Blue Ridge Community and Technical College

Financial Statements as of and for the
Years Ended June 30, 2016 and 2015, and Independent
Auditor's Reports

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

TABLE OF CONTENTS

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Blue Ridge Community and Technical College (the College) (a component unit of the State of West Virginia), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Governing Board
Blue Ridge Community and Technical College

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-12 and the Schedule of Proportionate Share of Net Pension Liability and Contributions on page 46, 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 February 13, 2017, 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
February 13, 2017

The Blue Ridge Community and Technical College

Management Discussion and Analysis

Fiscal Year 2016

About The Blue Ridge Community and Technical College

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

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

Overview of the Financial Statements and Financial Analysis

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The discussion and analysis of the College’s financial statements provides an overview of its financial activities for the three years ended June 30, 2016, with a focus on 2016, and is required supplemental information.

Statement of Net Position

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

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

Condensed Schedules of Net Position
As of June 30, 2016, 2015, and 2014
(In thousands of dollars)

	2016	2015	2014*
Assets			
Cash	$ 10,166	$ 8,990	$ 7,426
Other Current Assets	1,007	856	535
Other Noncurrent Assets	32	38	-
Capital Assets	18,316	18,752	19,567
Total Assets	29,521	28,636	27,528
Deferred Outflows of Resources	22	10	-
Liabilities			
Current Liabilities	4,777	4,010	2,636
Noncurrent Liabilities	1,737	1,617	1,436
Total Liabilities	6,514	5,627	4,072
Deferred Inflows of Resources	50	66	14
Net Position			
Investment in Capital Assets	18,316	18,752	19,567
Restricted	2,376	2,045	1,753
Unrestricted	2,287	2,156	2,122
Total Net Position	$ 22,979	$ 22,953	$ 23,442

* Does not include the effects of GASB Statement No. 68

The liquidity position of the College continues to remain strong as cash exceeds total current and noncurrent liabilities. The College's quick ratio (cash to current liabilities) is 2.13, 2.24 and 2.82 as of June 30, 2016, 2015 and 2014, respectively. The working capital (current assets to current liabilities) is 2.34, 2.46 and 3.02 as of June 30, 2016, 2015 and 2014, respectively.

Other items of interest related to assets are as follows:

- Approximately 34% of the assets as of June 30, 2016 were held in cash and cash equivalents, compared to 31% and 27% in cash and cash equivalents as of June 30, 2015 and 2014, respectively. The increase in cash and cash equivalents is primarily attributable to an increase in federal grant award receipts.
- Other current assets include Due from the Council/Commission; net accounts receivable, which is a combination of student accounts receivable, grants receivable, unbilled charges and other receivable; service concession arrangement; and prepaid expenses.
    - The amount in Due from the Council/Commission as of June 30, 2016 represents $338,244 related to grants and $4,711 in interest receivable from interagency funds.
    - The net student accounts receivable is $185,579, $194,936 and $130,108 at June 30, 2016, 2015 and 2014, respectively. The bad debt reserve is $1,502,338, $1,408,261 and $1,374,120 as of June 30, 2016, 2015 and 2014, respectively. The growing allowance is an indication that the collectability of the accounts is unlikely. The majority of

receivables resulted from the return of financial aid to federal and state agencies for students that withdrew from classes. Considerable efforts to collect outstanding balances began during FY15, and accounts are being placed with a collection agency on a routine basis. The College will assess the need to write off these receivables as the collectability trends through the third party becomes apparent.

  - Grants receivable consists of $92,694, $95,455 and $125,299 at June 30, 2016, 2015 and 2014, respectively. The current year balance primarily represents various amounts due to the College from third party agencies for financial aid disbursed to students.
  - Unbilled charges of $134,546, $251,012 and $18,944 at June 30, 2016, 2015 and 2014, respectively. These balances represent amounts due to the College as a result of federal grant activities which have not been billed. It also includes amounts not drawn for the Federal direct loan program.
  - Other receivables represent amounts due for private grant matches and workforce development contracted training.
  - Prepaid expenses of $63,770, $74,695 and $51,943 at June 30, 2016, 2015 and 2014, respectively, include expenditures for services of more than $500 that span a minimum period of six months. Much of this amount represents costs for software warranties and subscriptions.
- Noncurrent assets are other receivable and capital assets.
  - Other receivable is the amount due from employees that were converted from a non-arrears pay cycle to an arrears pay cycle. Nine employees received a "no hardship payment" on 9/30/14 equal to their then-current gross wages, which will be collected from the employee when he or she separates from the College.
  - Construction in Process (CIP) balances at June 30, 2016, 2015 and 2014 were $0, $185,341 and $14,620, respectively. The current CIP amount is $0. The CIP balance for 2015 was for costs accrued for the expansion at the Technology Center. The 7,000 square foot space includes faculty offices, classrooms and Chemical Technology program lab. The 2014 CIP balance consisted of expenditures for an outdoor storage unit and minor building improvement project on main campus.
  - Fixed asset additions, inclusive of Construction in Process (CIP) transfers, total $760,897 for fiscal year 2016. Over half of the additions, or 56%, were grant funded. Student fees and capital fees together were used for 44% of the purchases.

Items of interest related to liabilities are as follows:

- Current liabilities of $4,776,637, $4,009,681 and $2,635,462 at June 30, 2016, 2015 and 2014 increased by $766,956 in fiscal year 2016, increased by $1,374,219 in fiscal year 2015 and decreased by $892,922 in fiscal year 2014.
  - Non-construction accounts payable of $210,051, $486,650 and $187,936 at June 30, 2016, 2015 and 2014, respectively, represent typical operating expenses such as supplies and utilities. The 2015 balance contained a temporary spike resulting from contractual invoices for workforce training of $102,000 and approximately $87,500 in technology computer lab and administrative upgrades.
  - Accrued payroll of $448,547, $416,457 and $346,264 at June 30, 2016, 2015 and 2014, respectively, increased each year. Payroll increased as a result of annual promotions and step increases. The 2015 increase is attributed to new personnel funded by Dept. of Labor grants, annual promotions and step increases. Additionally, employees with a minimum of three years of service with the State earn $60 for each year served. Each year, an increased cost to the institution is evidenced by more employees qualifying for the benefit, in addition to those employees already receiving the benefit.

- Due to Council/Commission and State agencies amounts reported of $12,978, $201 and $39,109 at June 30, 2016, 2015 and 2014, respectively, represent a combination of amounts due for services the State provides the College and for West Virginia financial aid grants. The 2016 balance includes unused grant funds of $7,331 from WV Higher Education and $4,653 from HEAPS that are returned to the State. The 2015 balance is due to other state agencies. The 2014 balance includes unused grant funds of $22,038 from WV Higher Education and $17,071 from HEAPS that are returned to the State.
- Accrued annual leave, or compensated absences, total $545,110, $583,967 and $488,650 at June 30, 2016, 2015 and 2014, respectively, decreased for 2016 due to the resignation of full time employees with unused hours.
- Unearned revenues were $3,555,934, $2,331,040 and $1,562,545 at June 30, 2016, 2015 and 2014, respectively. The balance is largely driven by grants awarded to the College by the Council. The College applies for these grants on behalf of local businesses for workforce training and for creating and sustaining technical programs. Grant awards vary from year to year depending on market demand and the school's desire to create new programs. Two major drivers of unearned revenue include new grants and summer school. During FY16, the college received new State grants totaling $1,900,594 and expended $837,537 in total State grants. This resulted in a net increase in unearned State grant revenue of $1,063,057. The summer school component of unearned revenue for FY16 is $215,209, which is approximately 44% of the total summer term revenue. The deferral calculation is driven by the dates of the three summer terms.

- Noncurrent Liabilities include:
  - Other post-employment benefits (OPEB) accrued at June 30, 2016, 2015 and 2014 total $1,657,329, $1,540,897 and $1,435,873, respectively. The liability is a product of the number of employees enrolled in the health insurance program and the PEIA actuarially determined amount per person.
  - The net pension liability at June 30, 2016 totals $79,493 and has increased from the 2015 balance by $3,595. The net pension liability at June 30, 2015 totaled $75,898. The College implemented GASB Statement 68 during fiscal 2015, as a result there was not a liability in the prior year. The liability is reliant on the number of employees continuing on the West Virginia Teachers' Retirement System (TRS) which was closed to new participants effective July 1, 1991. TRS is a cost-sharing, defined benefit, public employee retirement system with contribution rates established annually by the West Virginia State Legislature.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

Condensed Schedules of
Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2016, 2015 and 2014
(In thousands of dollars)

	2016	2015	2014*
Operating Revenues	$ 9,565	$ 8,750	$ 8,251
Operating Expenses	18,479	18,831	18,354
Operating Loss	(8,914)	(10,081)	(10,103)
Nonoperating Revenues - Net	8,938	9,673	10,048
Increase (Decrease) in Net Position	24	(408)	(55)
Capital Payments Made/ Expenses Incurred on Behalf of College	2	4	34
Increase (Decrease) in Net Position	26	(404)	(21)
Net Position - Beginning of Year	22,953	23,442	23,463
Cumulative Effect of Change in Accounting Principle	-	(85)	-
Net Position - Beginning of Year restated	22,953	23,357	23,463
Net Position - End of Year	$ 22,979	$ 22,953	$ 23,442

* Does not include effects of GASB Statement No. 68

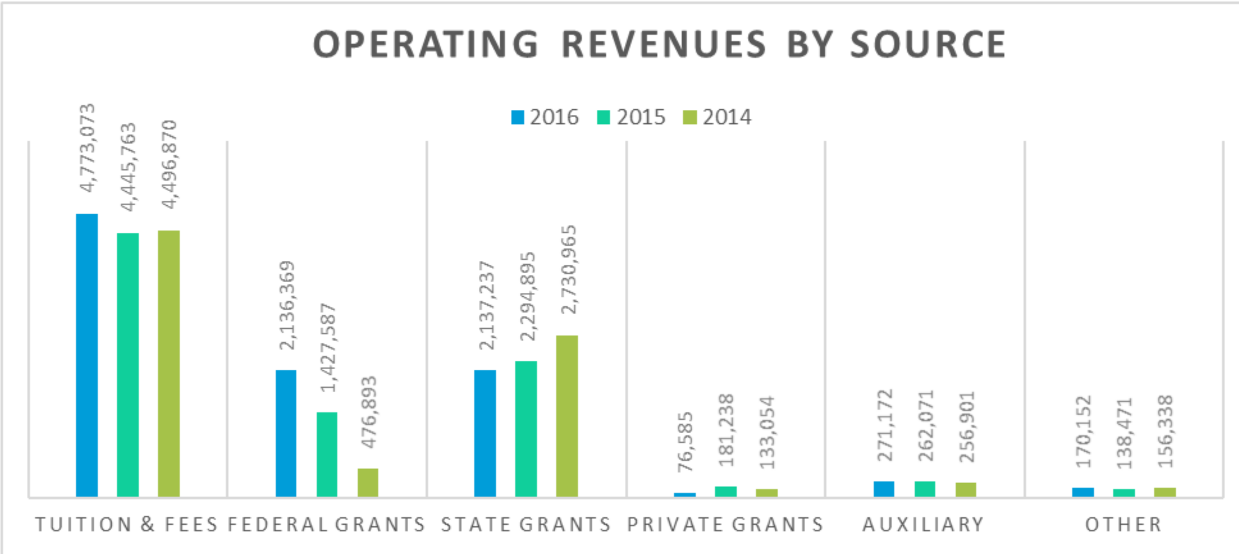
Operating Revenues

Nearly half, 49.9%, of the operating revenue for the College is derived from tuition and fee assessments. Federal grants provide funding for varying degrees of technical education support and grant funds for students. State grants provide funding for new technical program activities, business and industry workforce development, and sustainability funds for high cost programs. The following is an overview of revenues and their sources:

- Student tuition and fees – net of scholarship allowance increased 7.4% from 2015 and 6.1% from 2014. This revenue category can be segregated by two types of tuition and fee revenues – academic and workforce development. The academic revenues increased by approximately $229,000 from 2015, while decreasing slightly from 2014 due to an increased scholarship allowance over 2014. The fiscal year 2016 tuition rate increased by 7.7%. Workforce development revenue, which is generated by Career Advancement courses and contracted training with local employers, increased by $98,324 and $218,724 from 2015 and 2014, respectively, and continues to show measurable growth.
- Revenues from federal sources totaling $2,136,369 consists of 45% Department of Labor project, “Bridging the Gap” funds, 34% Department of Labor project, “Heroes for Hire” funds, 15% Carl D. Perkins Act funds, and 6% student financial aid grants.
- State grants in the form of WV student financial aid grants make up approximately 61%, or $1,299,700 of total revenues reported as State Contracts and Grants. WV Advance, Technical Program, and HB3009 grants make up the remaining 39%, or $837,537.

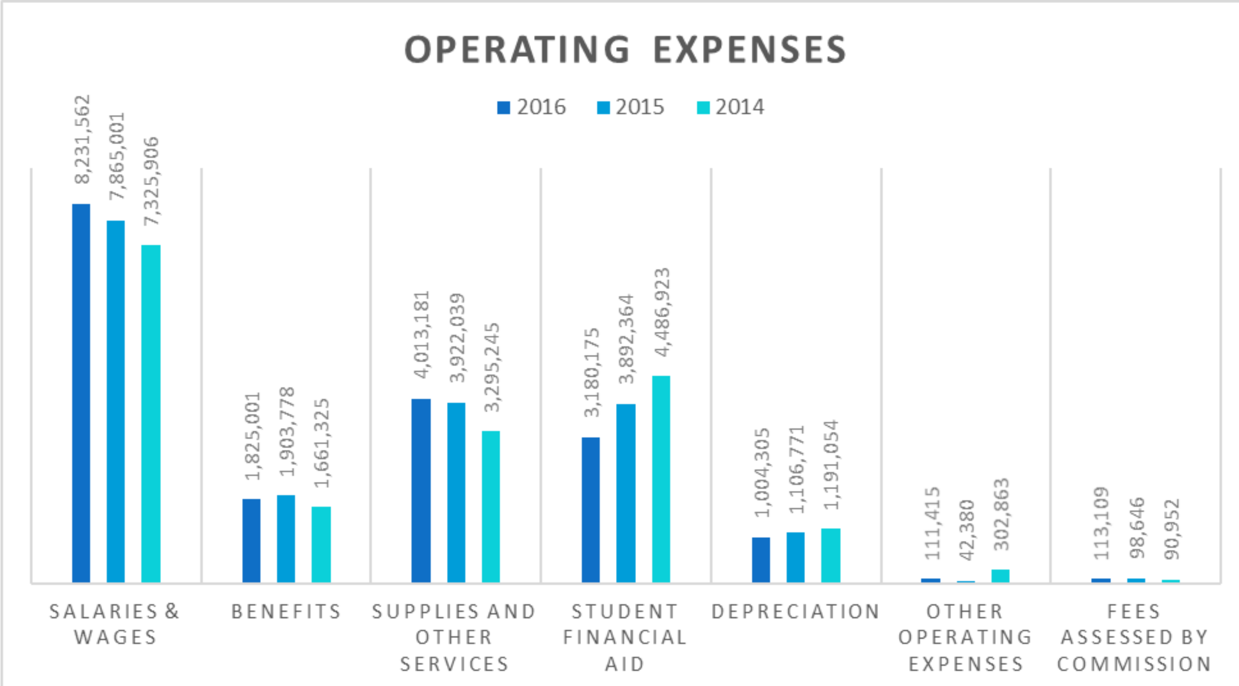
Operating revenues are up 9.3%, primarily due to the federal Department of Labor grants. Blue Ridge CTC’s FY16 Fall FTEs increased from the FY15 Fall FTEs by 9 full time equivalent students. The FTEs for FY16 and FY15 Fall semesters were 1,941 and 1,932, respectively. Along with federal Department of

Labor grants, the gain in revenue was produced as a result of increasing the tuition rate, and course fee and Career Advancement increases.



Operating Expenses

Operating expenses decreased by 1.9% from 2015 to 2016. The 2016 expenses represent the third year of stable activity with all locations remaining constant and fully functional. The decrease in operating expense is largely represented by a decrease of student financial aid of $712,189 or 18%. This decrease can be explained by a 112 decrease in student headcount and a new process in packaging loans. Student scholarships account for 17%, 21% and 24% of the operating expenses in fiscal years 2016, 2015 and 2014, respectively. Over half of the fiscal year 2016 operating expenses were incurred for personnel services and benefits. Supplies and other services increased by $91,142 from fiscal year 2015 to 2016. Rental expense also increased in 2016 by $55,970 or 18% to scheduled expanded lease at the Technology Center. Other operating expense represents the estimated bad debt expense that is accrued annually and additional amounts from student account balances that were written off during the year. The 2016 accrual increased the allowance for doubtful accounts balance by approximately 6.6%. This calculation is an analysis of the financial aid that the Institution returns to the Department of Education when the College determines that the student is no longer entitled to the funds. The return of aid results in a receivable balance on the student's account. Fees assessed by the Commission are funds remitted to Higher Education Policy Commission (HEPC) for the Higher Education Resource Assessment (HERA). This fee is a percentage of the previous year's tuition and fee revenues.



Non-operating Revenue (Expense)

The net non-operating revenues in fiscal year 2016 decreased by $734,608 from fiscal year 2015, largely in part to a decrease in the State appropriation of $217,136 and a decrease in Federal Pell Grant funds of $626,991.

Investment income in fiscal year 2016 increased by $22,366 from 2015. Fees assessed by the Commission remained constant in fiscal 2016 and a loss on disposal decreased by $87,153 brings the total to $734,608. The non-operating Commission fees are remitted to HEPC for a capital assessment.

Capital Payments Made on Behalf of College

Payments have been made on behalf of the College eight of the last ten fiscal years. Payments amounted to $1,885 in 2016, $3,820 in 2015 and $34,453 in 2014. All payments have been in conjunction with the acquisition of a permanent main campus. The funds originated from the 2009 bonds issued by HEPC. A total of $13,500,000 was available from this source for the construction and furnishing of this facility. Total payments to date made on behalf of the College equal $13,095,932.

Statement of Cash Flows

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

Condensed Schedules of Cash Flows
For the Year Ended June 30, 2016, 2015 and 2014
(In thousands of dollars)

	2016	2015	2014
Cash Provided by (Used in):			
Operating Activities	$ (6,999)	$ (8,017)	$ (9,511)
Noncapital Financing Activities	8,923	9,767	10,053
Capital and Related Financing Activities	(779)	(195)	(499)
Investing Activities	31	9	8
Increase(Decrease) in Cash and Cash Equivalents	1,176	1,564	51
Cash and Cash Equivalents - Beginning of Year	8,990	7,426	7,375
Cash and Cash Equivalents - End of Year	$ 10,166	$ 8,990	$ 7,426

Cash used in 2016 operating activities was less than 2015 and 2014 by $1,018,000 and $2,512,000, respectively. Cash inflows increased by approximately $1,384,000 and cash outflows in the form of payments to suppliers and employees increased by approximately $1,063,000. Payments for scholarships and fellowships decreased by $712,189. This decrease was driven by the Pell expense decrease of $626,991. Cash expenditures for the purchase of capital assets was more in 2016 due to acquiring more assets and payments for capital assets accrued in prior year.

Cash used in 2015 operating activities was less than 2014 due to increased student tuition and fees, increased contracts and grants, and decrease in payments for scholarships and fellowships, although personnel expenditures and payments to suppliers increased.

Capital Asset Activity

2016:

CIP projects converted to capitalized assets during 2016 include leasehold improvements at the Technology Center, leasehold improvements for the Human Resources Department at the Main Campus, and fixed assets for the Chemical Technology program lab totaling $378,664. Significant fixed asset additions during fiscal year 2016 totaling $380,348 were added to the Technology Center and Main Campus. These fixed assets are primarily for classroom and lab use. Computer equipment totaling $50,082 was purchased to support administrative IT equipment and the Chemical Technology program lab. Computer software totaling $27,515 was purchased to support the Information Technology programs NetLab and software license funded by the Department of Labor Heroes for Hire grant. The remaining fixed asset additions were culinary equipment ($21,902), SimMan ($4,735), Health Information Lab equipment ($2,143), Mechatronics lab equipment ($173,264), Chemical Technology lab equipment ($85,707), solar heating/cooling package ($15,000), and land improvements ($1,885).

2015:

CIP projects converted to capitalized assets during 2015 include a storage facility and heating enhancements at the main campus totaling $24,966. The CIP balance as of June 30, 2015 contains a partial accrual of leasehold improvements at the Technology Center. The newly leased 7,000 square foot space includes faculty offices, classrooms and Chemical Technology program lab. Significant fixed asset additions during fiscal year 2015 are primarily for classroom and lab use. A SimMan, or simulation mannequin, for $43,572 was purchased to benefit the new Health Information Management program, which is funded by the Department of Labor Heroes for Hire grant. Mechatronics equipment totaling $31,396 was purchased to increase the capacity of the lab, and funded by the Department of Labor Bridging the Gap grant. Additionally, two Mondopads and polycom technology were purchased in amount of $31,133 to facilitate classroom communication at independent sites. The remaining fixed asset additions were administrative IT equipment ($54,648), general building improvements ($31,708), all-terrain vehicle ($15,985), lab equipment donation ($5,000), and land improvements ($3,820).

2014:

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

Economic Outlook

The College enjoyed high levels of productivity and engagement with the community in Fiscal 2016, further promoting economic development and improving quality of life for residents and employers in the Eastern Panhandle of West Virginia and surrounding counties. To meet the needs of the community while accommodating expanding programs, the College once again constructed additional office, classroom, and lab space at the Technology Center. Student services and academic programs also grew as a result of two previously awarded Department of Labor grants (Bridging the Gap and Heroes for Hire) received in the previous two fiscal years.

Additional funding was acquired through state and private grants to support increasing and maintaining student services and academic programs, with new grants awarded in Fiscal 2016 exceeding $2.4 million. The College received several state awarded grants to support initiatives designed to promote Procter and Gamble (P&G) onboarding and curriculum to meet needs expressed by the company. An estimated 700 employees will be staffed at P&G in the coming years. The College is excited about the partnership and the possibilities that exist for the future of the College, the Eastern Panhandle, and for P&G.

Fiscal 2016 included preparation and a visit from the Higher Learning Commission (HLC) for reaffirmation of accreditation. The visit conducted by peer reviewers required evidence the college operates with integrity in its fiscal functions and that the institution has sufficient fiscal resources to support its operations. The College received final notification and official record of a successful reaffirmation of accreditation with an upcoming comprehensive evaluation in 2019 – 2020. The College was recognized by the HLC for its preparation and documentation, so much so that the President and HLC Liaison of the College were requested to present at the 2016 Annual Conference.

The continued and rapid growth experienced by the College also brings challenges. Fiscal 2016 experienced a significant payroll conversion in which employees moved from a twice a month pay period to a bi-weekly pay period. This move required significant monetary and personnel resources to implement successfully. Additional software implementation including Radius by Hobsons customer management solutions, wvOasis ERP system, and Kronos time and leave system also provided for an eventful year. These challenges on existing faculty and staff were heightened further due to the continued poor financial state of West Virginia in FY16. Two additional budget cuts, totaling 4.7% or $217,136, were implemented from the state. Additionally, degree-seeking enrollment experienced a slight decline. State budget cuts coupled with a slight decrease in degree-seeking enrollment led to a 10% internal budget cut on selected tuition and fee bearing funds. Additionally, some open positions remained vacant throughout the academic year. The College must continue to remain attentive in maintaining costs and expanding programs and services strategically to address needs of the community while balancing an unsteady appropriation due to a prolonged state tax collection shortfall.

The College has a degree of optimism going forward in Fiscal 2017. The West Virginia legislature provided an additional $500,000 of funding to the College. Additional measures to attract students from the surrounding counties were made through a focused marketing plan and implementation of a reduced non-resident (metro) rate. The College also anticipates a healthy relationship with P&G leadership team, with hope the P&G expansion will support stabilization and potential growth of degree-seeking enrollment in the coming academic terms.

Requests for information may be directed to:

Chief Financial Officer
Blue Ridge Community and Technical College
13650 Apple Harvest Drive
Martinsburg, WV 25403

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2016 AND 2015

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	$ 10,166,126	$ 8,989,596
Due from the Council/Commission	342,955	93,389
Accounts receivable — net	600,395	687,873
Prepaid expenses	63,770	74,695
Total current assets	11,173,246	9,845,553
NONCURRENT ASSETS:		
Other receivable	31,570	37,657
Capital assets — net	18,315,902	18,752,454
Total noncurrent assets	18,347,472	18,790,111
Total assets	29,520,718	28,635,664
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	21,810	10,429
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 29,542,528	$ 28,646,093
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 210,051	$ 671,991
Accrued liabilities	448,547	416,457
Due to the Council/Commission	12,978	201
Compensated absences	545,110	583,967
Service concession arrangement liability	4,017	6,025
Unearned revenue	3,555,934	2,331,040
Total current liabilities	4,776,637	4,009,681
NONCURRENT LIABILITIES:		
Other postemployment benefits liability	1,657,329	1,540,897
Net pension liability	79,493	75,898
Total noncurrent liabilities	1,736,822	1,616,795
Total liabilities	6,513,459	5,626,476
DEFERRED INFLOWS OF RESOURCES:		
Service concession arrangement	35,983	53,975
Pension related	13,951	12,452
Total deferred inflows of resources	49,934	66,427
NET POSITION:		
Investment in capital assets	18,315,902	18,752,454
Restricted for — expendable — other	2,375,824	2,045,197
Unrestricted	2,287,409	2,155,539
Total net position	22,979,135	22,953,190
TOTAL	$ 29,542,528	$ 28,646,093

The Accompanying Notes Are An Integral Part Of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of $2,848,189 and $2,998,901 in 2016 and 2015, respectively	$ 4,773,073	$ 4,445,763
Contracts and grants:		
Federal	2,136,369	1,427,587
State	2,137,237	2,294,895
Private	76,585	181,238
Auxiliary enterprise revenue	271,172	262,071
Other operating revenues	170,152	138,471
Total operating revenues	9,564,588	8,750,025
OPERATING EXPENSES:		
Salaries and wages	8,231,562	7,865,001
Benefits	1,825,001	1,903,778
Supplies and other services	4,013,181	3,922,039
Student financial aid — scholarships and fellowships	3,180,175	3,892,364
Depreciation	1,004,305	1,106,771
Other operating expenses	111,415	42,380
Fees assessed by the Commission for operations	113,109	98,646
Total operating expenses	18,478,748	18,830,979
OPERATING LOSS	(8,914,160)	(10,080,954)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	4,423,242	4,640,378
Federal Pell Grant	4,499,832	5,126,823
Investment income	31,313	8,947
Fees assessed by the Commission	(8,364)	(8,364)
Loss on disposals	(7,803)	(94,956)
Net nonoperating revenues	8,938,220	9,672,828
INCREASE (DECREASE) IN NET POSITION BEFORE OTHER REVENUE, EXPENSES, GAINS, OR LOSSES	24,060	(408,126)
CAPITAL PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF THE COLLEGE	1,885	3,820
INCREASE (DECREASE) IN NET POSITION	25,945	(404,306)
NET POSITION — Beginning of year	22,953,190	23,442,218
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	(84,722)
NET POSITION — Beginning of year, as restated	22,953,190	23,357,496
NET POSITION — End of year	$ 22,979,135	$ 22,953,190

The Accompanying Notes Are An Integral Part Of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 4,678,637	$ 4,354,376
Contracts and grants	5,402,106	4,360,650
Payments to and on behalf of employees	(9,940,317)	(9,494,915)
Payments to suppliers	(4,254,733)	(3,636,738)
Payments for scholarships and fellowships	(3,180,175)	(3,892,364)
Auxiliary enterprise charges	271,172	262,071
Fees retained by Commission	(113,109)	(98,646)
Other receipts - net	137,284	128,340
Net cash used in operating activities	(6,999,135)	(8,017,226)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	4,423,242	4,640,378
Federal Pell Grant	4,499,832	5,126,823
Federal student loan program - direct lending receipts	6,550,904	7,020,882
Federal student loan program - direct lending payments	(6,550,904)	(7,020,882)
Net cash provided by noncapital financing activities	8,923,074	9,767,201
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(770,358)	(186,831)
Fees assessed by the Commission	(8,364)	(8,364)
Net cash used in capital financing activities	(778,722)	(195,195)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	31,313	8,946
INCREASE IN CASH AND CASH EQUIVALENTS	1,176,530	1,563,726
CASH AND CASH EQUIVALENTS - Beginning of year	8,989,596	7,425,870
CASH AND CASH EQUIVALENTS - End of year	$ 10,166,126	$ 8,989,596
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (8,914,160)	$ (10,080,954)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,004,305	1,106,771
Amortization of Service Concession Arrangement	(20,000)	60,000
Bad debt expense	94,077	34,141
Effect of changes in operating assets and liabilities:		
Accounts receivable, net	(511)	(438,582)
Due from Council/Commission	(249,566)	4,961
Prepaid expenses	10,923	(22,750)
Accounts payable	(265,253)	286,959
Accrued liabilities	32,090	70,193
Due to Council/Commission	12,777	-
Compensated absences	(38,857)	95,317
Net pension liability	(6,287)	(6,801)
Other postemployment benefits liability	116,432	105,024
Unearned revenue	1,224,895	768,495
Net cash used in operating activities	$ (6,999,135)	$ (8,017,226)
NONCASH TRANSACTIONS:		
Capital expenses in accounts payable	$ -	$ 197,332
Capital payments made and expenses incurred on behalf of the College	$ 1,885	$ 3,820

The Accompanying Notes Are An Integral Part of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

ASSETS

	2016	2015
ASSETS		
Cash and cash equivalents	$ 678,365	$ 143,668
Pledges receivable	17,000	23,000
Other assets	5,000	5,000
TOTAL ASSETS	$ 700,365	$ 171,668

LIABILITIES AND NET ASSETS

	2016	2015
LIABILITIES		
Accounts payable and accrued liabilities	$ -	$ 8,832
Deferred revenue	1,500	-
TOTAL LIABILITIES	1,500	8,832
NET ASSETS		
Unrestricted	109,151	79,079
Temporarily restricted	89,714	83,757
Permanently restricted	500,000	-
Total net assets	698,865	162,836
TOTAL LIABILITIES AND NET ASSETS	$ 700,365	$ 171,668

The Accompanying Notes Are An Integral Part Of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND PUBLIC SUPPORT				
Contributions	$ 1,681	$ 35,418	$ 500,000	$ 537,099
Special events income, net of direct costs of $28,239 and $27,620 in 2016 and 2015, respectively	4,755	640	-	5,395
Contributed goods and services	22,039	-	-	22,039
Investment income	108	-	-	108
Net assets released from restriction	30,101	(30,101)	-	-
Total revenues, gains, and public support	58,684	5,957	500,000	564,641
EXPENSES				
Program services:				
Benefits paid to or for members	58	-	-	58
Scholarships	23,048	-	-	23,048
Awards	4,962	-	-	4,962
Total program services	28,068	-	-	28,068
Management and general	544	-	-	544
Total expenses	28,612	-	-	28,612
CHANGES IN NET ASSETS	30,072	5,957	500,000	536,029
NET ASSETS, BEGINNING OF YEAR	79,079	83,757	-	162,836
NET ASSETS, END OF YEAR	$ 109,151	$ 89,714	$ 500,000	$ 698,865

The Accompanying Notes Are An Integral Part Of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	Year Ended June 30, 2015		
		Temporarily	
	Unrestricted	Restricted	Total
REVENUES, GAINS, AND PUBLIC SUPPORT			
Contributions	$ 2,546	$ 20,587	$ 23,133
Special events income, net of direct costs of $28,239 and $27,620 in 2016 and 2015, respectively	24,930	1,562	26,492
Contributed goods and services	5,900	-	5,900
Investment income	58	-	58
Net assets released from restriction	7,286	(7,286)	-
Total revenues, gains, and public support	40,720	14,863	55,583
EXPENSES			
Program services:			
Benefits paid to or for members	0	-	-
Scholarships	5,988	-	13,820
Awards	14,132	-	6,300
Total program services	20,120	-	20,120
Management and general	591	-	591
Total expenses	20,711	-	20,711
CHANGES IN NET ASSETS	20,009	14,863	34,872
NET ASSETS, BEGINNING OF YEAR	59,070	68,894	127,964
NET ASSETS, END OF YEAR	$ 79,079	$ 83,757	$ 162,836

The Accompanying Notes Are An Integral Part Of These Financial Statements

1. ORGANIZATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The accompanying financial statements include the discretely presented Blue Ridge Community and Technical College Foundation because, based on the criteria provided by GASB Statements No. 39 and 61, the economic resources received or held by the related Foundation to which the College, or its component units, is entitled or has the ability to otherwise access, is significant to the College.

The audited financial statements of Blue Ridge Community and Technical College Foundation, Inc. (the "Foundation") are discretely presented here with the College's financial statements for the fiscal years ended June 30, 2016 and 2015. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Note 16).

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

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

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

Expendable — This includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees, and Other Money Collected at State Institutions of Higher Education*, of the West Virginia State Code. House Bill No. 101 passed in March 2004, simplified the tuition and fee restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the College. These restrictions are subject to change by future actions of the West Virginia State Legislature.

Nonexpendable — This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principle. The College does not have any restricted nonexpendable net position at June 30, 2016 or 2015.

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

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

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

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

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

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

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

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

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

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

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

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

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 (TRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported in the TRS financial statements, which can be found at https://www.wvretirement.com/Publications.html#CAFR. The plan schedules of TRS 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 TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ. (See Note 12)

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. The College had deferred outflows of resources related to pensions of $21,810 and $10,429 as of June 30, 2016 and 2015, respectively (see Note 12).

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. As of June 30, 2016 and 2015, the College had deferred service concession arrangements of $35,983 and $53,975, respectively (see Note 14) and deferred inflows related to pensions of $13,951 and $12,452, respectively (see Note 12).

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

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

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

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

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

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

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

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

Federal Financial Assistance Programs — The College facilitates borrowing opportunities to students through the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through institutions like the College. Direct student loan receivables are not included in the College's statements of net position as the loans are repayable directly to the U.S. Department of Education. In 2016 and 2015, the College received and disbursed $6,550,904 and $7,020,882, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2016 and 2015, the College received and disbursed $4,624,141 and $5,236,879, respectively, under these federal student aid programs.

Scholarship Allowances — Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf.

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

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

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

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

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

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

Newly Adopted Statements Issued by the GASB – The College has implemented GASB Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015. This statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption of this statement did not have a material impact on the financial statements.

The College has also implemented GASB 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*. The requirements of this statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015.

This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees of state and local governmental employers and are not within the scope of Statement 68. This statement also establishes requirements for pensions that are provided through pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also establishes requirements for governments that hold assets accumulated for purposes of providing pensions through defined benefit pension plans that are not administered through trusts that meet certain criteria and amends certain provisions for pension plans that are within the scope of Statement 67 and for pensions that are within the scope of Statement 68. The College has not yet determined the effect that the adoption of GASB Statement No. 73 may have on its financial statements.

The College has also implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is effective for fiscal years beginning after June 15, 2015. This statement establishes the hierarchy of GAAP for state and local governments. The adoption of this statement did not have a material impact on the financial statements.

The College has also early implemented Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is effective for fiscal years beginning after December 15, 2015. This statement establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that meets certain criteria in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and that is not a state or local governmental pension plan; is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The adoption of this statement did not have a material impact on the financial statements.

The College has also implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. The requirements of this statement are effective for fiscal years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The adoption of this statement did not have a material impact on the financial statements.

Recent Statements Issued by the GASB – The GASB has also issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for fiscal years beginning after June 15, 2016. This statement establishes financial reporting standards for state and local governmental other postemployment benefit plans – defined benefit plans and defined contribution plans – that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing other postemployment benefits through defined benefit plans that are not administered through trusts or equivalent arrangements that meet certain criteria. The College has not yet determined the effect that the adoption of GASB Statement No. 74 may have on its financial statements.

The GASB has also issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal years beginning after June 15, 2017. This statement establishes standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also establishes standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are not administered through trusts that meet certain criteria. The College has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The GASB has also issued Statement No. 77, *Tax Abatement Disclosures*, which is effective for fiscal years beginning after December 15, 2015. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The College has not yet determined the effect that the adoption of GASB Statement No. 77 may have on its financial statements.

The GASB has also issued Statement No. 80, *Blending Requirements for Certain Component Units*, which is effective for fiscal years beginning after June 15, 2016. This statement amends the blending requirements for the financial presentation of component units of all state and local governments established in Statement No. 14, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The College has not yet determined the effect that the adoption of GASB Statement No. 80 may have on its financial statements.

The GASB has also issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which is effective for fiscal years beginning after December 15, 2016. This statement establishes recognition and measurement requirements for irrevocable split-interest agreements created through trusts – or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements – in which a donor irrevocably transfers resources to an intermediary. The intermediary administers these resources for the unconditional benefit of a government or at least one other beneficiary. The College has not yet determined the effect that the adoption of GASB Statement No. 81 may have on its financial statements.

The GASB has also issued Statement No. 82, *Pension Issues*, which is effective for fiscal years beginning after June 15, 2016, except for the requirements of this statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This statement establishes accounting and financial reporting requirements for pensions provided to employees of state or local governmental employers. This statement also establishes financial reporting requirements for pension plans administered through trusts that meet the criteria in Statement No. 67. The College has not yet determined the effect that the adoption of GASB Statement No. 82 may have on its financial statements.

The GASB has also issued Statement No. 83, *Certain Asset Retirement Obligations*, which is effective for fiscal years beginning after June 15, 2018. This statement establishes accounting and financial reporting for certain asset retirement obligations. The College has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

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

	June 30, 2016		
	Current	Noncurrent	Total
State Treasurer	$ 9,530,120	$ -	$ 9,530,120
In Bank	636,006	-	636,006
Total	$ 10,166,126	$ -	$ 10,166,126

	June 30, 2015		
	Current	Noncurrent	Total
State Treasurer	$ 8,476,597	$ -	$ 8,476,597
In Bank	512,999	-	512,999
Total	$ 8,989,596	$ -	$ 8,989,596

The combined carrying amount of cash in bank at June 30, 2016 and 2015, was $636,006 and $512,999 as compared with the combined bank balance of $704,829 and $607,241, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. Non-interest-bearing accounts are 100% insured through December 31, 2016.

Amounts with the State Treasurer as of June 30, 2016 and 2015, are comprised of three investment pools: the WV Money Market Pool, the WV Government Money Market Pool and the WV Short Term

Bond Pool, and certain amounts of uninvested cash.

Cash on deposit with the Treasurer includes deposits in the State Treasury bank account, the WV Money Market Pool, the WV Government Money Market Pool, and the WV Short Term Bond Pool. Deposits in the bank account are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the bank in the name of the State. Deposits in the WV Money Market Pool, the WV Government Money Market Pool, and the WV Short Term Bond Pool are pooled by the Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (the BTI). These funds are transferred to the BTI, and then the BTI invests in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures and trust agreements when applicable. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. 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 Legislature and is subject to oversight by the 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 and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

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

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:

	2016		2015	
External Pool	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	$ 8,904,571	AAAm	$ 8,367,673	AAAm
WV Government Money Market Pool	$ 0	AAAm	$ 74,055	AAAm
WV Short Term Bond Pool	$ 209,983	Not Rated	$ 1,873	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	2016 Carrying Value	2016 WAM (Days)	2015 Carrying Value	2015 WAM (Days)
WV Money Market Pool	$ 8,904,571	49	$ 8,367,673	49
WV Government Money Market Pool	$ 0	50	$ 74,055	58

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

External Pool	2016 Carrying Value	2016 Effective Duration (Days)	2015 Carrying Value	2015 Effective Duration (Days)
WV Short Term Bond Pool	$ 209,983	462	$ 1,873	410

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.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss arising from a large position in a single asset or market exposure. The College has no risk exposure.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The College has no risk exposure.

Foreign Currency Risk

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

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016 and 2015, is as follows:

	2016	2015
Student tuition and fees — net of allowance for doubtful accounts of $1,502,338 and $1,408,261 in 2016 and 2015, respectively	$ 185,579	$ 194,936
Other receivables	187,576	146,470
Unbilled charges	134,546	251,012
Financial aid grants receivable	92,694	95,455
	$ 600,395	$ 687,873

5. CAPITAL ASSETS

Summary of capital assets transactions for the College as of June 30, 2016 and 2015, is as follows:

	2016			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,605,550	$ -	$ -	$ 1,605,550
Construction in progress	185,341	193,323	(378,664)	-
Total capital assets not being depreciated	$ 1,790,891	$ 193,323	$ (378,664)	$ 1,605,550
Capital assets being depreciated:				
Land Improvements	$ 663,223	$ 1,885	$ -	$ 665,108
Buildings/Leasehold improvements	17,222,722	378,664	-	17,601,386
Library books	1,492	-	-	1,492
Equipment	3,822,971	380,348	(121,806)	4,081,513
Total capital assets being depreciated	21,710,408	760,897	(121,806)	22,349,499
Less accumulated depreciation for:				
Land Improvements	66,808	44,232	-	111,040
Buildings/Leasehold improvements	1,995,424	552,774	-	2,548,198
Library books	1,445	47	-	1,492
Equipment	2,685,168	407,252	(114,003)	2,978,417
Total accumulated depreciation	4,748,845	1,004,305	(114,003)	5,639,147
Capital assets being depreciated — net	$ 16,961,563	$ (243,408)	$ (7,803)	$ 16,710,352
Capital assets — net	$ 18,752,454	$ (50,085)	$ (386,467)	$ 18,315,902

CAPITAL ASSETS (Continued)

	2015			
	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**
Capital assets not being depreciated:				
Land	$ 1,605,550	$ -	$ -	$ 1,605,550
Construction in progress	14,620	195,687	(24,966)	185,341
Total capital assets not being depreciated	$ 1,620,170	$ 195,687	$ (24,966)	$ 1,790,891
Capital assets being depreciated:				
Land Improvements	$ 659,403	$ 3,820	$ -	$ 663,223
Buildings/Leasehold improvements	17,680,250	15,606	(473,134)	17,222,722
Library books	1,492	-	-	1,492
Equipment	3,895,928	197,836	(270,793)	3,822,971
Total capital assets being depreciated	22,237,073	217,262	(743,927)	21,710,408
Less accumulated depreciation for:				
Land Improvements	20,832	45,976	-	66,808
Buildings/Leasehold improvements	1,804,685	570,627	(379,887)	1,995,425
Library books	1,259	186	-	1,445
Equipment	2,463,624	489,982	(268,439)	2,685,167
Total accumulated depreciation	4,290,400	1,106,771	(648,326)	4,748,845
Capital assets being depreciated — net	$ 17,946,673	$ (889,509)	$ (95,601)	$ 16,961,563
Capital assets — net	$ 19,566,843	$ (693,822)	$ (120,567)	$ 18,752,454

6. LONG-TERM LIABILITIES

Summary of long-term obligation transactions for the College for the years ended June 30, 2016 and 2015, is as follows:

	2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
OPEB liability	$ 1,540,897	$ 318,681	$ 202,249	$ 1,657,329	$ -

	2015				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
OPEB liability	$ 1,435,873	$ 300,566	$ 195,542	$ 1,540,897	$ -

7. OTHER POSTEMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarially determined amounts. At June 30, 2016, 2015 and 2014 the noncurrent liability related to OPEB costs was $1,657,329, $1,540,897, and $1,435,873 respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $318,681 and $202,249, respectively, during 2016, or 63%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $300,566 and $195,542, respectively, during 2015, or 65%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $260,264 and $213,722, respectively, during 2014, or 82%. As of and for the years ended June 30, 2016, 2015 and 2014 there were three, two, and two, respectively, retirees receiving these benefits. During the 2012 Legislative session, the State took proactive measures to address the unfunded liability, which will take effect in future fiscal years and fully fund the liability by 2037.

8. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

The Municipal Bond Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution. Although the bonds remain as capital obligation of the Commission, an estimate of the obligation of each institution was reported as a long-term payable by each institution and as a receivable by the Commission, The College has no liability to the Commission at June 30, 2016 and 2015.

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

The College leases space at two locations as of June 30, 2016, which are accounted for as operating leases.

Future annual scheduled lease payments on operating leases for the 5 years subsequent to June 30, 2016 and then remaining in increments of 5 years, are as follows:

Year Ending June 30,	Berkeley Business Park	Morgan County Commission	Total
2017	$ 310,298	$ 60,778	$ 371,076
2018	272,183	-	272,183
2019	61,023	-	61,023
2020	61,846	-	61,846
2021	62,685	-	62,685
2022-2025	259,469	-	259,469
Total	$ 1,027,504	$ 60,778	$ 1,088,282

Total lease expense for the years ended June 30, 2016 and 2015, was $364,453 and $300,015, respectively.

The College does not have any non-cancellable leases.

10. UNRESTRICTED NET POSITION

The College did not have any designated unrestricted net position as of June 30, 2016 or 2015.

Total unrestricted net position before OPEB liability	$ 3,944,738	$ 3,696,436
Less OPEB liability	(1,657,329)	(1,540,897)
Total unrestricted net position	$ 2,287,409	$ 2,155,539

11. DEFINED CONTRIBUTION PLANS

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

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

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

DEFINED CONTRIBUTION PLANS

	Educators Money		
Source of contributions:	2016	2015	2014
Employee	$ 1,715	$ 1,612	$ 1,491
Employer	1,715	1,612	1,491
Total contributions	$ 3,430	$ 3,224	$ 2,982

	TIAA-CREF		
Source of contributions:	2016	2015	2014
Employee	$ 411,039	$ 398,628	$ 366,873
Employer	411,039	398,628	366,873
Total contributions	$ 822,078	$ 797,256	$ 733,746

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

BENEFITS ELIGIBLE PAYROLL

	2016	2015	2014
Employees' Salaries-TIAA-CREF	$ 6,850,651	$ 6,643,796	$ 6,114,544
Employees' Salaries-Educators Money	28,588	26,872	24,857
Total	$ 6,879,239	$ 6,670,668	$ 6,139,401

12. DEFINED BENEFIT PENSION PLAN

Some employees of the College are enrolled in a defined benefit pension plan, the West Virginia Teachers’ Retirement System (TRS), which is administered by the West Virginia Consolidated Public Retirement Board (CPRB).

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 years ended June 30, 2016 and 2015, respectively:

TRS		2016		2015
Net Pension Liability	$	79,493	$	75,898
Deferred Outflows of Resources	$	21,810	$	10,429
Deferred Inflows of Resources	$	13,951	$	12,452
Revenues	$	12,868	$	10,131
Pension Expense	$	6,581	$	3,330
Contributions Made by BRCTC	$	10,159	$	10,429

TRS

Plan Description

TRS 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. TRS closed membership to new hires effective July 1, 1991.

TRS 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. TRS 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 TRS website at
https://www.wvretirement.com/Publications.html#CAFR

Benefits Provided

TRS 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 5 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 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: TRS 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:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll of members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by State residents; and
5. 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 TRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2015 and 2014, the College's proportionate share attributable to this special funding subsidy was $79,493 and $75,898, respectively.

The College's contributions to TRS for the years ended June 30, 2016, 2015 and 2014, were $10,159, $10,429, and $10,134, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2014 and 2013 and rolled forward to June 30, 2015 and 2014, respectively. 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 1.9% and 2.2%, respectively.
- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 1.2-30% and non-teachers 1.4-22.5%.
- Disability rates: 0-0.88% and .8%, respectively
- 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 State 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.

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 TRS' target asset allocation as of June 30, 2015, are summarized below.

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
US equity	7.0%	27.5%
International equity	7.7%	27.5%
Core fixed income	2.7%	7.5%
High-yield fixed income	5.5%	7.5%
Real estate	5.6%	10.0%
Private equity	9.4%	10.0%
Hedge funds	4.7%	10.0%
Cash	1.5%	0.0%

Discount rate. The discount rate used to measure the total TRS 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, TRS' 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 TRS' 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 3.73% 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, 2015.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the College's proportionate share of the TRS net pension liability as of June 30, 2016 and 2015, respectively, calculated using the discount rate of 7.50%, as well as what the College's TRS 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.

2016	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability	$ 103,056	$ 79,493	$ 59,260

2015	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability	$ 98,436	$ 75,898	$ 56,556

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

The TRS net pension liability was measured as of June 30, 2015 and 2014. The total pension liability was determined by an actuarial valuation as of June 30, 2014 and 2013 and rolled forward to the measurement date.

At June 30, 2016 and 2015, the College's proportionate share of the TRS net pension liability was $260,835 and $247,382, respectively. Of this amount, the College recognized approximately $79,493 and $75,898, respectively as its proportionate share on the Statement of Net Position. The remainder of $181,342 and $171,484, respectively denotes the College's proportionate share of net pension liability attributable to the special funding situation.

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 TRS for each of the fiscal years ended June 30, 2015, 2014 and 2013. Employer contributions are recognized when due. At June 30, 2015, the College's proportion was 0.002294%, an increase of 0.00022% from its proportion of 0.002074% calculated as of June 30, 2014. At June 30, 2014, the College's proportion was 0.002074%, a decrease of 0.0002% from its proportion of 0.002270% calculated as of June 30, 2013.

For the year ended June 30, 2016 and 2015, the College recognized TRS pension expense of $6,581 and $3,330, respectively. Of this amount, $(6,287) and $(6,801), respectively, was recognized as the College's proportionate share of the TRS expense and $12,868 and $10,131, respectively, as the amount of pension expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of $12,868 and $10,131, respectively, for support provided by the State.

At June 30, 2016 and 2015, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

Deferred Outflows of Resources		2016		2015
Changes in proportion and difference between employer contributions and proportionate share of contributions	$	7,160	$	-
Net difference between projected and actual investment earnings		4,491		-
Contributions after the measurement date		10,159		10,429
Total	$	21,810	$	10,429

Deferred Inflows of Resources		2016		2015
Changes in proportion and difference between employer contributions and proportionate share of contributions	$	5,417	$	2,420
Net difference between projected and actual investment earnings		7,846		10,032
Differences between expected and actual experience		688		-
Total	$	13,951	$	12,452

The College will recognize the $10,159 reported as 2016 deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows.

Fiscal Year Ended		Amortization
June 30, 2017	$	(1,333)
June 30, 2018		(1,333)
June 30, 2019		(2,086)
June 30, 2020		1,156
June 30, 2021		1,296
	$	(2,300)

Payables to the pension plan

The College did not report any amounts payable for normal contributions to the TRS as of June 30, 2016 or 2015.

13. CONTINGENCIES

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

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

14. SERVICE CONCESSION ARRANGEMENTS

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

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

15. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Operating expenses within both natural and functional classifications for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Instruction	$ 6,789,723	$ 6,120,230
Academic support	570,863	591,609
Student services	1,633,204	1,390,738
General institutional support	3,713,998	4,057,542
Operations and maintenance of plant	1,269,995	1,366,763
Student financial aid	3,186,308	3,892,364
Depreciation	1,004,305	1,106,771
Auxiliary	197,243	202,986
Other	113,109	101,976
Total	$ 18,478,748	$ 18,830,979

16. COMPONENT UNIT'S DISCLOSURES

The notes taken directly from the audited financial statements of the Foundation are as follows:

BLUE RIDGE COMMUNITY AND TECHINCAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Blue Ridge Community and Technical College Foundation, Inc. (the Foundation) was incorporated under the laws of West Virginia on January 14, 2011 and commenced operations on June 1, 2011. The Foundation was formed for the purposes of providing scholarships to students, administering funds restricted for special college programs, and providing special awards and grants to students attending Blue Ridge Community and Technical College (the College) located in Martinsburg, West Virginia.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets
Net assets that are not subject to donor stipulations.

Temporarily Restricted Net Assets
Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently Restricted Net Assets
Net assets subject to donor-imposed stipulations that will be maintained permanently by the Foundation. The donors of these assets generally permit the Foundation to use the income earned on the related investments for specific purposes.

Use of Estimates in Preparing Financial Statements

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 amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less at date of purchase to be cash equivalents.

Contributions

Contributions receivable represent unconditional promises to give from various contributors including individuals, local businesses and state and local governments. Contributions receivable in excess of one year have been discounted and all contributions receivable are recorded at fair value as of June 30, 2016 and 2015.

Contributions of temporarily restricted net assets that are received and expended in the same fiscal year are treated as temporarily restricted revenue and net assets released from restriction in that year.

Permanently Restricted Contributions

Contributions subject to donor-imposed stipulations that must be maintained in perpetuity by the Foundation are included in permanently restricted net assets. Generally, the donors of these assets permit the Foundation to use all or part of the income earned and capital gains on related investments, if any, for general or specific purposes.

Temporarily Restricted Contributions

Contributions subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time are included in temporarily restricted net assets.

Unrestricted Contributions

Contributions not subject to donor-imposed stipulations, or whose restrictions have been satisfied, are recorded as unrestricted net assets.

Deferred Revenue

The Foundation holds events each year in July and September. All donations and fees paid for these events prior to year end are recognized as deferred revenue.

Tax Status

The Foundation has been recognized by the Internal Revenue Service as a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code.

The Foundation follows generally accepted accounting principles, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The Foundation's policy is to charge penalties and interest to income tax expense as incurred. The Foundation's federal and state income tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

Contributed Services

The College has allowed the Foundation to utilize office space on its campus. The utilities, water, and the space are provided at no cost to the Foundation and are not deemed significant. There are no amounts for utilities, water and the space reflected in the financial statements.

NOTE 2 CONCENTRATIONS OF CREDIT RISK

The Foundation maintains all of its cash in one commercial bank located in Martinsburg, West Virginia. Balances on deposit are insured by the Federal Deposit Insurance

Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. The Foundation continually assesses the financial strength of this institution to mitigate its credit risk.

NOTE 3 ENDOWMENTS

The Foundation's endowments consist of one fund established to support a variety of scholarships at Blue Ridge Community and Technical College. The endowments include donor restricted endowment funds. Net assets associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported as permanently restricted net assets based on the donor-imposed restrictions. The classification is based on the board's interpretation of West Virginia's statutes that govern such endowments and its interpretations of donor intent and the related endowment bylaws.

The Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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. Consequently, the Foundation classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation's Board. In accordance with SPMIFA, the Foundation 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 purpose of the Foundation and the 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 Foundation;
7. The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce results similar to the S&P 500 index while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

The Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Foundation targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints.

The endowment asset was contributed in 2016, and held in a low yield deposit account. The endowment assets earned $58 for the year ended June 30, 2016 which are recorded as temporarily restricted net assets.

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30 are restricted for the following purposes:

	2016	2015
Scholarships	$ 89,714	$ 83,757

Net assets released from restrictions were as follows:

	2016	2015
Scholarships	$ 30,101	$ 7,286

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS

Schedule of Proportionate Share of TRS Net Pension Liability:

Measurement Date	College's Proportionate Share as a Percentage of Net Pension Liability	College's Proportionate Share	State's Proportionate Share	Total Proportionate Share	College's Covered Employee Payroll	College's Proportionate Share as a Percentage of Covered Payroll	College's Plan Fiduciary Net Position as a Percentage of Total Pension
June 30, 2015	0.002294%	$ 79,493	$ 181,342	$ 260,835	$ 69,526	114.34%	66.25%
June 30, 2014	0.002074%	$ 75,898	$ 171,484	$ 247,382	$ 67,561	112.34%	65.95%

Schedule of Employer Contributions:

Year End	Actuarily Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
June 30, 2016	$ 10,159	$ 10,159	$ -	$ 67,725	15.00%
June 30, 2015	$ 10,431	$ 10,429	$ 2	$ 69,526	15.00%
June 30, 2014	$ 9,436	$ 10,134	$ (698)	$ 67,561	15.00%

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information For the Years Ended June 30, 2016 and 2015

There are no factors that affect trends in the amounts reported, such as change in benefit terms or assumptions. With only two years 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 AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Blue Ridge Community and Technical College (the College) (a component unit of the State of West Virginia), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Blue Ridge Community and Technical College's basic financial statements, and have issued our report thereon dated February 13, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 result of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
February 13, 2017