3</u>	<u>12.6</u>	<u>13.1</u>
Decrease in net position before other revenues, expenses, gains or losses	<u>(1.8)</u>	<u>(1.5)</u>	<u>(0.9)</u>
Capital payments on behalf of the College	4.4	10.6	1.8
Donated capital assets	<u>3.5</u>	<u>-</u>	<u>-</u>
Increase in net position	<u>6.1</u>	<u>9.1</u>	<u>0.9</u>
Net position - beginning of year	24.1	15.0	14.1
Net effect of change in accounting policy	<u>(0.4)</u>	<u>-</u>	<u>-</u>
Net position - beginning of year (restated)	<u>23.7</u>	<u>15.0</u>	<u>14.1</u>
Net position - end of year	<u>\$ 29.8</u>	<u>\$ 24.1</u>	<u>\$ 15.0</u>

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

**Schedules of Operating Expenses
Years Ended June 30, 2015, 2014 and 2013
(in millions)**

FUNCTIONAL CLASSIFICATION OF EXPENSES	<u>2015</u>	<u>2014</u>	<u>2013</u>
Instruction	\$ 7.2	\$ 9.0	\$ 8.2
Academic support	1.8	1.2	1.3
Student services	1.4	1.6	1.4
Institutional support	3.3	3.9	4.0
Operations and maintenance of plant	3.0	2.9	2.5
Student financial aid	1.9	3.6	3.8
Depreciation	0.8	0.6	0.6
Other	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
 Total	 <u>\$ 19.5</u>	 <u>\$ 22.9</u>	 <u>\$ 21.9</u>

**New River Community and Technical College
Functional Classifications of Expenditures FY 2015**

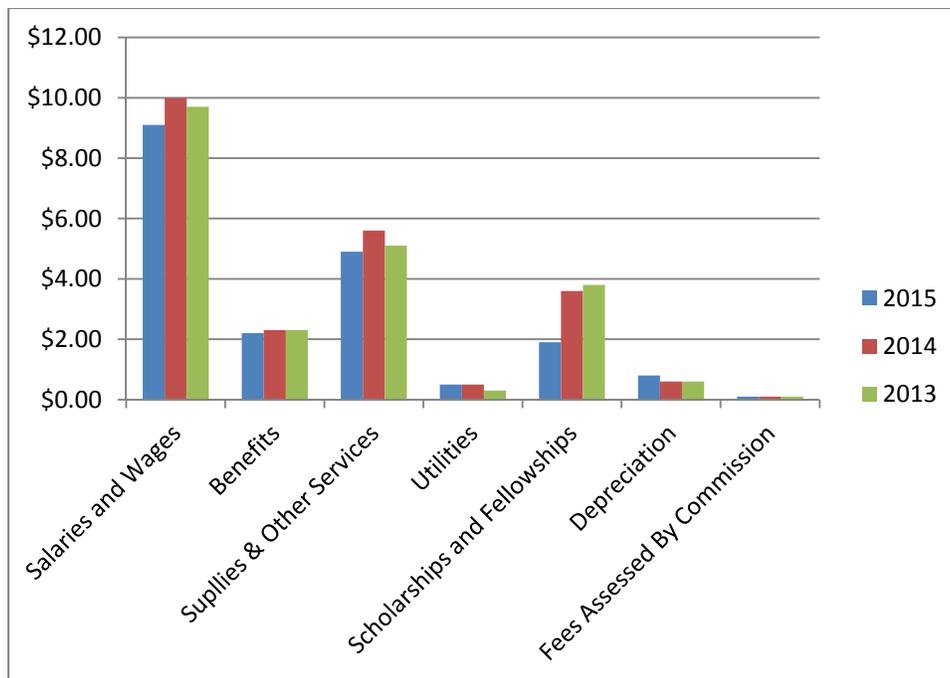


**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

**Schedules of Natural Expenses
Years Ended June 30, 2015, 2014 and 2013
(in millions)**

NATURAL CLASSIFICATION OF EXPENSES	<u>2015</u>	<u>2014</u>	<u>2013</u>
Salaries and wages	\$ 9.1	\$ 10.0	\$ 9.7
Benefits	2.2	2.3	2.3
Supplies and other services	4.9	5.8	5.1
Utilities	0.5	0.5	0.3
Scholarships and fellowships	1.9	3.6	3.8
Depreciation	0.8	0.6	0.6
Fees assessed by Commission	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
 Total	 <u>\$ 19.5</u>	 <u>\$ 22.9</u>	 <u>\$ 21.9</u>

**New River Community and Technical College
Natural Classifications of Expenditures FY 2015**



**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

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 section deals with operating cash flows and shows the net cash used in the operating activities. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section deals with the cash flows from capital and related financing activities. This section deals with the 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 interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating loss reflected in the Statement of Revenues, Expenses and Changes in Net Position. Cash and cash equivalents for the years ended June 30, 2015 and 2014 were approximately \$0.7 million and approximately \$1.9 million, a decrease of approximately \$1.2 million from FY2015 to FY2014.

**Condensed Schedules of Cash Flows
Years Ended June 30, 2015, 2014 and 2013
(in millions)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash provided by (used in)			
Operating activities	\$ (12.1)	\$ (14.1)	\$ (12.3)
Non capital financing activities	11.3	12.5	13.4
Capital and related financing activities	<u>(0.4)</u>	<u>(0.5)</u>	<u>(0.6)</u>
Increase (decrease) in cash and cash equivalents	(1.2)	(2.1)	0.5
Cash and cash equivalents, beginning of year	<u>1.9</u>	<u>4.0</u>	<u>3.5</u>
Cash and cash equivalents, end of year	<u>\$ 0.7</u>	<u>\$ 1.9</u>	<u>\$ 4.0</u>

Capital Asset and Debt Administration

During December 2009 HEPC, on behalf of the Council for Community and Technical College Education, issued approximately \$78 million in bonds which will be repaid from excess Lottery Funds. The College's share of the bond issuance was approximately \$16.5 million, of which approximately \$13.5 million was used to finance the construction of the Beckley Higher Education Center. The remaining approximately \$3.0 million will be used for classroom renovations at the College's Greenbrier campus. The College received approximately \$4.4 million in payments on behalf of the College by HEPC for construction of the Beckley Higher Education Center which is included in buildings at June 30, 2015.

In FY2015, the College purchased approximately \$28 thousand in equipment and \$4 thousand in library books. Buildings and land increased approximately \$18.4 million due to the completion of the Beckley Higher Education Center and the donation of a new facility valued at approximately \$3.5 million. Readers interested in more detailed information regarding capital assets and debt administration should review the accompanying notes 5 and 6 to the financial statements.

The net pension liability was recognized as part of the adoption of GASB Statement No. 68, resulting in an increase of approximately \$351 thousand.

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Economic Outlook

Accreditation for the College was approved for a ten year period from the Higher Learning Commission following an institutional visitation in October 2014 providing for solid academic standards that potential students will likely consider when selecting a school to attend. Management is monitoring both the national and State economic conditions for changes which may impact the ability to meet the College mission. During times of economic distress, community colleges traditionally experience growth and management is confident that the College will be able to withstand economic downturns.

The other post employment benefit liability continues to present a challenge state wide. However, during the 2014 legislative session the State of West Virginia took proactive measure to address the unfunded liability which will take effect in future years and fully fund the liability by 2037.

Contacting the College's Financial Management

This financial report is designed to provide a general overview of the College's finances. Questions concerning any of the information provided in this report should be addressed to the Chief Financial Officer, 280 University Drive Beaver, WV 25813. For additional information on the New River Community and Technical College Foundation, Inc. please see their separately issued financial statements.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

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	<u>2015</u>	<u>2014</u>
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 703,842	\$ 1,944,326
Accounts receivable, net of allowance of \$842,675 and \$685,141	540,507	704,144
Due from Commission/Council	316,986	165,326
Grants receivable	57,791	59,258
Due from Federal government	<u>98,182</u>	<u>72,513</u>
Total current assets	<u>1,717,308</u>	<u>2,945,567</u>
NONCURRENT ASSETS		
Capital assets - net	33,473,111	26,090,069
Other accounts receivable	<u>50,704</u>	-
Total noncurrent assets	<u>33,523,815</u>	<u>26,090,069</u>
 Total assets	 <u>35,241,123</u>	 <u>29,035,636</u>
DEFERRED OUTFLOWS OF RESOURCES		
Employer pension contributions	<u>46,807</u>	-
Total deferred outflows of resources	<u>46,807</u>	-
 Total	 <u>\$ 35,287,930</u>	 <u>\$ 29,035,636</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 438,663	\$ 67,689
Accrued liabilities	776,010	710,853
Due to the Commission/Council	-	15,768
Due to Bluefield State College	-	134,339
Unearned revenue	955,215	1,108,775
Compensated absences - current portion	379,013	378,126
Capital lease payable - current portion	<u>27,978</u>	<u>27,053</u>
Total current liabilities	<u>2,576,879</u>	<u>2,442,603</u>
NONCURRENT LIABILITIES		
Compensated absences	118,184	104,358
Capital lease payable	-	27,978
Net pension liability	350,532	-
Other post employment benefits liability	<u>2,417,214</u>	<u>2,372,410</u>
Total noncurrent liabilities	<u>2,885,930</u>	<u>2,504,746</u>
DEFERRED INFLOWS OF RESOURCES		
Changes in proportion and differences in pension contributions	11,874	-
Net difference between projected and actual earnings on pension plan investments	<u>46,337</u>	-
Total deferred inflows or resources	<u>58,211</u>	-
NET POSITION		
Net investment in capital assets	33,445,133	26,035,038
Restricted for:		
Expendable	-	116,620
Unrestricted net position (deficit)	<u>(3,678,223)</u>	<u>(2,063,371)</u>
Total net position	<u>29,766,910</u>	<u>24,088,287</u>
 Total	 <u>\$ 35,287,930</u>	 <u>\$ 29,035,636</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowance of \$5,291,456 and \$5,113,367	\$ 2,408,654	\$ 4,318,128
Contracts and grants		
Federal	1,917,079	1,659,067
State	1,506,556	2,169,449
Sales and services of educational activities	142,288	200,811
Miscellaneous - net	<u>418,281</u>	<u>465,969</u>
Total operating revenues	<u>6,392,858</u>	<u>8,813,424</u>
OPERATING EXPENSES		
Salaries and wages	9,087,651	9,956,020
Benefits	2,232,612	2,298,839
Supplies and other services	4,894,711	5,840,446
Utilities	459,856	456,409
Student financial aid - scholarships and fellowships	1,883,467	3,624,590
Depreciation	818,538	635,649
Assessments by the Policy Commission for operations	<u>100,601</u>	<u>97,384</u>
Total operating expenses	<u>19,477,436</u>	<u>22,909,337</u>
OPERATING LOSS	<u>(13,084,578)</u>	<u>(14,095,913)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	5,681,907	5,775,692
Federal Pell grants	5,575,145	6,784,544
Investment income	<u>25</u>	<u>3,848</u>
Net nonoperating revenues	<u>11,257,077</u>	<u>12,564,084</u>
DECREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>(1,827,501)</u>	<u>(1,531,829)</u>
PAYMENTS MADE AND EXPENSES INCURRED BY THE STATE ON BEHALF OF THE COLLEGE	46,795	-
CAPITAL PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF THE COLLEGE	4,351,461	10,601,477
DONATED CAPITAL ASSETS	<u>3,500,000</u>	<u>-</u>
INCREASE IN NET POSITION	6,070,755	9,069,648
NET POSITION, beginning of year	24,088,287	15,018,639
NET EFFECT OF CHANGE IN ACCOUNTING POLICY	<u>(392,132)</u>	<u>-</u>
NET POSITION, beginning of year (Restated)	<u>23,696,155</u>	<u>15,018,639</u>
NET POSITION, end of year	<u>\$ 29,766,910</u>	<u>\$ 24,088,287</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

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	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 2,572,291	\$ 4,315,890
Contracts and grants	3,091,191	3,550,795
Payments to and on behalf of employees	(11,229,694)	(12,173,499)
Payments to suppliers	(4,658,076)	(6,292,016)
Payments to utilities	(459,856)	(458,996)
Payments for scholarships and fellowships	(1,883,467)	(3,624,590)
Sales and service of educational activities	142,288	200,811
Fees assessed by Commission	(100,601)	(97,384)
Other receipts (payments)-net	<u>418,281</u>	<u>465,969</u>
Net cash (used) in operating activities	<u>(12,107,643)</u>	<u>(14,113,020)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	5,681,907	5,775,692
Pell grants	5,562,399	6,733,925
William D. Ford direct lending receipts	2,032,503	3,058,786
William D. Ford direct lending payments	<u>(2,032,503)</u>	<u>(3,058,786)</u>
Net cash provided by noncapital financing activities	<u>11,244,306</u>	<u>12,509,617</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(350,119)	(375,943)
Payments for capital leases	(27,053)	(26,158)
Payments to Commission for debt service	<u>-</u>	<u>(100,000)</u>
Net cash (used) in capital financing activities	<u>(377,172)</u>	<u>(502,101)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>25</u>	<u>3,848</u>
Net cash provided by investing activities	<u>25</u>	<u>3,848</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,240,484)	(2,101,656)
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,944,326</u>	<u>4,045,982</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 703,842</u>	<u>\$ 1,944,326</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) IN OPERATING ACTIVITIES		
Operating loss	\$ (13,084,578)	\$ (14,095,913)
Adjustments to reconcile operating loss to net cash (used) in operating activities:		
Depreciation expense	818,538	635,649
Pension expense-special funding situation	46,795	-
Net effect change in accounting policy	(392,132)	-
Changes in assets and liabilities:		
Accounts receivables - net	163,637	(2,238)
Due from Commission	(151,660)	2,657
Grant Receivable	1,467	(18,261)
Due from Bluefield State College	-	55,080
Due from Federal government	(12,923)	5,457
Other accounts receivable	(50,704)	-
Deferred outflows of resources	(46,807)	-
Accounts payable	370,974	(319,818)
Accrued liabilities	65,157	(5,765)
Due to the Commission/Council	(15,768)	(139,639)
Due to Bluefield State College	(134,339)	(134,339)
Unearned revenue	(153,560)	(183,015)
Compensated absences	14,713	3,430
Net pension liability	350,532	-
Other post employment benefits liability	44,804	83,695
Deferred inflows of resources	<u>58,211</u>	<u>-</u>
Net cash (used) in operating activities	<u>\$ (12,107,643)</u>	<u>\$ (14,113,020)</u>
NONCASH TRANSACTION		
Capital payments made on behalf of New River Community and Technical College	<u>\$ 4,351,461</u>	<u>\$ 10,601,477</u>
Donated capital assets	<u>\$ 3,500,000</u>	<u>\$ -</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 331,978	\$ 1,186,622
Grant receivable	5,250	25,000
Unconditional promises to give	19,481	49,878
Marketable equity securities, at fair market value	334,199	231,599
Beneficial interest in assets held by community foundation	1,184,570	1,219,197
Rental real estate land	66,808	66,808
Rental buildings, net of accumulated depreciation of \$35,903 and \$20,516, respectively	271,843	287,230
Real estate held for investment	<u>-</u>	<u>61,500</u>
 Total assets	 <u>\$ 2,214,129</u>	 <u>\$ 3,127,834</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,744	\$ 7,591
Scholarships payable	81,340	80,425
Accrued expenses	9,312	9,920
Deferred rental revenue	56,712	56,712
Lease purchase payable	<u>96,154</u>	<u>188,610</u>
Total liabilities	<u>246,262</u>	<u>343,258</u>
NET ASSETS		
Unrestricted	(84,166)	(144,779)
Temporarily restricted	693,491	1,700,180
Permanently restricted	<u>1,358,542</u>	<u>1,229,175</u>
Total net assets	<u>1,967,867</u>	<u>2,784,576</u>
 Total liabilities and net assets	 <u>\$ 2,214,129</u>	 <u>\$ 3,127,834</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Public Support and Revenue</u>				
Road scholar program revenue	\$ 1,110	\$ -	\$ -	\$ 1,110
Rental revenue	90,000	-	-	90,000
Contributed services and supplies revenue	159,091	-	-	159,091
Grants and contributions	12,062	90,805	129,367	232,234
Interest and dividends income	3,315	30,956	-	34,271
Realized losses on investment securities, net	878	8,923	-	9,801
Unrealized losses on investment securities, net	(1,932)	(26,357)	-	(28,289)
Bank and investment fees	(1,569)	(15,917)	-	(17,486)
Loss on sale of property	-	(1,581)	-	(1,581)
Net assets released from restrictions due to expiration of spending purpose restrictions	<u>1,093,518</u>	<u>(1,093,518)</u>	-	-
Total public support and revenue	<u>1,356,473</u>	<u>(1,006,689)</u>	<u>129,367</u>	<u>479,151</u>
<u>Expenses</u>				
Student support and program services	1,146,429	-	-	1,146,429
Rental activity	22,323	-	-	22,323
Management and general	43,417	-	-	43,417
Fundraising	83,691	-	-	83,691
Total expenses	<u>1,295,860</u>	<u>-</u>	<u>-</u>	<u>1,295,860</u>
Excess of (Expenses Over Public Support and Revenue)				
Public Support and Revenues Over Expenses	60,613	(1,006,689)	129,367	(816,709)
Net Assets, Beginning of Year	<u>(144,779)</u>	<u>1,700,180</u>	<u>1,229,175</u>	<u>2,784,576</u>
Net Assets, End of Year	<u>\$ (84,166)</u>	<u>\$ 693,491</u>	<u>\$ 1,358,542</u>	<u>\$ 1,967,867</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Public Support and Revenue</u>				
Road scholar program revenue	\$ 49,480	\$ -	\$ -	\$ 49,480
Rental revenue	90,000	-	-	90,000
Contributed services and supplies revenue	67,483	-	-	67,483
Contributions	6,424	107,234	26,620	140,278
Contribution of real estate, at fair market value	-	61,500	-	61,500
Interest and dividends income	1,862	31,354	-	33,216
Realized losses on investment securities, net	-	(10,108)	-	(10,108)
Unrealized gains on investment securities, net	-	123,446	-	123,446
Bank and investment fees	-	(15,451)	-	(15,451)
Net assets released from restrictions due to expiration of spending purpose restrictions	<u>107,132</u>	<u>(107,132)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>322,381</u>	<u>190,843</u>	<u>26,620</u>	<u>539,844</u>
<u>Expenses</u>				
Student support and program services	192,037	-	-	192,037
Rental activity	25,903	-	-	25,903
Management and general	26,255	-	-	26,255
Fundraising	18,918	-	-	18,918
Total expenses	<u>263,113</u>	<u>-</u>	<u>-</u>	<u>263,113</u>
Excess of Public Support and Revenues Over Expenses	59,268	190,843	26,620	276,731
Net Assets, Beginning of Year	(204,047)	1,505,717	1,206,175	2,507,845
Transfer between net asset classifications	<u>-</u>	<u>3,620</u>	<u>(3,620)</u>	<u>-</u>
Net Assets, End of Year	<u>\$ (144,779)</u>	<u>\$ 1,700,180</u>	<u>\$ 1,229,175</u>	<u>\$ 2,784,576</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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NOTE 1 - ORGANIZATION

New River Community and Technical College (the “College”) is governed by the New River Community and Technical College Board of Governors (the “Board”). The Board was established by Senate Bill 653 (“S.B. 653”).

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 institution under its jurisdiction, the duty to develop a master plan for the institution, the power to prescribe the specific functions and institution’s budget request, the duty to review at least every five years all academic programs offered at the institution and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution.

S.B. 653 also created the West Virginia Higher Education Policy Commission (the “Commission”), which is responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda. Senate Bill 448 gives the West Virginia Council for Community and Technical College Education (the “Council”) the responsibility of developing overseeing, and advancing the State’s Public Policy agenda as it relates to community and technical college education. Senate Bill 401 required the transfer of certain net position from Bluefield State College to its separately governed community and technical college after the community and technical college received its independent accreditation. The College received its accreditation on February 8, 2005.

As a requirement of Governmental Accounting Standards Board standards (GASB), the College has included information from the New River Community and Technical College Foundation, Inc. (the “Foundation”).

Although the College benefits from the activities of the Foundation, the Foundation is independent of the College in all respects. The Foundation is not a subsidiary of the College and is not directly or indirectly controlled by the College. The Foundation has its own separate, independent Board of Directors. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the College. The College is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The College does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the College. Under State law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of State-appropriated funds allocated to the College. Third parties dealing with the College, the Board, and the State of West Virginia (the “State”) (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all the foregoing conditions and limitations.

The financial statements of the College have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the College’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The College is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State of West Virginia (the "State") that are not included in the State's general fund. The College is a separate entity, which along with all State institutions of higher education, the Commission (which includes the West Virginia Network for Educational Telecomputing), and West Virginia Council for Community and Technical Education 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 criteria 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.

The audited financial statements of the Foundation are presented here as a discrete component unit with the College financial statements in accordance with GASB. The Foundation's audited financial statements were as of and for the years ended June 30, 2015 and 2014. The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein except that in accordance with governmental accounting standards, the Foundation's statements of cash flows are not presented.

Financial Statement Presentation - GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the College as a whole. Net position is classified into four categories according to external donor 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 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, net of related debt.
- *Restricted net position, expendable* - This includes resources in which the College is legally or contractually obligated to spend resources 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 as State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2004 simplified the tuition and fee structure and removed the restrictions but included designations associated with auxiliary and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the State Legislature.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Restricted net position, 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.
- *Unrestricted net position* - Unrestricted net position includes resources that are not subject to externally imposed stipulations. Such resources are derived from tuition and fees (not restricted as to use), state appropriations, sales and services of educational activities and auxiliary enterprises. Unrestricted net position is used for transactions related to the educational and general operations of the College and may be designated for specific purposes by action of the Board of Governors.

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 expenditures when materials or services are received. All intercompany accounts and transactions have been eliminated.

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 to be cash equivalents.

Cash and cash equivalent balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other funds of the State for investment purposes by the West Virginia Board of Treasury Investments ("BTI"). These funds are transferred to the BTI and 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 State Legislature and is subject to oversight by the 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 asset 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 audited financial report. A copy of this annual report can be obtained from the following address: 1900 Kanawha Boulevard East, Room E-122, Charleston, West Virginia 25305 or <http://www.wvbt.com>.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature and any other program investments authorized by the legislature.

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, grants and loans receivable based on an evaluation of the underlying account, contract, grant and loan 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.

Capital Assets - Capital assets include property, plant and equipment, and books and materials that are part of a catalogued library. 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 to 50 years for buildings, 20 years for land improvements, 7 years for library books and 3 to 10 years for furniture and equipment. The College's capitalization threshold is \$5,000. There was no interest capitalized during 2015 or 2014. The accompanying financial statements reflect all adjustments required by GASB.

Unearned Revenue - Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue, including items such as orientation fees and room and board. Financial aid and other deposits are separately classified as deposits.

Compensated Absences and Other Post Employment Benefits (OPEB) - GASB provides for the measurement, recognition, and display of 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. The College is required to participate in this multiple-employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), 601 57th Street, SE, Suite 2, Charleston, WV 25304 or <http://www.wvpeia.com>.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 sponsored 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. Faculty hired after July 1, 2009, will no longer receive years of service credit toward insurance premiums when they retire. 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 and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense in the statements of revenues, expenses, and changes in net position.

Net Pension Liability - 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 West Virginia Teachers' Retirement System (STRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the STRS fiduciary net position have been determined on the same basis as they are reported in the STRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of STRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the STRS financial statements. Management of STRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources - Consumption of net position by the College that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position.

Deferred Inflows of Resources - Acquisition of net position by the College that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position.

Risk Management - The State's Board of Risk and Insurance Management ("BRIM") provides general, property and casualty, and medical malpractice 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 the West Virginia Public Employees Insurance Agency (PEIA) and a third-party insurer, 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 insurer, 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 as either operating or nonoperating revenues according to the following criteria:

- ***Operating revenues*** - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) most federal, state, local, and nongovernmental grants and contracts, and (3) sales and services of educational activities.
- ***Nonoperating revenues*** - Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell Grants, and investment income, and sale of capital assets (including natural resources).
- ***Other Revenue*** - Other revenues consist primarily of capital grants and gifts.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the College. Direct student loan receivables are not included in the College's statement of net position as the loans are repayable directly to the U.S. Department of Education. In 2015 and 2014, respectively, the College received and disbursed approximately \$2.0 million and \$3.1 million 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 2015 and 2014, respectively the College received and disbursed approximately \$5.7 million and \$6.8 million, 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 ("NACUBO"). 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 on a College basis 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 governmental instrumentality under federal income tax laws and regulations of the Internal Revenue Service as described in Section 115 of the Internal Revenue Code.

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.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. This Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. See note 3 for a discussion of the effect and additional disclosures at note 10.

The Governmental Accounting Standards Board has also issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning after December 15, 2013. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The adoption of GASB Statement No. 69 had no impact on the June 30, 2015 financial statements.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Governmental Accounting Standards Board has also issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2014. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This benefit will be achieved without the imposition of significant additional costs. See note 3 for a discussion of the effect and additional disclosures at note 10.

Recent Statements Issued by the Governmental Accounting Standards Board

The Governmental Accounting Standards Board has issued Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015. This Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The College has not yet determined the effect that the adoption of GASB Statement No. 72 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulate for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The College has not yet determined the effect that the adoption of GASB Statement No. 73 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for fiscal years beginning after June 15, 2016. The requirements of this Statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The College has not yet determined the effect that the adoption of GASB Statement No. 74 may have on its financial statements.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Governmental Accounting Standards Board has also issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The College has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The College has not yet determined the effect that the adoption of GASB Statement No. 76 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 77, *Tax Abatement Disclosures*, effective for fiscal years beginning after December 15, 2015. The requirements of this Statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The College has not yet determined the effect that the adoption of GASB Statement No. 77 may have on its financial statements.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
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NOTE 3 - CHANGE IN ACCOUNTING POLICY AND RESTATEMENT OF BEGINNING NET POSITION

The College has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statements No. 68 and 71 require the College to report its share of the defined benefit pension liabilities and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the CPRB. The balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources at July 1, 2014 is reported on the Statement of Revenues, Expenses, and Changes in Net Position as a restatement to the 2015 net position—beginning of year. The CPRB was not able to provide sufficient information to restate the financial statements for the period ending June 30, 2014. Amounts below are in thousands:

	2015
Net position - beginning of year, as previously stated	\$ 24,088,287
Net effect of change in accounting policy	(392,132)
Net position - beginning of year, restated	\$ 23,696,155

NOTE 4 - CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents is as follows at June 30:

	2015	2014
Cash on deposit with the Treasurer/BTI	\$ 625,797	\$ 1,854,980
Cash in bank	75,795	87,096
Cash on hand	2,250	2,250
	\$ 703,842	\$ 1,944,326

Cash held by the Treasurer and cash in bank includes \$569,696 and \$1,140,777 of restricted cash at June 30, 2015 and 2014, respectively.

The combined carrying amount of cash in the bank at June 30, 2015 and 2014, was \$75,795 and \$87,096, respectively, as compared with the combined bank balance of \$106,817 and \$130,571; 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, accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Amounts with the State Treasurer as of June 30, 2015 and 2014, are comprised of three investment pools, the WV Money Market Pool, the WV Government Money Market Pool, and the WV Short Term Bond Pool.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
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NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

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:

External Pool	2015		2014	
	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	\$ 1,890,464	AAAm	\$ 1,959,590	AAAm
WV Government Money Market Pool	\$ 248,468	AAAm	\$ 238,954	AAAm
WV Short Term Bond Pool	\$ 761,526	Not Rated	\$ 771,941	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:

External Pool	2015		2014	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 1,890,464	47	\$ 1,959,590	36
WV Government Money Market Pool	\$ 248,468	51	\$ 238,954	37

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

External Pool	2015		2014	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	\$ 761,526	410	\$ 771,941	407

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.

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.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

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.

NOTE 5 - CAPITAL ASSETS

The following is a summary of capital asset transactions for the College for the years ended June 30:

	2015			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,184,000	\$ 700,000	\$ -	\$ 1,884,000
Construction in progress	<u>13,385,360</u>	<u>4,669,617</u>	<u>14,852,539</u>	<u>3,202,438</u>
Total capital assets not being depreciated	<u>\$ 14,569,360</u>	<u>\$ 5,369,617</u>	<u>\$ 14,852,539</u>	<u>\$ 5,086,438</u>
Other capital assets:				
Land improvements	\$ 97,937	\$ -	\$ -	\$ 97,937
Buildings	12,260,995	17,652,539	-	29,913,534
Equipment	2,713,754	28,463	-	2,742,217
Library books	<u>515,447</u>	<u>3,500</u>	<u>-</u>	<u>518,947</u>
Total other capital assets	<u>15,588,133</u>	<u>17,684,502</u>	<u>-</u>	<u>33,272,635</u>
Less accumulated depreciation for:				
Land improvements	61,820	6,529	-	68,349
Buildings	2,608,616	547,597	-	3,156,213
Equipment	969,703	237,922	-	1,207,625
Library books	<u>427,285</u>	<u>26,490</u>	<u>-</u>	<u>453,775</u>
Total accumulated depreciation	<u>4,067,424</u>	<u>818,538</u>	<u>-</u>	<u>4,885,962</u>
Other capital assets, net	<u>\$ 11,520,709</u>	<u>\$ 16,865,964</u>	<u>\$ -</u>	<u>\$ 28,386,673</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 14,569,360	\$ 5,369,617	\$ 14,852,539	\$ 5,086,438
Other capital assets	<u>15,588,133</u>	<u>17,684,502</u>	<u>-</u>	<u>33,272,635</u>
Total cost of capital assets	30,157,493	23,054,119	14,852,539	38,359,073
Less accumulated depreciation	<u>4,067,424</u>	<u>818,538</u>	<u>-</u>	<u>4,885,962</u>
Capital assets, net	<u>\$ 26,090,069</u>	<u>\$ 22,235,581</u>	<u>\$ 14,852,539</u>	<u>\$ 33,473,111</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - CAPITAL ASSETS (Continued)

	2014			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,184,000	\$ -	\$ -	\$ 1,184,000
Construction in progress	<u>2,783,885</u>	<u>10,601,475</u>	-	<u>13,385,360</u>
Total capital assets not being depreciated	<u>\$ 3,967,885</u>	<u>\$ 10,601,475</u>	<u>\$ -</u>	<u>\$ 14,569,360</u>
Other capital assets:				
Land improvements	\$ 97,937	\$ -	\$ -	\$ 97,937
Buildings	12,260,995	-	-	12,260,995
Equipment	2,344,886	368,868	-	2,713,754
Library books	<u>508,372</u>	<u>7,075</u>	-	<u>515,447</u>
Total other capital assets	<u>15,212,190</u>	<u>375,943</u>	<u>-</u>	<u>15,588,133</u>
Less accumulated depreciation for:				
Land improvements	55,290	6,530	-	61,820
Buildings	2,241,412	367,204	-	2,608,616
Equipment	734,047	235,656	-	969,703
Library books	<u>401,026</u>	<u>26,259</u>	-	<u>427,285</u>
Total accumulated depreciation	<u>3,431,775</u>	<u>635,649</u>	<u>-</u>	<u>4,067,424</u>
Other capital assets, net	<u>\$ 11,780,415</u>	<u>\$ (259,706)</u>	<u>\$ -</u>	<u>\$ 11,520,709</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 3,967,885	\$ 10,601,475	\$ -	\$ 14,569,360
Other capital assets	<u>15,212,190</u>	<u>375,943</u>	-	<u>15,588,133</u>
Total cost of capital assets	19,180,075	10,977,418	-	30,157,493
Less accumulated depreciation	<u>3,431,775</u>	<u>635,649</u>	<u>-</u>	<u>4,067,424</u>
Capital assets, net	<u>\$ 15,748,300</u>	<u>\$ 10,341,769</u>	<u>\$ -</u>	<u>\$ 26,090,069</u>

The College maintains certain collections of inexhaustible assets to which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art, historical treasures, and literature that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means.

At June 30, 2015, the College had no outstanding contractual commitments for property, plant, and equipment expenditures.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the years ended June 30:

	2015				
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Current <u>Portion</u>
Compensated absences	\$ 482,484	\$ 14,713	\$ -	\$ 497,197	\$ 379,013
OPEB liability	2,372,410	409,170	364,366	2,417,214	-
Capital lease payable	55,031	-	27,053	27,978	27,978
Due to Bluefield State College	134,339	-	134,339	-	-
Net pension liability	<u>-</u>	<u>350,532</u>	<u>-</u>	<u>350,532</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 3,044,264</u>	<u>\$ 774,415</u>	<u>\$ 525,758</u>	<u>\$ 3,292,921</u>	<u>\$ 406,991</u>

	2014				
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Current <u>Portion</u>
Compensated absences	\$ 479,054	\$ 3,430	\$ -	\$ 482,484	\$ 378,126
Debt obligation due Commission	100,000	-	100,000	-	-
OPEB liability	2,288,715	358,532	274,837	2,372,410	-
Capital lease payable	81,189	-	26,158	55,031	27,053
Due to Bluefield State College	<u>268,678</u>	<u>-</u>	<u>134,339</u>	<u>134,339</u>	<u>134,339</u>
Total noncurrent liabilities	<u>\$ 3,217,636</u>	<u>\$ 361,962</u>	<u>\$ 535,334</u>	<u>\$ 3,044,264</u>	<u>\$ 539,518</u>

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2015, 2014, and 2013, the noncurrent liability related to OPEB costs was \$2,417,214, \$2,372,410, and \$2,288,715 respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$409,170 and \$22,485, respectively, during 2015, or 5%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$358,532 and \$3,913, respectively, during 2014, or 1%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$344,233 and \$3,516, respectively, during 2013, or 1%. As of the years ended June 30, 2015, 2014 and 2013, there were six, two and one retirees receiving these benefits, respectively. During the 2013 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.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 8 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The College is a State institution of higher education. It receives a State appropriation in partial support of its operations. In addition, the College is subject to the legislative and administrative mandates of 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 College 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 Commission assesses each public institution of higher education for funds to meet the payment of debt service on these various bonds. The tuition and registration fees of the members of the former State College 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 for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission.

During December 2009, the Commission, on behalf of the Council, issued \$78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the "2009 Bonds"). The proceeds of the 2009 Bonds will be used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The bond projects listed in the bond offering for the 2009 Bonds proposes bond funding of \$16,500,000 for the College. State lottery funds will be used to repay the debt. As of June 30, 2015, the College had drawn down \$16,500,000 of these funds to pay for capital projects.

NOTE 9 - UNRESTRICTED NET POSITION (DEFICIT)

The College's unrestricted net position (deficit) at June 30, 2015 and 2014 includes certain undesignated net position, as follows:

	2015	2014
Total unrestricted net position (deficit) before OPEB liability	\$ (1,261,009)	\$ 309,039
Less: OPEB liability	2,417,214	2,372,410
Total unrestricted net position (deficit)	\$ (3,678,223)	\$ (2,063,371)

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 10 - RETIREMENT PLANS

Substantially all full-time employees of the College participate in either the West Virginia Teachers' Retirement System (the "STRS") or the Teachers' Insurance and Annuities Association - College Retirement Equities Fund (the "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. New hires have a choice of either plan.

DEFINED BENEFIT PENSION PLAN

Some employees of the College are enrolled in a defined benefit pension plan, the STRS plan, which is administered by the CPRB.

As related to the implementation of GASB 68, following is the College's pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal year ended June 30, 2015:

	<u>STRS</u>
Net pension liability	\$ 350,532
Deferred outflows of resources	46,807
Deferred inflows of resources	58,211
Revenues	46,795
Pension expense	63,406
Contributions made by the College	46,807

Plan Description

STRS is a multiple employer defined benefit cost-sharing public employee retirement system providing retirement benefits as well as death and disability benefits. It covers all full-time employees of the 55 county public school systems in the State of West Virginia (the State) and certain personnel of the 13 State-supported institutions of higher education, State Department of Education, and the Higher Education Policy Commission hired prior to July 1, 1991. Employees of the State-supported institutions of higher education and the Higher Education Policy Commission hired after June 30, 1991 are required to participate in the Higher Education Retirement System. STRS closed membership to new hires effective July 1, 1991.

NOTE 10 - RETIREMENT PLANS (Continued)

STRS is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. STRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the STRS website at <https://www.wvretirement.com/Publications.html#CAFR>.

Benefits Provided

STRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. Terminated members with at least five but less than 20 years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the five highest fiscal years of earnings during the last 15 fiscal years of earnings. Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan, including contribution rates, to the State Legislature.

Contributions

The funding objective of the CPRB pension trust funds is to meet long-term benefit requirements through contributions, which remain relatively level as a percent of member payroll over time, and through investment earnings. Contribution requirements are set by the CPRB. A member who withdraws from service for any cause other than death or retirement may request that the accumulated employee contributions plus interest be refunded.

Member Contributions: STRS funding policy provides for member contributions based on 6% of members' gross salary. Contributions as a percentage of payroll for members and employers are established by State law and are not actuarially-determined.

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

- 15% of gross salary of their State-employed members hired prior to July 1, 1991;
- 15% of School Aid Formula (SAF) covered payroll of county-employed members for entities other than institutions of higher education;
- 7.5% of SAF-covered payroll of members of the Teachers' Defined Contributions Retirement System for entities other than institutions of higher education;
- a certain percentage of fire insurance premiums paid by State residents; and
- under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the STRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2014, the College's proportionate share attributable to this special funding subsidy was \$46,795.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 - RETIREMENT PLANS (Continued)

The College's contributions to STRS for the years ended June 30, 2015, 2014, and 2013, were approximately \$46,800, \$46,800, and \$48,000, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2013 and rolled forward to June 30, 2014. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.75–5.25% and non-teachers 3.40–6.50%, based on age.
- Inflation rate of 2.2%.
- Discount rate of 7.5%.
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 1.2-30% and non-teachers 1.4-22.5%.
- Disability rates: 0-0.8%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%.
- Ad hoc cost-of-living increases in pensions are periodically granted by the Legislature. However, the retirement system makes no automatic provision for such increases.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2005 to June 30, 2010. These assumptions will remain in effect for valuation purposes until such time as the CPRB adopts revised assumptions.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 - RETIREMENT PLANS (Continued)

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. Best estimates of the long-term arithmetic real rates of return for each major asset class included in STRS' target asset allocation as of June 30, 2014, are summarized below.

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	5.4%	27.5%
International equity	6.3%	27.5%
Core fixed income	0.7%	-
High-yield fixed income	2.6%	15.0%*
TIPS	0.7%	-
Real estate	4.6%	10.0%
Private equity	7.7%	10.0%
Hedge funds	2.8%	10.0%

* Core and high-yield fixed income securities have a combined target allocation of 15.0%.

Discount rate. The discount rate used to measure the total STRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, STRS' 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 STRS' investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the pension plan's fiduciary net position, a municipal bond rate of 3.66% is to be used to discount the benefit payments not covered by the plan's fiduciary net position. The rate equals the S&P Municipal Bond 20-Year High Grade Rate Index at June 30, 2014.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the College's proportionate share of the STRS net pension liability as of June 30, 2015 calculated using the discount rate of 7.50%, as well as what the College's STRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (dollars in thousands).

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	<u>\$ 454,641</u>	<u>\$ 350,532</u>	<u>\$ 261,212</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 10 - RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The STRS net pension liability was measured as of June 30, 2014. The total pension liability was determined by an actuarial valuation as of July 1, 2013 and rolled forward to the measurement date.

At June 30, 2015, the College's proportionate share of the STRS net pension liability was \$1,142,584. Of this amount, the College recognized approximately \$350,532 as its proportionate share on the statement of net position. The remainder of \$792,052 denotes the College's proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to STRS for each of the fiscal years ended June 30, 2014 and 2013. Employer contributions are recognized when due. At June 30, 2014, the College's proportion was 0.010161%, a decrease of 0.000342% from its proportion of 0.010503% calculated as of June 30, 2013.

For the year ended June 30, 2015, the College recognized STRS pension expense of \$63,406. Of this amount, \$16,611 was recognized as the College's proportionate share of the STRS expense and \$46,795 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of \$46,795 for support provided by the State.

At June 30, 2015, deferred outflows of resources and deferred inflows of resources related to the STRS pension are as follows.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ -	\$ 11,874
Net difference between projected and actual investment earnings	-	46,337
Contributions after the measurement date	46,807	-
Total	\$ 46,807	\$ 58,211

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 10 - RETIREMENT PLANS (Continued)

The College will recognize the \$46,807 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the STRS net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in STRS pension expense as follows.

Fiscal Year Ended June 30,	Amortization
2016	\$ 14,003
2017	14,003
2018	14,003
2019	14,003
2020	2,199
	\$ 58,211

Payables to the Pension Plan

The College did not report any amounts payable for normal contributions to the STRS as of June 30, 2015.

DEFINED CONTRIBUTION BENEFIT PLANS

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 these plans 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.

Total contributions to the TIAA-CREF for the years ended June 30, 2015, 2014 and 2013 respectively, were \$857,812, \$915,518 and \$860,558 which consisted of equal contributions of \$428,906, \$457,759 and \$430,279 from both the College and covered employees.

Total contributions to Educators Money for the years ended June 30, 2015, 2014 and 2013 respectively, were \$15,958, \$19,612 and \$21,348, which consisted of equal contributions of \$7,979, \$9,806 and \$10,674 from both the College and covered employees.

The College's total payroll for the years ended June 30, 2015, 2014 and 2013 respectively, was \$9,087,651, \$9,956,020 and \$9,661,880. Total covered employees' salaries in STRS, TIAA-CREF and Educators Money were \$7,593,455, \$8,104,795 and \$7,613,196.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 11 - LEASES

Operating Leases

The College leases various equipment, software and buildings under operating leases. Rental payments for operating leases were \$760,890 and \$813,743 for the years ended June 30, 2015 and 2014. Following is a schedule of future minimum lease payments for the term of these operating leases.

<u>Year Ending June 30</u>	<u>Rental Payments</u>
2016	\$ 460,384
2017	171,810
2018	16,660

Capital Leases

The College leases certain equipment accounted for as a capital lease.

The College entered into a lease agreement with Key Governmental Finance in August 2011 to cover the acquisition cost for certain technology equipment. The lease is accounted for as a capital lease, with a total cost of \$126,683 and accumulated depreciation of \$103,458 as of June 30, 2015. Future annual minimum lease payments on the capital lease for years subsequent to June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	<u>\$ 27,978</u>	<u>\$ 957</u>	<u>\$ 28,935</u>

NOTE 12 - FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State of West Virginia and has as its purpose "...to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations..." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented with the College's financial statements in accordance with GASB. Based on the Foundation's audited financial statements for the years ended June 30, 2015 and 2014, the Foundation's net assets (including unrealized gains) totaled \$1,967,867 and \$2,784,576, respectively.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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NOTE 12 - FOUNDATION (Continued)

Complete financial statements for the Foundation can be obtained from the President of the New River Community and Technical College Foundation, Inc.

Gifts, grants, pledges and bequests to the College totaled \$232,234 and \$140,278 for the years ended June 30, 2015 and 2014, respectively.

The College pays for certain services, supplies, and operating expenses for the Foundation. The total amount of services, supplies, and operating expenses contributed by the College were \$159,051 and \$67,483 for the years ended June 30, 2015 and 2014, respectively.

The College entered into an operating lease with the Foundation commencing May 1, 2013 and ending May 1, 2016. The lease calls for annual payments of \$90,000.

NOTE 13 - CONTINGENCIES

The nature of the educational industry is such that, from time to time, claims will be presented against colleges 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 seriously impact 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.

The College owns various buildings which are known to contain asbestos. The College is not required by Federal, state or local law to remove the asbestos from its buildings. The College is required under Federal Environmental, Health and Safety Regulations to manage the presence of asbestos in its buildings in a safe condition. The College addresses its responsibility to manage the presence of asbestos in its buildings on a case by case basis. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. The College also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing or operating with the asbestos in a safe condition.

NOTE 14 - COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the Foundation's financial statements starting on the following page.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 1 — Description of the Organization

New River Community and Technical College Foundation, Inc. (“**the Organization**”) is a non-profit West Virginia corporation organized to promote educational and fraternal opportunities for current students and alumni of New River Community and Technical College (“**New River**”), located and operating in various communities in southeastern, West Virginia. It has been organized to serve New River, its faculty, students and alumni through fundraising, managing funds, overseeing the distribution of these funds, the undertaking of capital and other educational projects. The Organization currently accomplishes these by engaging in the following principal activities:

- Solicitation of restricted and unrestricted charitable contributions.
- Investment of available liquid assets.
- Awarding to qualifying students, faculty or staff of New River certain grants or scholarships.
- Operation of rental real estate in Lewisburg, West Virginia (**See Note 11**).

Note 2 — Summary of Significant Accounting Policies

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation: The Organization has implemented the financial statement presentation required by the Financial Accounting Standards Board Codification of Accounting Standard No. 958 the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted, described as follows:

- **Unrestricted:** Resources over which the Board of Directors has discretionary control as a result of not being restricted by donors or for which the restrictions have been satisfied or expired.
- **Temporarily Restricted:** Resources resulting from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization. Temporarily restricted net assets consist principally of donor-imposed stipulations related to student financial aid or capital projects.
- **Permanently restricted:** Resources resulting from contributions whose use is limited by donor stipulations that neither expire through the passage of time nor by actions of the Organization. Such net assets consist of endowments which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity; spending of the related investment income is limited to the actual income earned.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 2 — Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued): Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Use of Estimates: The preparation of financial statements in conformity 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 expenses, during the reporting period. Actual results could and will likely differ from those estimates.

Cash and Equivalents: Cash and equivalents include cash, demand deposits with financial institutions and other short-term investments with original maturities of three months or less.

Unconditional Promises to Give: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional (**See Note 3**). The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience concerning the general trends of collection, and managements' analysis of specific promises made.

Beneficial Interest In Assets Held By Community Foundation: The Organization has placed with the Greater Greenbrier Valley Community Foundation, Inc. ("GGVCF") certain unrestricted and restricted assets in the form of a "Donor Designated Sub-Fund Agreements" ("the Agreements"). The substance of these agreements provides for the resulting investment returns from the investment of the assets to be distributed to the Organization. One of these agreements further provides for the Organization to have at its discretion the ability to invade 100% of the principal (corpus) placed with GGVCF, whereas the others do not. The assets subject to this agreement amount to approximately 10% and 9% of the total of such assets at June 30, 2015 and 2014, respectively. Notwithstanding this, GGVCF does have variance power with respect to these funds whereby the Board of GGVCF by majority vote has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations, if in the sole judgment of this Board (without the approval of any trustee, custodian or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with charitable needs of the area served by the GGVCF.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 2 — Summary of Significant Accounting Policies (continued)

Beneficial Interest In Assets Held By Community Foundation (continued): The applicable accounting standards require that if a community foundation accepts a contribution from an Agency and agrees to transfer those assets, the return on investment of those assets or both back to the Agency, then these contributions and accumulated net earnings are presented as an asset in financial statements of the agency (in this case the Organization). Accordingly, the value of the assets held by GGVCF as of June 30, 2015 and 2014 are presented in the accompanying statements of financial position in the amount of \$1,184,570 and \$1,219,197, respectively.

As of December 31, 2014, the latest reviewed financial statements of GGVCF reflect total investment assets, at market value of \$7,574,148 comprised of the following:

	Market Value
Fixed income securities	\$ 3,117,182
Fixed income mutual funds	127,628
Common stocks	3,900,599
Preferred stocks	33,351
Equity mutual funds	395,388
	<u>\$ 7,574,148</u>

A condensed statement of financial position as of December 31, 2014, the most recent reviewed financial statements of GGVCF is as follows:

<u>Assets</u>	
Cash and equivalents	\$ 151,522
Accrued interest and dividends	23,650
Marketable securities	7,574,148
Fixed assets, net	864
Total Assets	<u>\$ 7,750,184</u>
<u>Liabilities and Net Assets</u>	
Funds held for benefit of others	\$ 5,192,058
Accounts payable and accrued expenses	12,615
Net assets	2,545,511
Total Liabilities and Net Assets	<u>\$ 7,750,184</u>

These assets essentially represent the fair value of the underlying assets held by GGVCF for the benefit of the Organization.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 2 — Summary of Significant Accounting Policies (continued)

Rental Buildings: Rental buildings are carried at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the buildings, which is twenty-years, using the straight-line method.

Amortization expense (which is entirely amortization of lease purchase buildings) for the years ended June 30, 2015 and 2014 amounted to \$15,387 for both years.

Donated Goods, Facilities and Services: Contributions of donated services that create or enhance non-financial assets, or that require specialized skills and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received as donations revenues with a corresponding expense.

Risks and Uncertainties: A substantial portion of the Organization's assets consist of beneficial interest in assets held by the community foundation, which is supported by investment securities held by the respective community foundation. These investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the beneficial interest in assets held in community foundation reported in the statements of financial position, and the realized and unrealized losses in the statements of activities.

Income Taxes: There is no provision for federal or state income taxes on income since the Organization is an exempt nonprofit association under Internal Revenue Code Section 501(c)(3). Management believes there is no unrelated business taxable income associated with the Organization. The Organization adopted Financial Accounting Standards Codification Topic "Accounting for Uncertainty in Income Taxes", which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has greater than 50% likelihood of being realized upon ultimate settlement.

The Organization is generally no longer subject to examination by income taxing authorities for years ending prior to June 30, 2011.

Concentrations: The Organization places its cash and cash equivalents with high credit quality financial institutions and brokerage firms. Deposits with these financial institutions may exceed the amount of insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 2 — Summary of Significant Accounting Policies (continued)

Investment Risk: The Organization's investments subject it to various levels of risk associated with economic, operating, and political events beyond management's control. Consequently, management's judgment as to the level of losses that currently exist or may develop in the future involves the consideration of current and anticipated conditions and their potential effects on the Organization's investments. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of investments, it is possible that changes in risks could materially impact the amounts reflected in the accompanying financial statements.

Economic Geographic and Other Dependencies: The Organization generates a significant amount of its support and revenue (including fundraising activities) from within the state of West Virginia. Its economy is largely dependent upon the mineral extraction (coal), timbering, farming, and recreation/resort industries. Changes in economies of these industries could significantly influence the Organization's ability to provide its services.

The Organization is also dependent upon significant amounts of support in the form of salaries, wages and employee benefits and other operating costs provided by New River. The ability or desire of New River to continue to provide this support could significantly influence the Organization's ability to provide its services (**See Note 6**).

Functional Reporting: The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated based on management's estimates among program services and supporting services benefited. A brief description of each of the functional classifications is as follows:

- Student Support and Program Services – Funds expended primarily to provide support services for students, alumni and faculty of New River. It includes scholarships awarded to the students and the provision of services that directly assist the academic functions, such as faculty development, as well a capital projects.
- Rental Activity – Expenses related to the operation of the real property rental located in Lewisburg, West Virginia (**See Note 11**).
- Management and General – Expenses incurred principally for (1) central executive-level activities concerned with management of day-to-day operations and long-range planning, (2) legal and fiscal operations, and administrative data processing.
- Fundraising – Expenses related to community and alumni relations, including development and fundraising.

Compensated Absences: Compensated absences are not provided for in the accompanying statement of financial position as New River Community and Technical College provides all compensation and benefits for employees who serve/operate the Organization (**See Note 6**).

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 2 — Summary of Significant Accounting Policies (continued)

Date of Management Review: Subsequent events (events or transactions that have occurred which may have a material effect on the financial statements and that require adjustment to or disclosure in the financial statements) have been evaluated through September 23, 2015 which is the date the financial statements were available to be issued.

Note 3 — Unconditional Promises to Give

Unconditional promises to give at June 30, 2015 and 2014 were comprised of the following:

	<u>2015</u>	<u>2014</u>
Gross unconditional promises to give	\$ 25,298	\$ 62,057
Less gross allowance for doubtful accounts	(3,795)	(9,309)
Less unamortized discounts	<u>(2,022)</u>	<u>(2,870)</u>
Net unconditional promises to give	<u>\$ 19,481</u>	<u>\$ 49,878</u>

These gross amounts are expected to be collected as follows:

<u>Year ended June 30th</u>	
2016	\$ 7,998
2017	5,500
2018	4,500
2019	1,500
2020 and thereafter	<u>5,800</u>
Total	<u>\$ 25,298</u>

An annual rate of three percent was used to discount unconditional promises to give expected to be collected at June 30, 2015.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 4 — Marketable Equity Securities

Marketable securities at June 30, 2015 and 2014 consisted principally of mutual fund investments which are tradable in active markets and are stated at their market values.

Note 5 — Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following or are available for the following purposes as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Ongoing capital campaign	\$ 150,272	\$ 163,840
Current scholarships	154,478	95,517
Endowments	56,737	98,837
Aquatics Center Allocation	-	1,000,000
Grants	292,737	302,671
Board restricted	39,267	39,267
Other	-	48
Totals	<u>\$ 693,491</u>	<u>\$ 1,700,180</u>

Note 6 — Related Party Transactions

New River provides supplies, facilities, furniture, fixtures and equipment which are used by the Organization. The value of the usage of these items has not been recorded in the accompanying financial statements, as there is no objective basis to determine this value.

New River also provides all the compensation, payroll taxes and employee benefits for the personnel who operate the Organization as well as supplies and other operational needs. These are recorded as contributed services and supplies revenue and contributed salaries, wages, payroll taxes and employee benefits and supplies and operating expenses in the accompanying statements of activities. The total amount of the services, supplies and operating expenses provided were \$159,051 and \$67,483 for the years ended June 30, 2015 and 2014, respectively.

Note 7 — Endowments and Permanently Restricted Net Assets

Substantially all of permanently restricted net assets are made up of endowments. Endowments consist of approximately fifty individual funds established principally for the purposes of awarding scholarships. These represent entirely donor-restricted endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments (if any), are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 7 — Endowments and Permanently Restricted Net Assets (continued)

The Board of Directors has interpreted the State of West Virginia Uniform Prudent Management of Institutional Funds Act (WVUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by WVUPMIFA.

In accordance with WVUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization.

These permanently restricted scholarship funds are largely held and invested by the Greater Greenbrier Valley Community Foundation, Inc. in the form of Donor Designated Sub-Fund Agreements (**See Note 2**). Only the distributions/disbursements received from GGVCF for these funds have been used to pay scholarships during the year, which management believes have been determined in accordance with the provisions of the WVUPMIFA.

The endowment net assets consisted of the following types of funds as of June 30, 2015 and 2014:

<u>June 30, 2015</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor restricted endowment funds	\$ <u>56,737</u>	\$ <u>1,355,065</u>
<u>June 30, 2014</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor restricted endowment funds	\$ <u>98,837</u>	\$ <u>1,225,698</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 7 — Endowments and Permanently Restricted Net Assets (continued)

Changes in endowment net assets for the years ended June 30, 2015 and 2014 were as follows:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>
Endowment net assets, June 30, 2013	\$ <u>15,354</u>	\$ <u>1,202,698</u>
Contributions	-	26,620
Investment return:		
Interest and dividends	29,546	-
Net realized and unrealized gains	96,514	-
Bank and investment fees	<u>(15,302)</u>	<u>-</u>
Total additions	<u>110,758</u>	<u>-</u>
Scholarship awards	27,275	-
Transfer	<u>-</u>	<u>3,620</u>
Total reductions	<u>27,275</u>	<u>3,620</u>
Endowment net assets, June 30, 2014	<u>98,837</u>	<u>1,225,698</u>
Contributions	-	129,367
Investment return:		
Interest and dividends	30,956	-
Net realized and unrealized gains	(17,434)	-
Bank and investment fees	<u>(15,917)</u>	<u>-</u>
Total additions	<u>(2,395)</u>	<u>-</u>
Scholarship awards	39,705	-
Transfer	<u>-</u>	<u>-</u>
Total reductions	<u>39,705</u>	<u>-</u>
Endowment net assets, June 30, 2015	<u>\$ 56,737</u>	<u>\$ 1,355,065</u>

From time to time and the fair value of assets associated with individual donor restricted endowment funds have fallen below the level that the individual donor or WVUPMIFA requires the Organization to retain as a fund of perpetual duration, these are remedied in the normal course of business.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 8 — Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer as liability in an orderly transaction between market participants at the measurement date. Generally Accepted Accounting Principles (**GAAP**) require the Organization to disclose fair value of all financial instruments for which it is practicable to estimate fair value, including those which are not reported at fair value in the statements of financial position. At June 30, 2015 and 2014, the fair values of all financial instruments were substantially equal to the carrying values.

The carrying value of certain financial assets and liabilities such as cash, cash equivalents, miscellaneous receivables and deposits, prepaid expenses, accounts payable, accrued expenses, scholarships payable is a reasonable estimate of fair value due to the short term nature of these instruments. Following is a description of the techniques used for the fair values of all other financial instruments. There have been no changes in the techniques used during the year ended June 30, 2015 and 2014.

Beneficial Interest in Assets Held by Community Foundation: This is determined by the community foundation based on the Organization's representative share of the underlying investment assets of the community foundation (**See Note 2**).

Marketable investments: This is determined based on quoted market prices based in active markets.

Financial Instruments Recorded at Fair Value

For financial instruments recorded at fair value on a recurring basis, GAAP provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements.

The inputs are summarized in the three broad levels listed below:

- **Level 1:** Unadjusted quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- **Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.
- **Level 3:** Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 8 — Fair Value Measurements (continued)

The estimated fair value amounts of financial instruments have been determined by the Organization using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Organization could realize in current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following table presents the Organization's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

	Fair Value Measurement at Reporting Date of June 30, 2015 Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Marketable investments	\$ 334,199	\$ 334,199	\$ -
Beneficial interest in assets held by community foundation	\$ 1,184,570	\$ -	\$ 1,184,570

	Fair Value Measurement at Reporting Date of June 30, 2014 Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Marketable investments	\$ 231,599	\$ 231,599	\$ -
Beneficial interest in assets held by community foundation	\$ 1,219,197	\$ -	\$ 1,219,197

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 9 — Transfer Between Net Asset Classifications

During the year ended June 30, 2009 certain endowment funds that were and currently are permanently restricted as to their usage incurred investment losses and payment of scholarship awards that caused the funds to infringe upon the original corpus (defined as being the accumulated contributions to these permanently restricted funds) (i.e. original gift value) of the fund (“underwater funds”). In accordance with Financial Accounting Standards Board Accounting Standards Codification 958-205-45-28, “Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure”, transfers of net assets sufficient to restore these funds to their original corpus were made from the unrestricted net asset classification. This reclassification of net assets for the year ended June 30, 2009 amounted to \$181,382. In previous accounting periods, transfers have occurred back to the unrestricted net asset classification in the amount of \$111,294. The remainder of \$70,088 will be transferred in future accounting periods as earnings in these endowments allow, without restricting scholarship awards from these endowments.

Note 10 — Title III Grant

During the year ended June 30, 2013 the Organization received \$115,000 respectively in the form of a grant from United States Department of Education under the Title III program, which is officially known as the “English Language Acquisition, Language Enhancement and Academic Achievement Act. The purpose of this grant is to allow for the establishment of an endowment with a specified term of twenty years. The corpus and earnings of this “quasi endowment” are to be used for the professional development of the faculty at New River. The terms of this grant require the Organization to do the following:

- Receive grants which are expected to total \$170,500 and raise matching funds of an equal amount.
- Invest the grant and matching amounts in certain low risk segregated investment assets.
- During the twenty year grant period, one-half of the investment earnings may be used for the purposes of the grant summarized above. The remainder of investment earnings will be utilized to add to the quasi endowed fund.
- At the end of the twenty year grant period the entire corpus and residual earnings may be used for the purposes of the grant as summarized above.

The endowed component of these amounts along with the applicable investment earnings are and will be reflected as a component of temporarily restricted net assets due to the non permanent nature of the grantor restrictions.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 11 — Building Lease Purchase and Related Party LeaseLease Purchase

On February 18, 2013 the Organization entered into a lease purchase agreement with the Board of Education of Greenbrier County, West Virginia (**the Board**) for certain real property located on North Lee Street, Lewisburg, West Virginia (formerly the Lewisburg Elementary School). The property consists of 4.725 acres of land along with 6 buildings having 79,600 square feet of space. The lease calls for the purchase of the subject property by payments to the Board of four annual installments of \$100,000 each, which commenced May 11, 2013 and ceases May 1, 2016. Upon full payment the subject property becomes the property of the Organization. During the term of the lease, the Organization is responsible for all expenses related to its upkeep, such as, but not limited to insurance, utilities, maintenance, repairs and any renovations. Events of default related to this agreement principally relate to nonpayment of lease installments. Remedy of this is the reversion of the property back to the Board.

There is no stated interest rate in this agreement. However, an implied interest rate of 4% has been used to determine the present value of the future lease payments. This present value amounts to \$374,554 and is bifurcated into land having a cost of \$66,808 and buildings having a cost of \$307,746. Interest expense recognized for this lease amounts to \$6,936 and \$10,516 for the years ended June 30, 2015 and 2014, respectively and is reflected in the accompanying statements of activities.

Related Party Lease

Concurrent with the signing of the above disclosed lease purchase the Organization entered into an agreement to lease the identical property to New River (a related party). This is done in consideration for four equal annual lease payments of \$90,000 commencing May 1, 2013 and ending May 1, 2016. The annual lease term begins each February 15th and ends each February 14th. Rental revenue related to this arrangement amounts to \$90,000 for the years ended June 30, 2015 and 2014, as reflected in the accompanying statements of activities.

New River is responsible for all expenses related to the property such as, but not limited to insurance utilities, maintenance and renovations. This lease is cancellable by New River should the Federal government or State of West Virginia fail to appropriate funds to sustain the facility/property or it is determined unlawful to maintain such as facility on leased premises. Further, the lease is cancellable upon thirty days written notice by New River. New River has the option to renew this lease for two additional one year terms in consideration for annual lease payments of \$90,000, plus escalations not to exceed 5% per annum.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 12 — Allocation to Capital Campaign by Greenbrier County (West Virginia) Commission and Related Uncertainty

On January 21, 2010, a Contract of Lease was entered into between New River Community and Technical College Board of Governors and Greenbrier County Commission (the Commission) and New River for the renovation of the swimming pool located at the Student Activities Building (the “Fine Arts & Aquatic Center”) of the Greenbrier Valley Campus of New River. The lease provided that the Commission intended to use the premises as a community swimming pool.

On November 13, 2012, the Commission met and approved transferring \$1,000,000 from its savings account to its checking account and designated for the Fine Arts & Aquatic Center at New River for the construction of the swimming pool. A check for \$1,000,000 was issued by the Commission on November 28, 2012 payable to the Organization. On December 6, 2012 another check in the amount \$300,000 was issued to the Organization by the Commission. All such funds received were directed from the Greenbrier County Hotel/Motel Tax Revenue Fund.

In 2012 certain Greenbrier County residents petitioned in the Circuit Court of Greenbrier County for a writ of mandamus (a writ of mandamus is an order from a court of a public authority to comply with a mandatory legal duty) regarding the actions taken by the Commission in granting at total of \$1,300,000 to the Organization. In doing so, the petitioners asked the Court to rule as unlawful the granting of the funds to the Organization on various grounds.

In a ruling by the presiding Judge dated June 27, 2013 a revised writ of mandamus was granted. The Circuit Court concluded, inter alia, that funds from the Greenbrier County Hotel/Motel Tax Revenue Fund could not be used for construction or renovation of the Fine Arts & Aquatic Center. No ruling concerning the disposition of the \$1,300,000 was made. The Commission thereafter cancelled the lease and demanded a return of the funds.

The parties were not able to agree upon disposition of the \$1,300,000; however the Organization Board of Directors in a meeting on September 26, 2013, did vote to remit \$300,000 of the funds in question back to the Commission. This was accomplished on September 30, 2013. The Organization Board of Directors took no action with regard to the remaining \$1,000,000.

Because the parties could not agree on the disposition of the remaining \$1,000,000, the Organization filed an interpleader action in the Circuit Court of Raleigh County to allow the Court to determine which entity was entitled to the disputed funds. Pursuant to an Order entered in the interpleader action on June 26, 2014, the remaining \$1,000,000 was paid into the office of the Circuit Clerk of Raleigh County on August 1, 2014. This payment discharged the Organization from any further liability or responsibility to any party with regard to the disputed funds.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 12 — Donations to Capital Campaign by Greenbrier County (West Virginia) Commission and Related Uncertainty (continued)

On October 29, 2015, the Circuit Court of Raleigh County ordered the return of the \$1,000,000 to the Greenbrier County Commission. The effect of this is reflected in the year ended June 30, 2015 statement of functional expenses as amount remitted back to Greenbrier County Commission in the amount of \$1,000,000.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 15 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

This table represents operating expenses within both natural and functional classifications for the years ended June 30:

	2015							
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	Total
Instruction	\$ 5,165,728	\$ 973,704	\$ 998,433	\$ 12,359	\$ -	\$ -	\$ -	\$ 7,150,224
Academic support	579,321	128,210	1,104,658	1,465	-	-	-	1,813,654
Student services	921,566	250,682	226,041	1,393	-	-	-	1,399,682
General institutional support	1,503,381	686,093	1,074,605	6,352	-	-	-	3,270,431
Operations and maintenance of plant	917,655	193,923	1,490,974	438,287	-	-	-	3,040,839
Student financial aid	-	-	-	-	1,883,467	-	-	1,883,467
Depreciation	-	-	-	-	-	818,538	-	818,538
Other	-	-	-	-	-	-	100,601	100,601
Total	\$ 9,087,651	\$ 2,232,612	\$ 4,894,711	\$ 459,856	\$ 1,883,467	\$ 818,538	\$ 100,601	\$ 19,477,436

	2014							
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	Total
Instruction	\$ 5,544,081	\$ 1,141,143	\$ 2,159,455	\$ 137,101	\$ -	\$ -	\$ -	\$ 8,981,780
Academic support	532,143	114,426	582,012	407	-	-	-	1,228,988
Student services	1,087,163	296,451	188,779	1,183	-	-	-	1,573,576
General institutional support	1,998,367	581,636	1,253,735	10,661	-	-	-	3,844,399
Operations and maintenance of plant	794,266	165,183	1,656,465	307,057	-	-	-	2,922,971
Student financial aid	-	-	-	-	3,624,590	-	-	3,624,590
Depreciation	-	-	-	-	-	635,649	-	635,649
Other	-	-	-	-	-	-	97,384	97,384
Total	\$ 9,956,020	\$ 2,298,839	\$ 5,840,446	\$ 456,409	\$ 3,624,590	\$ 635,649	\$ 97,384	\$ 22,909,337

REQUIRED SUPPLEMENTARY INFORMATION

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2015**

**State Teachers' Retirement System
Last 10 Fiscal Years***

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
College's proportion of the net pension liability (asset) (percentage)	0.010161%									
College's proportionate share of the net pension liability (asset)	\$ 350,532									
State's proportionate share of the net pension liability (asset)	<u>792,052</u>									
Total proportionate share of the net pension liability (asset)	<u>\$ 1,142,584</u>									
College's covered-employee payroll	\$ 312,047									
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	112.33%									
Plan fiduciary net position as a percentage of the total pension liability	65.95%									

* - The amounts presented for each fiscal year were determined as of June 30th . This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 June 30, 2015

State Teachers' Retirement System
 Last 10 Fiscal Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Contractually required contribution	\$ 46,231									
Contributions in relation to the contractually required contribution	<u>(46,807)</u>									
Contribution deficiency (excess)	<u>\$ (576)</u>									
College's covered-employee payroll	\$ 312,047									
Contributions as a percentage of covered-employee payroll	15.00%									

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. With only one year reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Governors
New River Community and Technical College
Beckley, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of New River Community and Technical College (the "College") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 20, 2016, which states reliance on other auditors for the discretely presented component unit. Our report includes a reference to other auditors who audited the financial statements of The New River Community and Technical College Foundation, Inc., as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of The New River Community and Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Settle & Stalaker, PLLC".

Charleston, West Virginia
January 20, 2016