New River
Community and Technical College

Financial Statements
Years Ended June 30, 2016 and 2015

and

Independent Auditor's Reports

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
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Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of New River Community and Technical College (the "College"), a component unit of the West Virginia Council for Community and Technical Education, as of and for the years ended June 30, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College as of June 30, 2016 and 2015, and the respective changes in financial position, and where applicable, cash flows, thereof 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 5 through 11, and the schedule of proportionate share of the net pension liability and schedule of contributions, and related note on pages 60 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 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 results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
January 31, 2017

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Our discussion and analysis of New River Community and Technical College's (the "College") financial performance provides an overview of the College's financial activities during the years ended June 30, 2016 and 2015. Since this discussion and analysis is designed to focus on current activities, resulting changes, and currently known facts, please refer to the College's basic financial statements on pages 12 to 17 and the notes to financial statements on pages 18 to 58.

Financial Highlights

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

- The College's assets exceeded its liabilities by approximately $27.3 million for FY2016 and approximately $29.8 million for FY2015.

- Net operating loss was approximately $(12.4) million in FY2016 and approximately $(13.1) million in FY2015.

Overview of the Financial Statements

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

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

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

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

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

Financial Analysis of the College

Total net position of the College for FY2016 and FY2015 was approximately $27.3 million and approximately $29.8 million, with net investment in capital assets comprising approximately $33.0 million and approximately $33.5 million of the total, respectively, a decrease of 1% from FY2015 to FY2016. These capital assets are utilized to provide educational and related services to students and the communities but are not readily available for future spending. The unrestricted net position was approximately $(5.7) million deficit (21%) and approximately $(3.7) million (12%) of the total net position for FY2016 and FY2015, respectively. The deficit in unrestricted net position is primarily due to the accumulation of the OPEB liability. The unrestricted net position represents amounts not restricted by plant operations, grant and loan funds, and State code restrictions.

Condensed Schedules of Net Position
June 30, 2016, 2015 and 2014
(in millions)

	2016	2015	2014
Cash	$ 0.5	$ 0.7	$ 1.9
Other current assets	0.6	1.0	1.0
Total current assets	1.1	1.7	2.9
Capital assets	33.0	33.5	26.1
Total noncurrent assets	33.0	33.5	26.1
Total assets	34.1	35.2	29.0
Deferred outflows of resources	-	0.1	-
Total	$ 34.1	$ 35.3	$ 29.0
Current liabilities	$ 3.7	$ 2.5	$ 2.4
Noncurrent liabilities	3.0	2.9	2.5
Total liabilities	6.7	5.4	4.9
Deferred inflows of resources	0.1	0.1	-
Net position (deficit)			
Investment in capital assets	33.0	33.5	26.1
Restricted, expendable	-	-	0.1
Unrestricted net position (deficit)	(5.7)	(3.7)	(2.1)
Total net position	27.3	29.8	24.1
Total	$ 34.1	$ 35.3	$ 29.0

For the years ended June 30, 2016 and 2015 the decrease in net position before other revenues, expenses, gains or losses was approximately $(2.7) million and approximately $(1.8) million. Net tuition revenue decreased for FY2016 by approximately $0.1 million to approximately $2.3 million due to decreased enrollment. Financial aid assistance is reflected in the appropriate Federal, State or Pell grant revenue source from which the financial aid was issued. Federal Pell grant revenue decreased by approximately $(1.3) million to approximately $4.3 million for FY2016 due to the enrollment decrease. The State appropriation for FY2016 decreased by approximately $0.3 million to approximately $5.4 million as the State implemented a budget decrease.

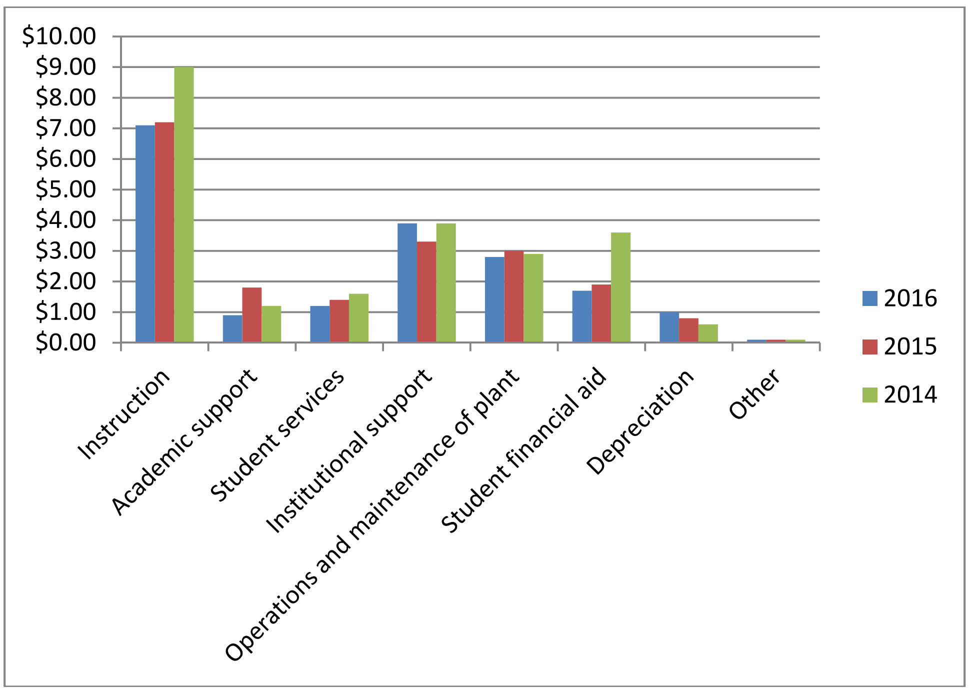
Condensed Schedules of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016, 2015 and 2014
(in millions)

	2016	2015	2014
Operating revenues			
Tuition and fees	$ 2.3	$ 2.4	$ 4.3
Contracts and grants	3.4	3.4	3.8
Other	0.6	0.6	0.7
Total operating revenues	6.3	6.4	8.8
Less: operating expenses	18.7	19.5	22.9
Operating loss	(12.4)	(13.1)	(14.1)
Nonoperating revenues			
State appropriation	5.4	5.7	5.8
Pell grant revenue	4.3	5.6	6.8
Net nonoperating revenue	9.7	11.3	12.6
Decrease in net position before other revenues, expenses, gains or losses	(2.7)	(1.8)	(1.5)
Capital payments on behalf of the College	0.2	4.4	10.6
Donated capital assets	-	3.5	-
(Decrease) increase in net position	(2.5)	6.1	9.1
Net position - beginning of year	29.8	24.1	15.0
Net effect of change in accounting policy	-	(0.4)	-
Net position - beginning of year (restated)	29.8	23.7	15.0
Net position - end of year	$ 27.3	$ 29.8	$ 24.1

Schedules of Operating Expenses
Years Ended June 30, 2016, 2015 and 2014
(in millions)

FUNCTIONAL CLASSIFICATION OF EXPENSES	2016	2015	2014
Instruction	$ 7.1	$ 7.2	$ 9.0
Academic support	0.9	1.8	1.2
Student services	1.2	1.4	1.6
Institutional support	3.9	3.3	3.9
Operations and maintenance of plant	2.8	3.0	2.9
Student financial aid	1.7	1.9	3.6
Depreciation	1.0	0.8	0.6
Other	0.1	0.1	0.1
Total	$ 18.7	$ 19.5	$ 22.9

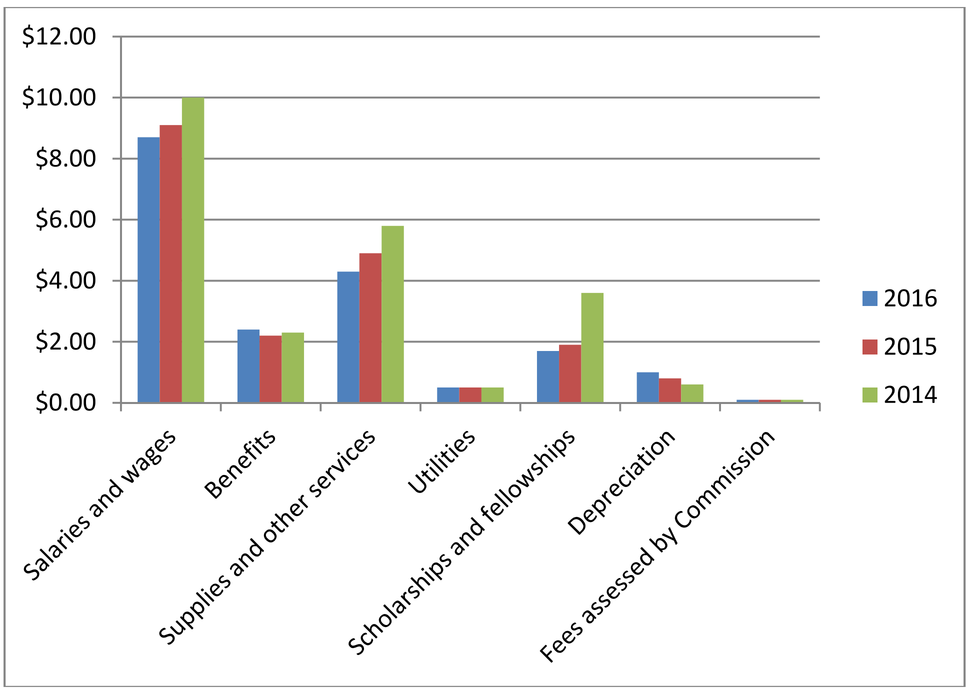
New River Community and Technical College
Functional Classifications of Expenditures



Schedules of Natural Expenses
Years Ended June 30, 2016, 2015 and 2014
(in millions)

NATURAL CLASSIFICATION OF EXPENSES	2016	2015	2014
Salaries and wages	$ 8.7	$ 9.1	$ 10.0
Benefits	2.4	2.2	2.3
Supplies and other services	4.3	4.9	5.8
Utilities	0.5	0.5	0.5
Scholarships and fellowships	1.7	1.9	3.6
Depreciation	1.0	0.8	0.6
Fees assessed by Commission	0.1	0.1	0.1
Total	$ 18.7	$ 19.5	$ 22.9

New River Community and Technical College
Natural Classifications of Expenditures



The Statement of Cash Flows presents detailed information about the cash activities of the College during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section deals with the cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating loss reflected in the Statement of Revenues, Expenses and Changes in Net Position. Cash and cash equivalents for the years ended June 30, 2016 and 2015 were approximately $0.5 million and approximately $0.7 million, a decrease of approximately $0.2 million from FY2016 to FY2015.

Condensed Schedules of Cash Flows
Years Ended June 30, 2016, 2015 and 2014
(in millions)

	2016	2015	2014
Cash provided by (used in)			
Operating activities	$ (9.6)	$ (12.1)	$ (14.1)
Non capital financing activities	9.8	11.3	12.5
Capital and related financing activities	(0.4)	(0.4)	(0.5)
Increase (decrease) in cash and cash equivalents	(0.2)	(1.2)	(2.1)
Cash and cash equivalents, beginning of year	0.7	1.9	4.0
Cash and cash equivalents, end of year	$ 0.5	$ 0.7	$ 1.9

Capital Asset and Debt Administration

During December 2009 HEPC, on behalf of the Council for Community and Technical College Education, issued approximately $78 million in bonds which will be repaid from excess Lottery Funds. The College's share of the bond issuance was approximately $16.5 million, of which approximately $13.5 million was used to finance the construction of the Beckley Higher Education Center. The remaining approximately $3.0 million was used for classroom renovations at the College's Greenbrier campus. The College received approximately $148 thousand in payments on behalf of the College by HEPC for renovations and improvements which is included in construction in progress at June 30, 2016.

In FY2016, the College purchased approximately $352 thousand in equipment and $3 thousand in library books. Readers interested in more detailed information regarding capital assets and debt administration should review the accompanying notes 4 and 5 to the financial statements.

Economic Outlook

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

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

Contacting the College's Financial Management

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	$ 450,594	$ 703,842
Accounts receivable, net of allowance of $1,172,706 and $842,675	427,374	540,507
Due from Commission/Council	162,856	316,986
Grants receivable	43,647	57,791
Due from Federal government	6,947	98,182
Total current assets	1,091,418	1,717,308
NONCURRENT ASSETS		
Capital assets - net	32,930,867	33,473,111
Other accounts receivable	48,559	50,704
Total noncurrent assets	32,979,426	33,523,815
Total assets	34,070,844	35,241,123
DEFERRED OUTFLOWS OF RESOURCES		
Employer pension contributions	11,562	46,807
Total deferred outflows of resources	11,562	46,807
Total	$ 34,082,406	$ 35,287,930
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 1,282,929	$ 438,663
Accrued liabilities	981,273	776,010
Due to Commission/Council	44,172	-
Debt service obligation payable to the Council	460,000	-
Unearned revenue	570,088	955,215
Compensated absences - current portion	358,688	379,013
Capital lease payable - current portion	-	27,978
Total current liabilities	3,697,150	2,576,879
NONCURRENT LIABILITIES		
Compensated absences	144,717	118,184
Net pension liability	302,537	350,532
Other post employment benefits liability	2,591,825	2,417,214
Total noncurrent liabilities	3,039,079	2,885,930
Total liabilities	6,736,229	5,462,809
DEFERRED INFLOWS OF RESOURCES		
Changes in proportion and differences in pension contributions	55,510	11,874
Differences between expected and actual experience	2,598	-
Net difference between projected and actual earnings on pension plan investments	12,664	46,337
Total deferred inflows or resources	70,772	58,211
NET POSITION		
Net investment in capital assets	32,930,867	33,445,133
Restricted for:		
Expendable	-	-
Unrestricted net position (deficit)	(5,655,462)	(3,678,223)
Total net position	27,275,405	29,766,910
Total	$ 34,082,406	$ 35,287,930

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowance of $4,171,618 and $5,291,456	$ 2,268,565	$ 2,408,654
Contracts and grants		
Federal	1,682,614	1,917,079
State	1,760,694	1,506,556
Sales and services of educational activities	91,405	142,288
Miscellaneous - net	462,771	418,281
Total operating revenues	6,266,049	6,392,858
OPERATING EXPENSES		
Salaries and wages	8,686,250	9,087,651
Benefits	2,389,101	2,232,612
Supplies and other services	4,353,007	4,894,711
Utilities	468,168	459,856
Student financial aid - scholarships and fellowships	1,660,419	1,883,467
Depreciation	1,045,398	818,538
Assessments by the Policy Commission for operations	84,736	100,601
Total operating expenses	18,687,079	19,477,436
OPERATING LOSS	(12,421,030)	(13,084,578)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	5,416,035	5,681,907
Federal Pell grants	4,314,570	5,575,145
Investment income	2,662	25
Net nonoperating revenues	9,733,267	11,257,077
DECREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(2,687,763)	(1,827,501)
PAYMENTS MADE AND EXPENSES INCURRED BY THE STATE ON BEHALF OF THE COLLEGE	48,583	46,795
CAPITAL PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF THE COLLEGE	147,675	4,351,461
DONATED CAPITAL ASSETS	-	3,500,000
CHANGE IN NET POSITION	(2,491,505)	6,070,755
NET POSITION, beginning of year	29,766,910	24,088,287
NET EFFECT OF CHANGE IN ACCOUNTING POLICY	-	(392,132)
NET POSITION, beginning of year (Restated)	29,766,910	23,696,155
NET POSITION, end of year	$ 27,275,405	$ 29,766,910

NEW RIVER 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	$ 2,381,698	$ 2,572,291
Contracts and grants	3,238,897	3,091,191
Payments to and on behalf of employees	(10,134,558)	(11,229,694)
Payments to suppliers	(3,508,741)	(4,658,076)
Payments to utilities	(468,168)	(459,856)
Payments for scholarships and fellowships	(1,660,419)	(1,883,467)
Sales and service of educational activities	91,405	142,288
Fees assessed by Commission	(84,736)	(100,601)
Other receipts (payments)-net	462,771	418,281
Net cash (used) in operating activities	(9,681,851)	(12,107,643)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	5,416,035	5,681,907
Pell grants	4,393,363	5,562,399
William D. Ford direct lending receipts	1,626,084	2,032,503
William D. Ford direct lending payments	(1,626,084)	(2,032,503)
Net cash provided by noncapital financing activities	9,809,398	11,244,306
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(355,479)	(350,119)
Payments for capital leases	(27,978)	(27,053)
Net cash (used) in capital financing activities	(383,457)	(377,172)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,662	25
Net cash provided by investing activities	2,662	25
DECREASE IN CASH AND CASH EQUIVALENTS	(253,248)	(1,240,484)
CASH AND CASH EQUIVALENTS - beginning of year	703,842	1,944,326
CASH AND CASH EQUIVALENTS - end of year	$ 450,594	$ 703,842
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) IN OPERATING ACTIVITIES		
Operating loss	$ (12,421,030)	$ (13,084,578)
Adjustments to reconcile operating loss to net cash (used) in operating activities:		
Depreciation expense	1,045,398	818,538
Pension expense-special funding situation	48,583	46,795
Net effect change in accounting policy	-	(392,132)
Changes in assets and liabilities:		
Accounts receivables - net	113,133	163,637
Due from Commission	154,130	(151,660)
Grant Receivable	14,144	1,467
Due from Federal government	12,442	(12,923)
Other accounts receivable	2,145	(50,704)
Deferred outflows of resources	35,245	(46,807)
Accounts payable	844,266	370,974
Accrued liabilities	205,263	65,157
Due to the Commission/Council	44,172	(15,768)
Due to Bluefield State College	-	(134,339)
Debt service obligation payable to the Council	460,000	-
Unearned revenue	(385,127)	(153,560)
Compensated absences	6,208	14,713
Net pension liability	(47,995)	350,532
Other post employment benefits liability	174,611	44,804
Deferred inflows of resources	12,561	58,211
Net cash (used) in operating activities	$ (9,681,851)	$ (12,107,643)
NONCASH TRANSACTION		
Capital payments made on behalf of New River Community and Technical College	$ 147,675	$ 4,351,461
Donated capital assets	$ -	$ 3,500,000

The Accompanying Notes Are An Integral
Part Of These Financial Statements

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
ASSETS		
Cash and cash equivalents	$ 376,849	$ 331,978
Grant receivable	-	5,250
Unconditional promises to give, net	13,580	19,481
Due from New River Community and Technical College	90,000	-
Restricted marketable equity securities, at fair market value	337,969	334,199
Beneficial interest in assets held by community foundation	1,219,241	1,184,570
Rental real estate land	66,808	66,808
Rental buildings, net of accumulated depreciation of $51,291 and $35,903, respectively	256,455	271,843
Other asset	9	-
Total assets	$ 2,360,911	$ 2,214,129
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ -	$ 2,744
Scholarships payable	63,775	81,340
Accrued expenses	13,676	9,312
Deferred rental revenue	56,712	56,712
Lease purchase payable	93,000	96,154
Total liabilities	227,163	246,262
NET ASSETS		
Unrestricted	76,988	(84,166)
Temporarily restricted	640,312	693,491
Permanently restricted	1,416,448	1,358,542
Total net assets	2,133,748	1,967,867
Total liabilities and net assets	$ 2,360,911	$ 2,214,129

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue				
Rental revenue	$ 90,000	$ -	$ -	$ 90,000
Contributed services and supplies revenue	158,779	-	-	158,779
Grants and contributions	16,064	61,796	57,906	135,766
Interest and dividends income	2,598	32,563	-	35,161
Realized losses on investment securities, net	72	2,224	-	2,296
Unrealized gains on investment securities, net	2,233	26,298	-	28,531
Bank and investment fees	(1,140)	(14,534)	-	(15,674)
Fundraising activities revenues	2,661	1,434	-	4,095
Net assets released from restrictions due to expiration of spending purpose restrictions	59,218	(59,218)	-	-
Total public support and revenue	330,485	50,563	57,906	438,954
Expenses				
Student support and program services	113,413	-	-	113,413
Rental activity	19,234	-	-	19,234
Management and general	54,195	-	-	54,195
Fundraising	86,231	-	-	86,231
Total expenses	273,073	-	-	273,073
Excess of Public Support and Revenues Over Expenses	57,412	50,563	57,906	165,881
Net Assets, Beginning of Year	(84,166)	693,491	1,358,542	1,967,867
Transfer between net asset classifications	103,742	(103,742)	-	-
Net Assets, End of Year	$ 76,988	$ 640,312	$ 1,416,448	$ 2,133,748

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

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

NOTE 1 - ORGANIZATION

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The audited financial statements of the Foundation are presented here as a discrete component unit with the College financial statements in accordance with GASB. The Foundation's audited financial statements were as of and for the years ended June 30, 2016 and 2015. The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein except that in accordance with governmental accounting standards, the Foundation's statements of cash flows are not presented.

Financial Statement Presentation **-** GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the College as a whole. Net position is classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net position is classified as follows:

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

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

  The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected as State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2004 simplified the tuition and fee structure and removed the restrictions but included designations associated with auxiliary and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the State Legislature.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Restricted net position, nonexpendable* - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

***Capital Assets* -** Capital assets include property, plant and equipment, and books and materials that are part of a catalogued library. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings, 20 years for land improvements, 7 years for library books and 3 to 10 years for furniture and equipment. The College's capitalization threshold is $5,000. There was no interest capitalized during 2016 or 2015. The accompanying financial statements reflect all adjustments required by GASB.

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

***Compensated Absences and Other Post Employment Benefits (OPEB)* -** GASB provides for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. The College is required to participate in this multiple-employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency ("PEIA"), 601 57th Street, SE, Suite 2, Charleston, WV 25304 or http://www.wvpeia.com.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally, 3 1/3 years of teaching service extend health insurance for one year of single coverage, and five years extend health insurance for one year of family coverage. Faculty hired after July 1, 2009, will no longer receive years of service credit toward insurance premiums when they retire. Employees hired after July 1, 2010, receive no health insurance premium subsidy from the College. Two groups of employees hired after July 1, 2010, will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

In addition, through its participation in the West Virginia Public Employees Insurance Agency ("PEIA") and a third-party insurer, the College has obtained health, life, prescription drug coverage, and coverage for job related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurer, the College has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

Classification of Revenues **-** The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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

- *Nonoperating revenues* **-** Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell Grants, and investment income, and sale of capital assets (including natural resources).

- *Other Revenue* **-** Other revenues consist primarily of capital grants and gifts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

***Federal Financial Assistance Programs* -** The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through the College. Direct student loan receivables are not included in the College's statement of net position as the loans are repayable directly to the U.S. Department of Education. In 2016 and 2015, respectively, the College received and disbursed approximately $1.6 million and $2.0 million under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses and changes in net position.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2016 and 2015, respectively the College received and disbursed approximately $4.6 million and $5.7 million, under these federal student aid programs.

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

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

***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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Income Taxes* -** The College is exempt from income taxes, except for unrelated business income, as a governmental instrumentality under federal income tax laws and regulations of the Internal Revenue Service as described in Section 115 of the Internal Revenue Code.

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

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

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

***Newly Adopted Statements Issued by the Governmental Accounting Standards Board* -** The GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015. This Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The adoption of GASB Statement No. 72 had no impact on the June 30, 2016 financial statements.

The GASB has also issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets that accumulate for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The adoption of GASB Statement No. 73 had no impact on the June 30, 2016 financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB has also issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of GASB Statement No. 76 had no impact on the June 30, 2016 financial statements.

The GASB has also issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for fiscal years beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The adoption of GASB Statement No. 78 had no impact on the June 30, 2016 financial statements.

The GASB has also issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for fiscal years beginning after June 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The adoption of GASB Statement No. 79 had no impact on the June 30, 2016 financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB has also issued Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73,* effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of GASB Statement No. 82 had no impact on the June 30, 2016 financial statements.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB has also issued Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. 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*, effective for fiscal years beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The College has not yet determined the effect that the adoption of GASB Statement No. 81 may have on its financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

	2016	2015
Cash on deposit with the Treasurer/BTI	$ 438,369	$ 625,797
Cash in bank	9,975	75,795
Cash on hand	2,250	2,250
	$ 450,594	$ 703,842

Cash held by the Treasurer and cash in bank includes $412,283 and $569,696 of restricted cash at June 30, 2016 and 2015, respectively.

The combined carrying amount of cash in the bank at June 30, 2016 and 2015, was $9,975 and $75,795, respectively, as compared with the combined bank balance of $74,460 and $106,817; respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.

Amounts with the State Treasurer as of June 30, 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.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

	2016		2015	
External Pool	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	$ 1,555,529	AAAm	$ 1,890,464	AAAm
WV Government Money Market Pool	$ 190,078	AAAm	$ 248,468	AAAm
WV Short Term Bond Pool	$ 790,750	Not Rated	$ 761,526	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:

	2016		2015	
External Pool	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	$ 1,555,529	49	$ 1,890,464	47
WV Government Money Market Pool	$ 190,078	50	$ 248,468	51

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

	2016		2015	
External Pool	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	$ 790,750	462	$ 761,526	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.

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.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

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

NOTE 4 - CAPITAL ASSETS

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

	2016			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,884,000	$ -	$ -	$ 1,884,000
Construction in progress	3,202,438	147,675	-	3,350,113
Total capital assets not being depreciated	$ 5,086,438	$ 147,675	$ -	$ 5,234,113
Other capital assets:				
Land improvements	$ 97,937	$ -	$ -	$ 97,937
Buildings	29,913,534	-	-	29,913,534
Equipment	2,742,217	352,399	-	3,094,616
Library books	518,947	3,080	-	522,027
Total other capital assets	33,272,635	355,479	-	33,628,114
Less accumulated depreciation for:				
Land improvements	68,349	6,529	-	74,878
Buildings	3,156,213	718,380	-	3,874,593
Equipment	1,207,625	296,314	-	1,503,939
Library books	453,775	24,175	-	477,950
Total accumulated depreciation	4,885,962	1,045,398	-	5,931,360
Other capital assets, net	$ 28,386,673	$ (689,919)	$ -	$ 27,696,754
Capital asset summary:				
Capital assets not being depreciated	$ 5,086,438	$ 147,675	$ -	$ 5,234,113
Other capital assets	33,272,635	355,479	-	33,628,114
Total cost of capital assets	38,359,073	503,154	-	38,862,227
Less accumulated depreciation	4,885,962	1,045,398	-	5,931,360
Capital assets, net	$ 33,473,111	$ (542,244)	$ -	$ 32,930,867

NOTE 4 - CAPITAL ASSETS (Continued)

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

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

At June 30, 2016, the College had no outstanding contractual commitments for property, plant, and equipment expenditures.

NOTE 5 - LONG-TERM LIABILITIES

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

	2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 497,197	$ 6,208	$ -	$ 503,405	$ 358,688
OPEB liability	2,417,214	414,632	240,021	2,591,825	-
Capital lease payable	27,978	-	27,978	-	-
Net pension liability	350,532	24,002	71,997	302,537	-
Total noncurrent liabilities	$ 3,292,921	$ 444,842	$ 339,996	$ 3,397,767	$ 358,688

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

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2016, 2015, and 2014, the noncurrent liability related to OPEB costs was $2,591,825, $2,417,214, and $2,372,410 respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $414,632 and $16,885, respectively, during 2016, or 4%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $409,170 and $22,485, respectively, during 2015, or 5%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $358,532 and $3,913, respectively, during 2014, or 1%. As of the years ended June 30, 2016, 2015 and 2014, there were five, six and two retirees receiving these benefits, respectively. During the 2014 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.

NOTE 7 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

During December 2009, the Commission, on behalf of the Council, issued $78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the "2009 Bonds"). The proceeds of the 2009 Bonds were used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The bond projects listed in the bond offering for the 2009 Bonds proposes bond funding of $16,500,000 for the College. State lottery funds will be used to repay the debt. As of June 30, 2016, the College had drawn down all of these funds to pay for capital projects.

During fiscal year 2016, the College received three loans from the Council totaling $460,000 to fund payroll. Repayment terms have not yet been determined and no payments were made on the loans as of June 30, 2016. The debt is classified as current at June 30, 2016.

NOTE 8 - UNRESTRICTED NET POSITION (DEFICIT)

The College's unrestricted net position (deficit) at June 30, 2016 and 2015 includes certain undesignated net position, as follows:

	2016	2015
Total unrestricted net position (deficit) before OPEB liability	$ (3,063,637)	$ (1,261,009)
Less: OPEB liability	2,591,825	2,417,214
Total unrestricted net position (deficit)	$ (5,655,462)	$ (3,678,223)

NOTE 8 - UNRESTRICTED NET POSITION (DEFICIT) (Continued)

Subsequent to June 30, 2016, the College has taken numerous steps to work toward eliminating the net asset deficit. In an effort to reduce operating costs, the College has reduced the personnel services budget by eliminating most extra-help positions and not filling vacancies in certain full-time positions. Additional policies have been implemented to monitor purchases. Specifically, purchasing card access had been reduced from thirty-three cardholders to ten and all purchases require approval by the Chief Financial Officer and/or the Director of Purchasing. Non-essential travel, as well as, several vendor contracts has been eliminated. The College's Facilities Master Plan, which provides valuable information with regard to efficient use of facilities going forward, was finalized and appropriate action has been taken to implement the plan. The College has also reduced the number of properties leased by eliminating two operating lease agreements. Additionally, the College has approved and implemented Strategic and Master Plans which clearly highlight strategies and initiatives to recruit, serve, and retain students.

NOTE 9 - RETIREMENT PLANS

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

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

DEFINED BENEFIT PENSION PLAN

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

NOTE 9 - RETIREMENT PLANS (Continued)

As related to the implementation of GASB 68, following are the College's net 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:

	2016	2015
STRS		
Net pension liability	$ 302,537	$ 350,532
Deferred outflows of resources	11,562	46,807
Deferred inflows of resources	70,772	58,211
Revenues	48,583	46,795
Pension expense	55,633	63,406
Contributions made by the College	11,562	46,807

Plan Description

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

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

Benefits Provided

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

NOTE 9 - RETIREMENT PLANS (Continued)

Contributions

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

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

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

- 15% of gross salary of their State-employed members hired prior to July 1, 1991;
- 15% of School Aid Formula (SAF) covered payroll of county-employed members for entities other than institutions of higher education;
- 7.5% of SAF-covered payroll of members of the Teachers' Defined Contributions Retirement System for entities other than institutions of higher education;
- a certain percentage of fire insurance premiums paid by State residents; and
- under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the STRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2016 and 2015, the College's proportionate share attributable to this special funding subsidy was $48,583 and $46,795, respectively.

The College's contributions to STRS for the years ended June 30, 2016, 2015, and 2014, were approximately $11,600, $46,800, and $46,800, 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%.

NOTE 9 - RETIREMENT PLANS (Continued)

- Discount rate of 7.5%.
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 1.2-30% and non-teachers 1.4-22.5%.
- Disability rates: 0-0.88%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%.
- Ad hoc cost-of-living increases in pensions are periodically granted by the Legislature. However, the retirement system makes no automatic provision for such increases.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term arithmetic real rates of return for each major asset class included in STRS' target asset allocation as of June 30, 2015, are summarized below.

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic 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%

Discount rate. The discount rate used to measure the total STRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on STRS' investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the pension plan's fiduciary net position, a municipal bond rate of 3.66% is to be used to discount the benefit payments not covered by the plan's fiduciary net position. The rate equals the S&P Municipal Bond 20-Year High Grade Rate Index at June 30, 2015.

NOTE 9 - RETIREMENT PLANS (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the College's proportionate share of the STRS net pension liability as of June 30, 2016 calculated using the discount rate of 7.50%, as well as what the College's STRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	$ 388,998	$ 302,537	$ 223,686

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

The June 30, 2016 STRS net pension liability was measured as of June 30, 2015, and the total pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to the measurement date of June 30, 2015. The June 30, 2015 STRS net pension liability was measured as of June 30, 2014, and the total pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to the measurement date of June 30, 2014.

At June 30, 2016, the College's proportionate share of the STRS net pension liability was $987,181. Of this amount, the College recognized approximately $302,537 as its proportionate share on the statement of net position. The remainder of $684,644 denotes the College's proportionate share of net pension liability attributable to the special funding.

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

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to STRS for each of the fiscal years ended June 30, 2015 and 2014. Employer contributions are recognized when due. At June 30, 2015, the College's proportion was 0.008659%, a decrease of 0.001502% from its proportion of 0.010161% calculated as of June 30, 2014.

For the year ended June 30, 2016, the College recognized STRS pension expense of $55,633. Of this amount, $7,050 was recognized as the College's proportionate share of the STRS expense and $48,583 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of $48,583 for support provided by the State.

NOTE 9 - RETIREMENT PLANS (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2016		
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ -	$ 55,510
Differences between expected and actual experience	-	2,598
Net difference between projected and actual investment earnings	-	12,664
Contributions after the measurement date	11,562	-
Total	$ 11,562	$ 70,772

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2015		
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ -	$ 11,874
Net difference between projected and actual investment earnings	-	46,337
Contributions after the measurement date	46,807	-
Total	$ 46,807	$ 58,211

NOTE 9 - RETIREMENT PLANS (Continued)

The College will recognize the $11,562 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the STRS net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in STRS pension expense as follows.

Fiscal Year Ended June 30,		Amortization
2017	$	(12,217)
2018		(12,217)
2019		(12,217)
2020		(12,217)
2021		(12,217)
Thereafter		(9,687)
	$	(70,772)

Payables to the Pension Plan

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

DEFINED CONTRIBUTION BENEFIT PLANS

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

Total contributions to the TIAA-CREF for the years ended June 30, 2016, 2015 and 2014 were $819,968, $857,812 and $915,518, respectively, which consisted of equal contributions of $409,984, $428,906, and $457,759, from both the College and covered employees.

Total contributions to Educators Money for the years ended June 30, 2016, 2015 and 2014 were $12,498, $15,958 and $19,612, respectively, which consisted of equal contributions of $6,249, $7,979 and $9,806 from both the College and covered employees.

The College's total payroll for the years ended June 30, 2016, 2015 and 2014 respectively, was $8,686,250, $9,087,651 and $9,956,020. Total covered employees' salaries in STRS, TIAA-CREF and Educators Money were $7,329,657, $7,593,455 and $8,104,795.

NOTE 10 - LEASES

Operating Leases

The College leases various equipment, software and buildings under operating leases. Rental payments for operating leases were $501,085 and $760,890 for the years ended June 30, 2016 and 2015. Following is a schedule of future minimum lease payments for the term of these operating leases.

Year Ending June 30	Rental Payments
2017	$ 228,734
2018	16,660

Capital Leases

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

The College entered into a lease agreement with Key Governmental Finance in August 2011 to cover the acquisition cost for certain technology equipment. The lease is accounted for as a capital lease, with a total cost of $126,683 and accumulated depreciation of $126,683 as of June 30, 2016. The total balance of the capital lease liability as of June 30, 2016 and 2015 was $0 and 27,978, respectively.

NOTE 11 - FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State of West Virginia and has as its purpose "…to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations…" Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented with the College's financial statements in accordance with GASB. Based on the Foundation's audited financial statements for the years ended June 30, 2016 and 2015, the Foundation's net assets (including unrealized gains) totaled $2,133,748 and $1,967,867, respectively.

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

NOTE 11 - FOUNDATION (Continued)

Gifts, grants, pledges and bequests to the College totaled $135,766 and $232,234 for the years ended June 30, 2016 and 2015, respectively.

The College pays for certain services, supplies, and operating expenses for the Foundation. The total amount of services, supplies, and operating expenses contributed by the College were $158,779 and $159,051 for the years ended June 30, 2016 and 2015, respectively.

The College entered into an operating lease with the Foundation commencing February 15, 2013 and ending February 14, 2017. The lease calls for annual payments of $90,000. The College reported a payable to the Foundation in the amount of $90,000 at June 30, 2016 related to the lease. This amount is included in accounts payable at June 30, 2016 on the statement of net position.

NOTE 12 - CONTINGENCIES

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

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

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

NOTE 13 - COMPONENT UNIT DISCLOSURES

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

Note 1 — Description of the Organization

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

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

Note 2 — Summary of Significant Accounting Policies

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

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

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

Note 2 — Summary of Significant Accounting Policies (continued)

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

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

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

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

Beneficial Interest In Assets Held By Community Foundation: The Organization has placed with the Greater Greenbrier Valley Community Foundation, Inc. **("GGVCF")** certain unrestricted and restricted assets in the form of a "Donor Designated Sub-Fund Agreements" ("the Agreements"). The substance of these agreements provides for the resulting investment returns from the investment of the assets to be distributed to the Organization. One of these agreements further provides for the Organization to have at its discretion the ability to invade 100% of the principal (corpus) placed with GGVCF, whereas the others do not. The assets subject to this agreement amount to approximately 7% and 10% of the total of such assets at June 30, 2016 and 2015, respectively. Notwithstanding this, GGVCF does have variance power with respect to these funds whereby the Board of GGVCF by majority vote has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations, if in the sole judgment of this Board (without the approval of any trustee, custodian or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with charitable needs of the area served by the GGVCF.

Note 2 — Summary of Significant Accounting Policies (continued)

Beneficial Interest In Assets Held By Community Foundation (continued): The applicable accounting standards require that if a community foundation accepts a contribution from an Agency and agrees to transfer those assets, the return on investment of those assets or both back to the Agency, then these contributions and accumulated net earnings are presented as an asset in financial statements of the agency (in this case the Organization). Accordingly, the value of the assets held by GGVCF as of June 30, 2016 and 2015 are presented in the accompanying statements of financial position in the amount of $1,219,241 and $1,184,570, respectively.

As of December 31, 2015, the latest reviewed financial statements of GGVCF reflect total investment assets, at market value of $7,023,332 comprised of the following:

	Market Value
Fixed income securities	$ 2,749,045
Fixed income mutual funds	34,554
Common stocks	3,541,074
Preferred stocks	81,531
Equity mutual funds	617,128
	$ 7,023,332

A condensed statement of financial position as of December 31, 2015, the most recent reviewed financial statements of GGVCF is as follows:

Assets	
Cash and equivalents	$ 187,529
Accrued interest and dividends	22,299
Marketable securities	7,023,332
Other assets	480
Total Assets	$ 7,233,640
Liabilities and Net Assets	
Funds held for benefit of others	$ 5,079,618
Accounts payable and accrued expenses	10,770
Net assets	2,143,252
Total Liabilities and Net Assets	$ 7,233,640

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

Note 2 — Summary of Significant Accounting Policies (continued)

Rental Real Estate and Buildings: Rental real estate and buildings are carried at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the buildings, which is twenty-years, using the straight-line method **(See Note 11).**

Amortization expense (which is entirely amortization of lease purchase buildings) for the years ended June 30, 2016 and 2015 amounted to $15,388 and $15,387, respectively.

Donated Goods, Facilities and Services: Contributions of donated services that create or enhance non-financial assets, or that require specialized skills and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received as donations revenues with a corresponding expense **(See Note 6).**

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

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

The Organization is generally no longer subject to examination by income taxing authorities for years ending prior to June 30, 2012.

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

Note 2 — Summary of Significant Accounting Policies (continued)

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

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

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

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

- Student Support and Program Services – Funds expended primarily to provide support services for students, alumni and faculty of New River. It includes scholarships awarded to the students and the provision of services that directly assist the academic functions, such as faculty development, as well a capital projects.

- Rental Activity – Expenses related to the operation of the real property rental located in Lewisburg, West Virginia **(See Note 11).**

- Management and General – Expenses incurred principally for (1) central executive-level activities concerned with management of day-to-day operations and long-range planning, (2) legal and fiscal operations, and administrative data processing.

- Fundraising – Expenses related to community and alumni relations, including development and fundraising.

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

Note 2 — Summary of Significant Accounting Policies (continued)

Date of Management Review: Subsequent events (events or transactions that have occurred which may have a material effect on the financial statements and that require adjustment to or disclosure in the financial statements) have been evaluated through October 11, 2016 which is the date the financial statements were available to be issued.

Note 3 — Unconditional Promises to Give

Unconditional promises to give at June 30, 2016 and 2015 were comprised of the following:

	2016	2015
Gross unconditional promises to give	$ 19,024	$ 25,298
Less gross allowance for doubtful accounts	(4,456)	(3,795)
Less unamortized discounts	(988)	(2,022)
Net unconditional promises to give	$ 13,580	$ 19,481

These gross amounts are expected to be collected as follows:

Year ended June 30th	
2017	$ 6,324
2018	4,100
2019	2,100
2020	2,000
2021 and thereafter	4,500
Total	$ 19,024

An annual rate of three percent was used to discount unconditional promises to give expected to be collected at June 30, 2016 and 2015.

Note 4 — Marketable Equity Securities

Restricted marketable securities amounting $337,969 and $334,199, respectively at June 30, 2016 and 2015 consisted principally of mutual fund investments which are tradable in active markets and are stated at their market values. These assets are restricted under the terms of the Title III Grant **(See Note 10)**.

Note 5 — Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following or are available for the following purposes as of June 30, 2016 and 2015:

	2016	2015
Ongoing capital campaign	$ 88,721	$ 150,272
Current scholarships	175,494	154,478
Endowments	81,347	56,737
Grants	294,750	292,737
Board restricted	-	39,267
Totals	$ 640,312	$ 693,491

Certain temporarily restricted net assets were transferred to unrestricted net assets as of December 31, 2016 (**See Note 9**).

Note 6 — Related Party Transactions

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

New River also provides all the compensation, payroll taxes and employee benefits for the personnel who operate the Organization as well as supplies and other operational needs principally the usage of space in New River's Beaver, West Virginia facility. These are recorded as contributed services and supplies revenue and contributed salaries, wages, payroll taxes and employee benefits and supplies and operating expenses in the accompanying statements of activities. The total amount of the services, supplies and operating expenses provided were $158,779 and $159,091 for the years ended June 30, 2016 and 2015, respectively.

Note 7 — Endowments and Permanently Restricted Net Assets

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

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

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

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

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

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

The endowment net assets consisted of the following types of funds as of June 30, 2016 and 2015:

June 30, 2016	Temporarily Restricted	Permanently Restricted
Donor restricted endowment funds	$ 81,347	$ 1,412,971

June 30, 2015	Temporarily Restricted	Permanently Restricted
Donor restricted endowment funds	$ 56,737	$ 1,355,065

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

Changes in endowment net assets for the years ended June 30, 2016 and 2015 were as follows:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, June 30, 2014	$ 98,837	$ 1,225,698
Contributions	-	129,367
Investment return:		
Interest and dividends	30,956	-
Net realized and unrealized gains	(17,434)	-
Bank and investment fees	(15,917)	-
Total additions	(2,395)	-
Scholarship awards	39,705	-
Endowment net assets, June 30, 2015	56,737	1,355,065
Contributions	-	57,906
Investment return:		
Interest and dividends	30,294	-
Net realized and unrealized gains	26,835	-
Bank and investment fees	(14,545)	-
Total additions	42,584	-
Scholarship awards	17,974	-
Transfer	-	-
Total reductions	17,974	-
Endowment net assets, June 30, 2016	$ 81,347	$ 1,412,971

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

Note 8 — Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer as liability in an orderly transaction between market participants at the measurement date. Generally Accepted Accounting Principles **(GAAP)** require the Organization to disclose fair value of all financial instruments for which it is practicable to estimate fair value, including those which are not reported at fair value in the statements of financial position. At June 30, 2016 and 2015, the fair values of all financial instruments were substantially equal to the carrying values.

The carrying value of certain financial assets and liabilities such as cash, cash equivalents, miscellaneous receivables and deposits, prepaid expenses, accounts payable, accrued expenses, scholarships payable is a reasonable estimate of fair value due to the short term nature of these instruments. Following is a description of the techniques used for the fair values of all other financial instruments. There have been no changes in the techniques used during the year ended June 30, 2016 and 2015.

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

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

Financial Instruments Recorded at Fair Value

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

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

- **Level 1:** Unadjusted quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

- **Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.

- **Level 3:** Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Note 8 — Fair Value Measurements (continued)

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

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

	Fair Value Measurement at Reporting Date of June 30, 2016 Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Marketable investments	$ 334,199	$ 334,199	$ -
Beneficial interest in assets held by community foundation	$ 1,219,241	$ -	$ 1,219,241

	Fair Value Measurement at Reporting Date of June 30, 2015 Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Marketable investments	$ 331,978	$ 331,978	$ -
Beneficial interest in assets held by community foundation	$ 1,184,570	$ -	$ 1,184,570

Note 9 — Transfer Between Net Asset Classifications

In action dated September 12, 2016 the Board of Directors of the Organization approved the transfer of certain components of temporarily restricted net assets to unrestricted net assets in the amount of $103,742 effective June 30, 2016. The net assets transferred consisted of a board designated net assets component in the amount of $39,267 and $64,475 designated by donors as “Greatest Need.”

Note 10 — Title III Grant

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

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

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

At June 30, 2016 and 2015 the Organization had restricted marketable investments totaling $337,969 and $334,199, respectively related to this grant **(See Note 4)**.

Note 11 — Building Lease Purchase and Related Party Lease

Lease Purchase

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

There is no stated interest rate in this agreement. However, an implied interest rate of 4% has been used to determine the present value of the future lease payments. This present value amounts to $374,554 and is bifurcated into land having a cost of $66,808 and buildings having a cost of $307,746. Interest expense recognized for this lease amounts to $3,846 and $6,936 for the years ended June 30, 2016 and 2015, respectively and is reflected in the accompanying statements of activities.

On June 3, 2016, the Organization entered into an addendum to this lease agreement allowing for the payment of the final payment totaling $100,000 as follows:

- $7,000 on June 3, 2016
- $3,500 on or before July 1, 2016 and,
- $89,500 on or before July 30, 2016

The June 3, 2016 payment was made in accordance with the addendum to the lease. A final payment in the amount of $93,000 was made on or around July 30, 2016, which was not in accordance with the addendum; however, the Board has indicated the lease purchase is considered fully satisfied and the transfer of title/ownership of the property will occur in due course.

At June 30, 2016 and 2015 the lease purchase payable related to this agreement amounted to $93,000 and $96,154, respectively.

Related Party Lease

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

Note 11 — Building Lease Purchase and Related Party Lease (continued)

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

At June 30, 2016, the lease payment in the amount of $90,000 scheduled for receipt on May 1, 2016 had not been received. This amount due from New River is included in the accompanying 2016 statement of financial position as Due From New River Community and Technical College. On July 27, 2016 this amount was collected and accordingly the lease is considered to be fully satisfied through the end of the original lease term.

On August 5, 2016, New River, by way of a letter from its President indicated its intention to not renew the lease at the end of the current lease term of February 14, 2017, and allow for the sale of the leasehold property prior to the end of this term, if this were an event. As a result of this and the expected diminished cash flows, the associated rental land and buildings have been assessed by management for “Impairment” in accordance with *Financial Accounting Standards Board Codification of accounting Standards No. 360-10*. Based on an appraisal dated January 30, 2012, and other factors, it is management’s opinion that there is not impairment of these assets presently. However they will continue to monitor this issue as other usages or dispositions are explored.

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

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

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

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

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

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

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

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

On October 29, 2014, the Circuit Court of Raleigh County ordered the return of the $1,000,000 to the Greenbrier County Commission. The effect of this is reflected in the year ended June 30, 2015 statement of functional expenses as amount remitted back to Greenbrier County Commission in the amount of $1,000.000.

NOTE 14 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

2016

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	Total
Instruction	$ 4,599,542	$ 1,072,257	$ 1,451,884	$ -	$ -	$ -	$ -	$ 7,123,683
Academic support	486,100	116,454	298,990	350	-	-	-	901,894
Student services	870,509	240,533	105,612	614	-	-	-	1,217,268
General institutional support	1,897,826	761,976	1,181,735	12,649	-	-	-	3,854,186
Operations and maintenance of plant	832,273	197,881	1,314,786	454,555	-	-	-	2,799,495
Student financial aid	-	-	-	-	1,660,419	-	-	1,660,419
Depreciation	-	-	-	-	-	1,045,398	-	1,045,398
Other	-	-	-	-	-	-	84,736	84,736
Total	$ 8,686,250	$ 2,389,101	$ 4,353,007	$ 468,168	$ 1,660,419	$ 1,045,398	$ 84,736	$ 18,687,079

2015

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

REQUIRED SUPPLEMENTARY INFORMATION

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2016

State Teachers' Retirement System
Last 10 Fiscal Years*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
College's proportion of the net pension liability (asset) (percentage)	0.008659%	0.010161%								
College's proportionate share of the net pension liability (asset)	$ 302,537	$ 350,532								
State's proportionate share of the net pension liability (asset)	684,644	792,052								
Total proportionate share of the net pension liability (asset)	$ 987,181	$1,142,584								
College's covered-employee payroll	$ 312,047	$ 312,047								
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.95%	112.33%								
Plan fiduciary net position as a percentage of the total pension liability	66.25%	65.95%								

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
June 30, 2016

State Teachers' Retirement System
Last 10 Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 11,562	$ 46,807								
Contributions in relation to the contractually required contribution	(11,562)	(46,807)								
Contribution deficiency (excess)	$ -	$ -								
College's covered-employee payroll	$ 77,081	$ 312,047								
Contributions as a percentage of covered-employee payroll	15.00%	15.00%								

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. Additional information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report for the year ended June 30, 2015.

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of New River Community and Technical College (the College) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 31, 2017, which states reliance on other auditors for the discretely presented component unit. Our report includes a reference to other auditors who audited the financial statements of The New River Community and Technical College Foundation, Inc., as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of The New River Community and Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2016-001 that we consider to be a significant deficiency.

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*.

The College's Response to Findings

The College's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Suttle & Stalnaker, PLLC

Charleston, West Virginia
January 31, 2017

2016-001 ACCOUNT RECONCILIATIONS

Criteria: Management of the College is responsible for establishing an internal control structure that reduces to an acceptable level the risk of errors and fraud occurring and not being detected. The College is also responsible for having a financial management system in place to account for the receipt and expenditure of grant and other funds, prepare accurate financial reports and be able to trace funds to a level of expenditures adequate to establish that such funds have not been used in violation of applicable laws and regulations, in a timely manner. In order to make the financial reports generated by the accounting system as meaningful as possible, the College should periodically reconcile the general ledger accounts to supporting documentation. Additionally, all general ledger accounts should be reconciled at year end prior to the preparation of a trial balance to be audited.

Condition: Cash, revenue, and deferred revenue accounts were reconciled through May, but June was not reconciled until several months after year end. As a result, the College identified various entries after audit fieldwork had begun. Additionally, there were several audit adjustments identified.

Context: Total assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses of the College are $34.1 million, $12 thousand, $6.7 million, $71 thousand, $27.3 million, $16.2 million, and $18.7 million, respectively. The impact of adjustments to assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses was $9 thousand, $47 thousand, $369 thousand, $58 thousand, $298 thousand, $433 thousand, and $524 thousand, respectively.

Cause: The College's financial reporting processes and procedures are established, but due to the college's budget constraints and the reduction in staff and working hours, management indicated that timely reconciliations were not completed for all account balances.

Effect: The financial statements required numerous adjustments subsequent to the receipt of the trial balance.

Recommendation: We recommend that management review the daily accounting functions, staffing, and financial reporting processes to ensure adequate policies and procedures are in place to ensure accurate and timely financial reporting. Management should ensure that account reconciliations are prepared and reviewed in a timely manner and supporting schedules are maintained for all account balances.

Views of Responsible Officials and Planned Corrective Actions: *The daily accounting functions, staffing, and financial reporting processes to ensure adequate policies and procedures will be followed throughout the entire fiscal year to ensure accurate and timely financial reporting. Discussions of a possible change of the final fieldwork will take place in the future, if needed. A written procedure with due dates and signature approval has been established.*