New River Community and Technical College

Financial Statements Years Ended June 30, 2017 and 2016

and

Independent Auditor's Reports



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INDEPENDENT AUDITOR'S REPORT

Board of Governors New River Community and Technical College Beaver, 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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College as of June 30, 2017 and 2016, 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 footnote on pages 59 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 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.

Charleston, West Virginia

Suttle + Stalnaker, PUC

October 23, 2017

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, 2017 and 2016. Since this discussion and analysis is designed to focus on current activities, resulting changes, and currently known facts, please refer to the College's basic financial statements on pages 12 to 17 and the notes to financial statements on pages 18 to 57.

Financial Highlights

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

- The College's assets exceeded its liabilities by approximately \$26.9 million for FY2017 and approximately \$27.3 million for FY2016.
- Net operating loss was approximately \$9.6 million in FY2017 and approximately \$12.4 million in FY2016.

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's 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 FY2017 and FY2016 was approximately \$26.9 million and approximately \$27.3 million, with net investment in capital assets comprising approximately \$31.9 million and approximately \$33.0 million of the total, respectively, a decrease of 3% from FY2016 to FY2017. 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 \$5.0 million deficit (19%) and approximately \$5.7 million deficit (21%) of the total net position for FY2017 and FY2016, 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, 2017, 2016 and 2015 (in millions)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash Other current assets Total current assets	\$ 0.7 0.5 1.2	\$ 0.5 0.6 1.1	\$ 0.7 1.0 1.7
Capital assets Total noncurrent assets	32.1 32.1	33.0 33.0	33.5 33.5
Total assets	33.3	34.1	35.2
Deferred outflows of resources	0.1		0.1
Total	<u>\$ 33.4</u>	<u>\$ 34.1</u>	<u>\$ 35.3</u>
Current liabilities Noncurrent liabilities Total liabilities	\$ 3.1 3.4 6.5	\$ 3.7 3.0 6.7	\$ 2.5 2.9 5.4
Deferred inflows of resources		0.1	0.1
Net position Investment in capital assets Unrestricted net position (deficit) Total net position	31.9 (5.0) 26.9	33.0 (5.7) 27.3	33.5 (3.7) 29.8
Total	<u>\$ 33.4</u>	<u>\$ 34.1</u>	<u>\$ 35.3</u>

For the years ended June 30, 2017 and 2016 the decrease in net position before other revenues, expenses, gains or losses was approximately \$0.5 million and approximately \$2.7 million. Net tuition revenue decreased for FY2017 by approximately \$0.2 million to approximately \$2.1 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 \$0.6 million to approximately \$3.7 million for FY2017 due to the enrollment decrease. The State appropriation remained stable from FY2016 to FY2017.

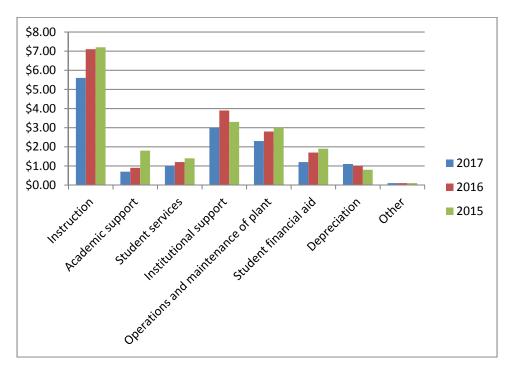
Condensed Schedules of Revenues, Expenses and Changes in Net Position Years Ended June 30, 2017, 2016 and 2015 (in millions)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues			
Tuition and fees	\$ 2.1	\$ 2.3	\$ 2.4
Contracts and grants	2.5	3.4	3.4
Other	0.8	0.6	0.6
Total operating revenues	5.4	6.3	6.4
Less: operating expenses	15.0	<u> 18.7</u>	<u>19.5</u>
Operating loss	(9.6)	(12.4)	(13.1)
Nonoperating revenues			
State appropriation	5.4	5.4	5.7
Pell grant revenue	3.7	4.3	5.6
Net nonoperating revenue	9.1	9.7	11.3
Decrease in net position before other revenues,			
expenses, gains or losses	(0.5)	(2.7)	(1.8)
Capital payments on behalf of the College	-	0.2	4.4
Other payments on behalf of the College	0.1	-	-
Donated capital assets			3.5
(Decrease) increase in net position	(0.4)	(2.5)	6.1
Net position - beginning of year	27.3	29.8	24.1
Net effect of change in accounting policy		<u>-</u>	(0.4)
Net position - beginning of year (restated)	27.3	29.8	23.7
Net position - end of year	<u>\$ 26.9</u>	<u>\$ 27.3</u>	<u>\$ 29.8</u>

Schedules of Operating Expenses Years Ended June 30, 2017, 2016 and 2015 (in millions)

FUNCTIONAL CLASSIFICATION OF EXPENSES	<u>2017</u>		<u>2016</u>		<u>20</u>	
Instruction	\$	5.6	\$	7.1	\$	7.2
Academic support		0.7		0.9		1.8
Student services		1.0		1.2		1.4
Institutional support		3.0		3.9		3.3
Operations and maintenance of plant		2.3		2.8		3.0
Student financial aid		1.2		1.7		1.9
Depreciation		1.1		1.0		0.8
Other		0.1		0.1		0.1
Total	\$	15.0	\$	18.7	\$	19.5

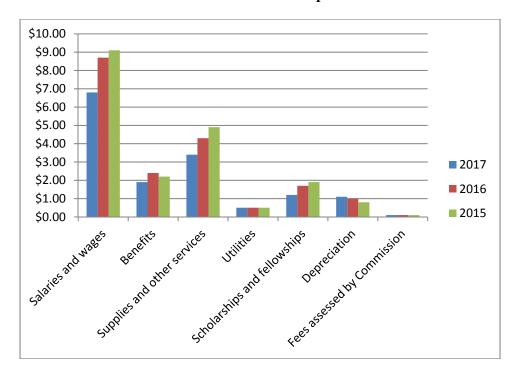
New River Community and Technical College Functional Classifications of Expenditures



Schedules of Natural Expenses Years Ended June 30, 2017, 2016 and 2015 (in millions)

NATURAL CLASSIFICATION OF EXPENSES	<u>2</u> 0	<u>2017</u> <u>2016</u>			<u>2</u>	015
Salaries and wages	\$	6.8	\$	8.7	\$	9.1
Benefits		1.9		2.4		2.2
Supplies and other services		3.4		4.3		4.9
Utilities		0.5		0.5		0.5
Scholarships and fellowships		1.2		1.7		1.9
Depreciation		1.1		1.0		0.8
Fees assessed by Commission		0.1		0.1		0.1
Total	\$	15.0	\$	18.7	<u>\$</u>	19.5

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, 2017 and 2016 were approximately \$0.7 million and approximately \$0.5 million, an increase of approximately \$0.2 million from FY2017 to FY2016.

Condensed Schedules of Cash Flows Years Ended June 30, 2017, 2016 and 2015 (in millions)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash provided by (used in)			
Operating activities	\$ (8.8)	\$ (9.6)	\$ (12.1)
Non capital financing activities	9.1	9.8	11.3
Capital and related financing activities	 (0.1)	 (0.4)	(0.4)
Increase (decrease) in cash and cash equivalents	0.2	(0.2)	(1.2)
Cash and cash equivalents, beginning of year	 0.5	 0.7	 1.9
Cash and cash equivalents, end of year	\$ 0.7	\$ 0.5	\$ 0.7

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, which was used to finance the construction of the Beckley Higher Education Center completed in FY2015 and classroom renovations at the College's Greenbrier campus completed during FY2017.

In FY2017, the College purchased approximately \$336 thousand in equipment and retired approximately \$29 thousand in equipment. Building additions during FY2017 totaled approximately \$3.3 million. 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 2015 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 2012 legislative session the State of West Virginia took proactive measures to address the unfunded liability which will take effect in future years and fully fund the liability by 2034.

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, 2017 AND 2016

		<u>2017</u>		<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS				
CURRENT ASSETS				
Cash and cash equivalents	\$	724,518	\$	450,594
Accounts receivable, net of allowance of \$1,051,098 and \$1,172,706		350,366		427,374
Due from Commission/Council		89,391		162,856
Grants receivable		21.041		14,764
Due from Federal government	_	21,941	_	6,947
Total current assets	-	1,186,216		1,062,535
NONCURRENT ASSETS				
Capital assets - net		32,115,967		32,930,867
Other accounts receivable	_	38,717		48,559
Total noncurrent assets		32,154,684	_	32,979,426
Total assets		33,340,900		34,041,961
DEFERRED OUTFLOWS OF RESOURCES				
Changes in proportion and differences in pension contributions		27,214		-
Differences between expected and actual experience		3,596		-
Changes in assumptions		15,537		-
Net difference between projected and actual earnings on pension plan investments		32,323		-
Employer pension contributions	_	39,531		40,445
Total deferred outflows of resources	_	118,201		40,445
Total	\$	33,459,101	\$	34,082,406
LIABILITIES, DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES				
Accounts payable	\$	308,375	\$	1,282,929
Accrued liabilities	Ψ	810,339	Ψ	981,273
Due to Commission/Council		180,102		44,172
Debt service obligation payable to the Council		460,000		460,000
Unearned revenue		964,243		570,088
Compensated absences - current portion		360,518		358,688
Capital lease payable - current portion		56,813		
Total current liabilities	_	3,140,390		3,697,150
NONCURRENT LIABILITIES				
Compensated absences		161,162		144,717
Net pension liability		392,776		302,537
Capital lease payable		100,555		-
Other post employment benefits liability	_	2,700,136	_	2,591,825
Total noncurrent liabilities	_	3,354,629		3,039,079
Total liabilities	_	6,495,019		6,736,229
DEFERRED INFLOWS OF RESOURCES				
Changes in proportion and differences in pension contributions		42,988		55,510
Differences between expected and actual experience		2,294		2,598
Net difference between projected and actual earnings on pension plan investments		_		12,664
Total deferred inflows or resources	_	45,282		70,772
NET POSITION		A4.6=0.00		
Net investment in capital assets		31,958,599		32,930,867
Restricted for:				
Expendable Honorist destrocition (definit)		- (E 020 E00:		- (E (EE 153)
Unrestricted net position (deficit)	_	(5,039,799)		(5,655,462)
Total net position		26,918,800		27,275,405
Total	\$	33,459,101	\$	34,082,406

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Student tuition and fees, net of scholarship		
allowance of \$3,846,684 and \$4,171,618	\$ 2,083,798	\$ 2,268,565
Contracts and grants		
Federal	927,907	1,682,614
State	1,583,930	1,760,694
Sales and services of educational activities	379,444	91,405
Miscellaneous - net	407,680	462,771
Total operating revenues	 5,382,759	 6,266,049
OPERATING EXPENSES		
Salaries and wages	6,782,280	8,686,250
Benefits	1,893,629	2,389,101
Supplies and other services	3,401,646	4,353,007
Utilities	494,853	468,168
Student financial aid - scholarships and fellowships	1,263,508	1,660,419
Depreciation	1,117,273	1,045,398
Assessments by the Policy Commission for operations	69,988	84,736
Total operating expenses	15,023,177	18,687,079
OPERATING LOSS	 (9,640,418)	 (12,421,030)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	5,389,150	5,416,035
Federal Pell grants	3,784,582	4,314,570
Investment income	5,462	2,662
Net nonoperating revenues	9,179,194	9,733,267
DECREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	 (461,224)	 (2,687,763)
PAYMENTS MADE AND EXPENSES INCURRED BY THE STATE ON BEHALF OF THE COLLEGE	66,409	48,583
CAPITAL PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF THE COLLEGE	 38,210	 147,675
CHANGE IN NET POSITION	(356,605)	(2,491,505)
NET POSITION, beginning of year	 27,275,405	 29,766,910
NET POSITION, end of year	\$ 26,918,800	\$ 27,275,405

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2017 AND 2016

CASH ELONG EDOM ODED ATING ACTIVITIES		<u>2017</u>		<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES	d.	2.160.006	¢	2 201 600
Student tuition and fees	\$	2,160,806	\$	2,381,698
Contracts and grants		1,588,190		3,238,897
Payments to and on behalf of employees		(8,657,013)		(10,134,558)
Payments to suppliers		(4,352,476)		(3,508,741)
Payments to utilities		(518,577)		(468,168)
Payments for scholarships and fellowships		263,459		(1,660,419)
Sales and service of educational activities		379,444		91,405
Fees assessed by Commission		(69,988)		(84,736)
Other receipts (payments)-net		407,680		462,771
Net cash (used) in operating activities	_	(8,798,475)	_	(9,681,851)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations		5,389,150		5,416,035
Pell grants		3,784,582		4,393,363
William D. Ford direct lending receipts		1,526,967		1,626,084
William D. Ford direct lending payments		(1,526,967)		(1,626,084)
Net cash provided by noncapital financing activities		9,173,732		9,809,398
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES Purchases of capital assets		(27 920)		(355 470)
Purchases of capital assets Principal payments on capital leases		(27,830)		(355,479)
1 1 7	_	(78,965)	_	(27,978)
Net cash (used) in capital financing activities		(106,795)		(383,457)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments		5,462		2,662
Net cash provided by investing activities		5,462		2,662
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		273,924		(253,248)
CASH AND CASH EQUIVALENTS - beginning of year	_	450,594		703,842
CASH AND CASH EQUIVALENTS - end of year	\$	724,518	\$	450,594
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) IN OPERATING ACTIVITIES				
Operating loss	\$	(9,640,418)	\$	(12,421,030)
Adjustments to reconcile operating loss to net cash (used) in operating activities:				
Depreciation expense		1,117,273		1,045,398
Pension expense-special funding situation		66,409		48,583
Changes in assets and liabilities:				
Accounts receivables - net		77,008		113,133
Due from Commission		73,465		154,130
Grants receivable		14,764		14,144
Due from Federal government		(14,994)		12,442
Other accounts receivable		9,842		2,145
Deferred outflows of resources		(77,756)		35,245
Accounts payable		(974,554)		844,266
Accrued liabilities		(170,934)		205,263
Due to the Commission/Council		135,930		44,172
Debt service obligation payable to the Council		-		460,000
Unearned revenue		394,155		(385,127)
Compensated absences		18,275		6,208
1		90,239		(47,995)
Net pension liability Other post employment benefits liability				,
Other post employment benefits liability		108,311		174,611
Deferred inflows of resources	_	(25,490)		12,561
Net cash (used) in operating activities	\$	(8,798,475)	\$	(9,681,851)
NONCASH TRANSACTION				
Capital payments made on behalf of New River Community and Technical College	\$	38,210	\$	147,675

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC. A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE STATEMENTS OF FINANCIAL POSITION JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 279,906	\$ 376,849
Unconditional promises to give, net	-	13,580
Due from New River Community and Technical College	-	90,000
Marketable securities, at fair market value	636,173	-
Restricted marketable securities, at fair market value	373,264	337,969
Beneficial interest in assets held by community foundation	1,215,320	1,219,241
Rental real estate land	-	66,808
Rental buildings, net of accumulated depreciation of \$0 and \$51,291, respectively	-	256,455
Other asset	9	9
Total assets	\$ 2,504,672	\$ 2,360,911
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,568	\$ -
Scholarships payable	89,100	63,775
Accrued expenses	12,525	13,676
Deferred rental revenue	-	56,712
Lease purchase payable		93,000
Total liabilities	104,193	227,163
NET ASSETS		
Unrestricted	123,935	76,988
Temporarily restricted	690,945	640,312
Permanently restricted	1,585,599	1,416,448
Total net assets	2,400,479	2,133,748
Total Not appets	2,100,17	2,133,170
Total liabilities and net assets	\$ 2,504,672	\$ 2,360,911

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, 2017

Public Support and Revenue	<u>Uni</u>	<u>restricted</u>		nporarily estricted	Permanently Restricted		<u>Total</u>
Rental revenue	\$	56,712	\$	_	\$ -	\$	56,712
Contributed services and supplies revenue		117,097		-	-		117,097
Grants and contributions		7,465		40,242	139,624		187,331
Interest and dividends income		4,251		28,986	-		33,237
Realized losses on investment securities, net		919		9,967	-		10,886
Unrealized gains on investment securities, net		7,891		85,472	-		93,363
Bank and investment fees		(2,090)		(15,977)	-		(18,067)
Fundraising activities revenues		4,996		-	-		4,996
Gain on sale of land and building		31,408		-	-		31,408
Net assets released from restrictions due to expiration of							
spending purpose restrictions		90,035		(90,035)	-		-
Total public support and revenue		318,684		58,655	139,624		516,963
<u>Expenses</u>							
Student support and program services		136,309		-	-		136,309
Rental activity		9,626		-	-		9,626
Management and general		33,415		-	-		33,415
Fundraising		70,882				_	70,882
Total expenses	_	250,232	_			_	250,232
Excess of Public Support and Revenues Over Expenses		68,452		58,655	139,624		266,731
Net Assets, Beginning of Year		76,988		640,312	1,416,448	2	2,133,748
Transfer between net asset classifications		(21,505)		(8,022)	29,527	_	
Net Assets, End of Year	\$	123,935	\$	690,945	\$ 1,585,599	\$ 2	2,400,479

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

			Ter	mporarily	Permanently		
	Un	restricted	<u>R</u>	estricted	Restricted		<u>Total</u>
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)		_	<u>-</u>
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

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 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, 2017 and 2016. 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 2017 or 2016. 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 2017 and 2016, respectively, the College received and disbursed approximately \$1.5 million and \$1.6 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 2017 and 2016, respectively the College received and disbursed approximately \$3.9 million and \$4.6 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.

Reclassifications - Certain amounts in the 2016 financial statements have been reclassified to conform with the 2017 presentation. Such reclassifications had no effect on the 2016 net position or changes in net position.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board – The College implemented 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 adoption of GASB Statement No. 80 had no impact on the June 30, 2017 financial statements.

The College implemented 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 adoption of GASB Statement No. 81 had no impact on the June 30, 2017 financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The College implemented Statement No. 86, Certain Debt Extinguishment Issues, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. The adoption of GASB Statement No. 86 had no impact on the June 30, 2017 financial statements.

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

The Governmental Accounting Standards Board has also issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The College has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The College has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 85, *Omnibus 2017*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The College has not yet determined the effect that the adoption of GASB Statement No. 85 may have on its financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Governmental Accounting Standards Board has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The College has not yet determined the effect that the adoption of GASB Statement No. 87 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:

	 2017	 2016
Cash on deposit with the Treasurer/BTI	\$ 702,338	\$ 438,369
Cash in bank	19,930	9,975
Cash on hand	 2,250	2,250
	\$ 724,518	\$ 450,594

Cash held by the Treasurer and cash in bank includes \$690,005 and \$412,283 of restricted cash at June 30, 2017 and 2016, respectively.

The combined carrying amount of cash in the bank at June 30, 2017 and 2016, was \$19,930 and \$9,975, respectively, as compared with the combined bank balance of \$83,253 and \$74,460; 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 were \$702,338 and \$438,369 as of June 30, 2017 and 2016, respectively. Of these amounts \$666,149 and \$419,244 were invested in the WV Money Market Pool and the WV Short Term Bond Pool as of June 30, 2017 and 2016, respectively. The remainder of the cash held with the State Treasurer was not invested at June 30, 2017 and 2016.

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:

		2017			2016		
			S & P			S & P	
External Pool	Carı	ying Value	Rating	Carı	ying Value	Rating	
WV Money Market Pool	\$	651,161	AAAm	\$	409,585	AAAm	
WV Short Term Bond Pool	\$	14,988	Not Rated	\$	9,659	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:

	2017					
			WAM	'		WAM
External Pool	Carr	ying Value	(Days)	Carry	ying Value	(Days)
WV Money Market Pool	\$	651,161	36	\$	409,585	49

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

	2017				2016	
			Effective			Effective
			Duration			Duration
External Pool	Carr	ying Value	(Days)	Carryi	ng Value	(Days)
WV Short Term Bond Pool	\$	14,988	426	\$	9,659	462

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.

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.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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:

	2017			
	Beginning			Ending
	Balance	<u>Additions</u>	Reductions	Balance
Capital assets not being depreciated: Land	\$ 1.884.000	\$ -	\$ -	\$ 1.884.000
	+ -,00.,000			\$ 1,884,000
Construction in progress	3,350,113	38,210	3,388,323	Ф. 1.004.000
Total capital assets not being depreciated	\$ 5,234,113	\$ 38,210	\$ 3,388,323	<u>\$ 1,884,000</u>
Other capital assets:				
Land improvements	\$ 97,937	\$ -	\$ -	\$ 97,937
Buildings	29,913,534	3,316,091	-	33,229,625
Equipment	3,094,616	336,395	29,308	3,401,703
Library books	522,027			522,027
Total other capital assets	33,628,114	3,652,486	29,308	37,251,292
Less accumulated depreciation for:				
Land improvements	74,878	6,529	_	81,407
Buildings	3,874,593	712,970	-	4,587,563
Equipment	1,503,939	378,434	29,308	1,853,065
Library books	477,950	19,340		497,290
Total accumulated depreciation	5,931,360	1,117,273	29,308	7,019,325
Other capital assets, net	<u>\$ 27,696,754</u>	<u>\$ 2,535,213</u>	<u>\$</u>	<u>\$ 30,231,967</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 5,234,113	\$ 38,210	\$ 3,388,323	\$ 1,884,000
Other capital assets	33,628,114	3,652,486	29,308	37,251,292
Total cost of capital assets	38,862,227	3,690,696	3,417,631	39,135,292
Less accumulated depreciation	5,931,360	1,117,273	29,308	7,019,325
Capital assets, net	\$ 32,930,867	<u>\$ 2,573,423</u>	<u>\$ 3,388,323</u>	\$ 32,115,967

NOTE 4 - CAPITAL ASSETS (Continued)

	2016			
	Beginning			Ending
	Balance	<u>Additions</u>	Reductions	Balance
Capital assets not being depreciated:				
Capital assets not being depreciated: Land	\$ 1,884,000	\$ -	\$ -	\$ 1,884,000
		•	J -	
Construction in progress	3,202,438	147,675	<u> </u>	3,350,113
Total capital assets not being depreciated	\$ 5,086,438	<u>\$ 147,675</u>	\$ -	\$ 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	<u>\$ (689,919)</u>	\$ -	\$ 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	<u>\$ (542,244)</u>	<u>\$</u> _	\$ 32,930,867

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, 2017, 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:

			2017		
	Beginning			Ending	Current
	Balance	Additions	Reductions	Balance	<u>Portion</u>
Compensated absences	\$ 503,405	\$ 18,275	\$ -	\$ 521,680	\$ 360,518
OPEB liability	2,591,825	322,284	213,973	2,700,136	-
Capital lease payable	-	236,333	78,965	157,368	56,813
Net pension liability	302,537	133,498	43,259	392,776	
Total noncurrent liabilities	\$ 3,397,767	\$ 710,390	\$ 336,197	\$ 3,771,960	<u>\$ 417,331</u>
			2016		
	Beginning			Ending	<u> </u>
				Liluing	Current
	Balance	Additions	Reductions	<u>Balance</u>	Current Portion
Compensated absences	<u>Balance</u> \$ 497,197			\mathcal{C}	<u>Portion</u>
Compensated absences OPEB liability				<u>Balance</u>	<u>Portion</u>
•	\$ 497,197	\$ 6,208	\$ -	<u>Balance</u> \$ 503,405	<u>Portion</u>
OPEB liability	\$ 497,197 2,417,214	\$ 6,208	\$ - 240,021	<u>Balance</u> \$ 503,405	<u>Portion</u>

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, 2017, 2016, and 2015, the noncurrent liability related to OPEB costs was \$2,700,136, \$2,591,825, and \$2,417,214, respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$322,284 and \$12,260, respectively, during 2017, or 4%. 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%. As of the years ended June 30, 2017, 2016 and 2015, there were seven, five and six retirees receiving these benefits, respectively. During the 2012 legislative session, the State took proactive measures to address the unfunded liability, which will take effect in future fiscal years and fully fund the liability by 2034.

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, 2017, 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, 2017. The debt is classified as current at June 30, 2017.

NOTE 8 - UNRESTRICTED NET POSITION (DEFICIT)

The College's unrestricted net position (deficit) at June 30, 2017 and 2016 includes certain undesignated net position, as follows:

	2017	2016
Total unrestricted net position (deficit) before OPEB liability		
Less: OPEB liability	2,700,136	2,591,825
Total unrestricted net position (deficit)	\$ (5,039,799)	\$ (5,655,462)

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

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 and all purchases require approval by the Chief Financial Officer and/or the Director of Purchasing. Only essential travel is being authorized. The College has reduced the square footage of one lease and one property is in the process of being eliminated. The College is implementing the 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.

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, 2017 and 2016:

STRS	2017	 2016
Net pension liability	\$ 392,776	\$ 302,537
Deferred outflows of resources	118,201	40,445
Deferred inflows of resources	45,282	70,772
Revenues	66,409	48,583
Pension expense	95,747	55,633
Contributions made by the College	39,531	40,445

NOTE 9 - RETIREMENT PLANS (Continued)

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.

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.

NOTE 9 - RETIREMENT PLANS (Continued)

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, 2017 and 2016, the College's proportionate share attributable to this special funding subsidy was \$66,409 and \$48,583, respectively.

The College's contributions to STRS for the years ended June 30, 2017, 2016, and 2015, were approximately \$39,531, \$40,445, and \$46,800, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2015 and 2014 and rolled forward to June 30, 2016 and 2015, 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 3.00–6.00% and non-teachers 3.00–6.50%, based on age.
- Inflation rate of 3.0%.
- Discount rate of 7.5%.
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 1.2-35% and non-teachers 1.4-24.75%.
- Disability rates: 0-0.704%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 0-100%.
- 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.

NOTE 9 - RETIREMENT PLANS (Continued)

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2010 to June 30, 2015. 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, 2016, 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	7.0%	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.

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, 2017 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	\$ 496,896	\$ 392,776	\$ 303,780

NOTE 9 - RETIREMENT PLANS (Continued)

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

The June 30, 2017 STRS net pension liability was measured as of June 30, 2016, and the total pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to the measurement date of June 30, 2016. 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.

At June 30, 2017, the College's proportionate share of the STRS net pension liability was \$1,140,910. Of this amount, the College recognized \$392,776 as its proportionate share on the statement of net position. The remainder of \$748,134 denotes the College's proportionate share of net pension liability attributable to the special funding.

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.

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, 2016 and 2015. Employer contributions are recognized when due. At June 30, 2016, the College's proportion was 0.009557%, an increase of 0.000898% from its proportion of 0.008659% calculated as of June 30, 2015.

For the year ended June 30, 2017, the College recognized STRS pension expense of \$95,747. Of this amount, \$29,338 was recognized as the College's proportionate share of the STRS expense and \$66,409 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of \$66,409 for support provided by the State.

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)

At June 30, 2017 and 2016, 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, 2017						
Changes in proportion and differences						
in pension contributions	\$	27,214	\$	42,988		
Differences between expected and		2.506		2 20 4		
actual experience		3,596		2,294		
Changes in assumptions Net difference between projected and		15,537		-		
actual earnings on pension plan						
investments		32,323		_		
Contributions after the measurement		- ,				
date		39,531		_		
Total	\$	118,201	\$	45,282		
	Deferre	ed Outflows	Deferre	ed Inflows of		
		ed Outflows Lesources		ed Inflows of esources		
June 30, 2016				ed Inflows of esources		
June 30, 2016 Changes in proportion and differences						
Changes in proportion and differences in pension contributions						
Changes in proportion and differences in pension contributions Differences between expected and	of R		R6	55,510		
Changes in proportion and differences in pension contributions Differences between expected and actual experience	of R		R6	esources		
Changes in proportion and differences in pension contributions Differences between expected and actual experience Changes in assumptions	of R		R6	55,510		
Changes in proportion and differences in pension contributions Differences between expected and actual experience Changes in assumptions Net difference between projected and	of R		R6	55,510		
Changes in proportion and differences in pension contributions Differences between expected and actual experience Changes in assumptions Net difference between projected and actual earnings on pension plan	of R		R6	55,510 2,598		
Changes in proportion and differences in pension contributions Differences between expected and actual experience Changes in assumptions Net difference between projected and	of R		R6	55,510		
Changes in proportion and differences in pension contributions Differences between expected and actual experience Changes in assumptions Net difference between projected and actual earnings on pension plan investments	of R		R6	55,510 2,598		
Changes in proportion and differences in pension contributions Differences between expected and actual experience Changes in assumptions Net difference between projected and actual earnings on pension plan investments Contributions after the measurement	of R	esources	R6	55,510 2,598		

NOTE 9 - RETIREMENT PLANS (Continued)

The College will recognize the \$39,531 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, 2018. 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		
2018	\$	987	
2019		986	
2020		12,573	
2021		9,426	
2022		9,416	
	\$	33,388	

Payables to the Pension Plan

The College did not report any amounts payable for normal contributions to the STRS as of June 30, 2017 and 2016.

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, 2017, 2016 and 2015 were \$703,788, \$819,968 and \$857,812, respectively, which consisted of equal contributions of \$351,894, \$409,984, and \$428,906, from both the College and covered employees.

Total contributions to Educators Money for the years ended June 30, 2017, 2016 and 2015 were \$10,832, \$12,498 and \$15,958, respectively, which consisted of equal contributions of \$5,416, \$6,249 and \$7,979 from both the College and covered employees.

The College's total payroll for the years ended June 30, 2017, 2016 and 2015 respectively, was \$6,782,280, \$8,686,250 and \$9,087,651. Total covered employees' salaries in STRS, TIAA-CREF and Educators Money were \$6,218,679, \$7,329,657 and \$7,593,455, respectively.

NOTE 10 - LEASES

Operating Leases

The College leases various equipment, software and buildings under operating leases. Rental payments for operating leases were \$288,555 and \$501,085 for the years ended June 30, 2017 and 2016. Following is a schedule of future minimum lease payments for the term of these operating leases.

Year Ending June 30	Renta	al Payments		
2018	\$	56,813		
2019		67,344		
2020		67,344		
2021		11,224		

Capital Leases

The College leases certain equipment and vehicles under agreements that are classified as capital leases. The cost of these assets is included in the statements of financial position as property, plant and equipment and was \$236,333 and \$0 at June 30, 2017 and 2016, respectively. Accumulated depreciation on the leased assets at June 30, 2017 and 2016 was \$76,579 and \$0, respectively. Depreciation of assets under capital lease is included in depreciation expense.

Future minimum lease payments required under capital leases as of June 30, 2017 are as follows:

Year Ending June 30	Leas	e Payments
2018	\$	56,813
2019		52,836
2020		40,902
2021		6,817
Total	\$	157,368

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, 2017 and 2016, the Foundation's net assets (including unrealized gains) totaled \$2,400,479 and \$2,133,748, respectively.

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

Gifts, grants, pledges and bequests to the College totaled \$187,331 and \$135,766 for the years ended June 30, 2017 and 2016, 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 \$117,097 and \$158,779 for the years ended June 30, 2017 and 2016, respectively.

The College entered into an operating lease with the Foundation commencing February 15, 2013 and ending February 14, 2017. The lease called for annual payments of \$90,000. The College reported payables to the Foundation in the amount of \$0 and \$90,000 at June 30, 2017 and 2016, respectively related to the lease. These amounts are included in accounts payable at June 30, 2017 and 2016 on the statements 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.

NOTE 12 - CONTINGENCIES (Continued)

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.

JUNE 30, 2017 AND 2016

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.

JUNE 30, 2017 AND 2016

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 1% and 7% of the total of such assets at June 30, 2017 and 2016, 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 the GGVCF 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.

JUNE 30, 2017 AND 2016

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, 2017 and 2016 are presented in the accompanying statements of financial position in the amount of \$1,215,320 and \$1,219,241, respectively.

As of December 31, 2016, the latest reviewed financial statements of GGVCF reflect total investment assets, at market value of \$7,760,377 comprised of the following:

	Market
	 Value
Fixed income securities	\$ 2,592,549
Fixed income mutual funds	164,611
Common stocks	3,990,499
Preferred stocks	167,714
Equity mutual funds	 845,004
	\$ 7,760,377

A condensed statement of financial position as of December 31, 2016, the most recent reviewed financial statements of GGVCF is as follows:

<u>Assets</u>			
Cash and equivalents	\$	1,384,533	
Accrued interest and dividends		20,851	
Marketable securities		7,760,377	
Other assets		4,971	
Total Assets	\$	9,170,732	
<u>Liabilities and Net Assets</u>			
Funds held for benefit of others	\$	6,097,620	
Accounts payable and accrued expenses		22,904	
Net assets		3,050,208	
Total Liabilities and Net Assets	Φ.	9.170.732	

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

JUNE 30, 2017 AND 2016

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, 2017 and 2016 amounted to \$10,258 and \$15,388, 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 held by the Organization and community foundation 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 value of both of these assets 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, 2013.

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.

JUNE 30, 2017 AND 2016

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 as 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).

JUNE 30, 2017 AND 2016

Note 2 — Summary of Significant Accounting Policies (continued)

Date of Management Review: Subsequent events (events or transactions that have occurred which may have a material effect on the financial statements and that require adjustment to or disclosure in the financial statements) have been evaluated through September 12, 2017 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, 2017 and 2016 were comprised of the following:

	<u>2017</u>		<u>2016</u>
Gross unconditional promises to give	\$	- \$	19,024
Less gross allowance for doubtful accounts		-	(4,456)
Less unamortized discounts			(988)
Net unconditional promises to give	\$	<u>-</u> <u>\$</u>	13,580

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

Note 4 — Marketable Securities

Marketable securities

Marketable securities amounting to \$636,173 at June 30, 2017 consisted of the following:

	Investment		Market	
Securities Category		Cost		<u>Value</u>
U.S. Government Agency Securities	\$	20,046	\$	20,057
Municipal Bonds and Notes		19,962		19,959
Corporate Bonds and Notes		234,367		234,233
Preferred Stocks		22,350		22,849
Common Stock		256,778		257,690
Domestic Equity Mutual Funds		7,617		7,822
International Equity Mutual Funds		25,586		26,582
Large Capitalization Mutual Funds		10,000		10,326
Small Capitalization Mutual Funds		20,000		21,154
Midlevel Capitalization Mutual Funds		15,000		15,501
Totals	\$	631,706	\$	636,173

Restricted marketable securities

Restricted marketable securities amounting \$373,264 and \$337,969, respectively at June 30, 2017 and 2016 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).

JUNE 30, 2017 AND 2016

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>		
Ongoing capital campaign	\$ 74,793	\$	88,721	
Current scholarships	165,797		175,494	
Endowments	120,504		81,347	
Grants	 329,851		294,750	
Totals	\$ 690,945	\$	640,312	

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 \$117,097 and \$158,779 for the years ended June 30, 2017 and 2016, 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.

JUNE 30, 2017 AND 2016

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, 2017 and 2016:

June 30, 2017	Temporarily <u>Restricted</u>	Permanently Restricted		
Donor restricted endowment funds	<u>\$ 120,504</u>	\$ 1,582,121		
June 30, 2016	Temporarily Restricted	Permanently Restricted		
Donor restricted endowment funds	\$ 81,347	\$ 1,442,497		

JUNE 30, 2017 AND 2016

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

Changes in endowment net assets for the years ended June 30, 2017 and 2016 were as follows:

	Temporarily Restricted	Permanently Restricted		
Endowment net assets, June 30, 2015	\$ 56,737	\$ 1,384,591		
Contributions		57,906		
Investment return: Interest and dividends	20.204			
Net realized and unrealized gains	30,294 26,835	_		
Bank and investment fees	(14,545)	_		
Total additions	42,584			
Scholarship awards	17,974			
Endowment net assets, June 30, 2016	81,347	1,442,497		
Contributions		139,624		
Investment return:				
Interest and dividends	28,999	-		
Net realized and unrealized gains	53,685	-		
Bank and investment fees	(15,827)			
Total additions	66,857	<u> </u>		
Scholarship awards	27,700			
Endowment net assets, June 30, 2017	<u>\$ 120,504</u>	\$ 1,582,121		

From time to time 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.

JUNE 30, 2017 AND 2016

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, 2017 and 2016, 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 years ended June 30, 2017 and 2016.

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.

JUNE 30, 2017 AND 2016

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, 2017 Using

	Date of June 50, 2017 Ching					
			Quote	d Prices in		Significant Other
			Active	Markets for		Observable
			Identi	cal Assets		Inputs
		Fair Value	(L	evel 1)		(Level 2)
Marketable investments	\$	1,009,437	\$	1,009,437	\$	-
Beneficial interest in assets held by community						
Foundation	\$	1,215,320	\$	-	\$	1,215,320

Fair Value Measurement at Reporting Date of June 30, 2016 Using

	F	Fair Value	Activ Ider	ted Prices in e Markets for ntical Assets Level 1)	Significant Other Observable Inputs (Level 2)
			`		(==
Marketable investments	\$	337,969	\$	337,969	\$ -
Beneficial interest in assets held by community					
foundation	\$	1,219,241	\$	-	\$ 1,219,241

JUNE 30, 2017 AND 2016

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 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." This is reflected in the accompanying statement of changes in net assets for the year ended June 30, 2016.

During the year ended June 30, 2017, management determined that certain net assets previously classified as unrestricted and temporarily restricted net assets in the amounts of \$21,505 and \$8,022, respectively were more appropriately classified as permanently restricted net assets in the total amount of \$29,527. This is reflected in the accompanying statement of changes in net assets for the year ended June 30, 2017.

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, 2017 and 2016 the Organization had restricted marketable investments totaling \$373,264 and \$337,969, respectively related to this grant (**See Note 4**).

JUNE 30, 2017 AND 2016

Note 11 — Property Lease Purchase, Related Party Lease and Subsequent Sale

Lease Purchase

On February 18, 2013 the Organization entered into a lease purchase agreement with the Board of Education of Greenbrier County, West Virginia Board of Education (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 called 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 ceased 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 amounted 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 for the year ended June 30, 2016, and is reflected in the accompanying statements of activities.

The transfer of title/ownership of the property occurred during the year ended June 30, 2017.

At June 30, 2016, the lease purchase payable related to this agreement amounted to \$93,000.

Related Party Lease

Concurrent with the signing of the above 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 which commenced May 1, 2013 and ended May 1, 2016. The annual lease term began each February 15th and ended each February 14th of the following year. Rental revenue related to this arrangement amounts to \$90,000 for the years ended June 30, 2017 and 2016, as reflected in the accompanying statements of activities.

JUNE 30, 2017 AND 2016

Note 11 — Property Lease Purchase, Related Party Lease and Subsequent Sale (continued)

New River was responsible for all expenses related to the property such as, but not limited to insurance, utilities, maintenance and renovations.

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.

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.

Subsequent Sale of Property

On February 28, 2017, the Organization sold this property to an unrelated commercial entity for the total sales price \$344,413. The property has a net book value at this time of \$313,005, resulting in a gain on the sale of \$31,408, which is reported as a gain on the sale of land and building in the accompanying statement of activities for the year ended June 30, 2017.

NOTE 14 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

							20	2017						
					Supplies									
		Salaries			and			Schol	Scholarships			Fees		
		and			Other			g	and			Assessed by		
		Wages	Be	Benefits	Services		Utilities	Fello	Fellowships	Del	Depreciation	Commission		Total
Instruction	↔	3,591,352	∽	849,883 \$	1,134,571	1.	1	\$	1	∽	1	∨	↔	5,575,806
Academic support		379,550		92,303	233,645	5	370		1		1	'		705,868
Student services		64,649		190,649	82,530	0	649		1		1	'		953,527
General institutional support		1,481,835		603,951	923,464	4	13,370		1		1	'		3,022,620
Operations and maintenance of plant		649,844		156,843	1,027,436	9	480,464		1		1	'		2,314,587
Student financial aid		•		1			1	1	1,263,508		1	'		1,263,508
Depreciation		1		٠			•		1		1,117,273	'		1,117,273
Other		ı		•			1		1		•	886'69		886,69
	l] [
Total	↔	6,782,280	↔	1,893,629 \$	3,401,646	<u>ب</u>	494,853	\$	1,263,508	S	1,117,273	\$ 69,988	↔	15,023,177
							20	2016						
					Supplies									
		Salaries			and			Schol	Scholarships			Fees		
		and			Other			В	and			Assessed by		
		Wages	Be	Benefits	Services		Utilities	Fello	Fellowships	Del	Depreciation	Commission		Total
Instruction	↔	4,599,542	€	1,072,257 \$	1,451,884	4 8	1	\$	1	↔	1	€-	↔	7,123,683
Academic support		486,100		116,454	298,990	9	350		,		1	•		901,894
Student services		870,509		240,533	105,612	7	614		1		1	•		1,217,268
General institutional support		1,897,826		761,976	1,181,735	5	12,649		•		•	•		3,854,186
Operations and maintenance of plant		832,273		197,881	1,314,786	9	454,555		1		•	•		2,799,495
Student financial aid		1		•			•	1	1,660,419		•	•		1,660,419
Depreciation		ı		•			1		1		1,045,398	1		1,045,398
Other	ļ	1							1			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

REQUIRED SUPPLEMENTARY INFORMATION

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY June 30, 2017

State Teachers' Retirement System Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
College's proportion of the net pension liability (asset) (percentage)	0.009557%	0.008659%	0.010161%							
College's proportionate share of the net pension liability (asset)	\$ 392,776	\$ 302,537	\$ 350,532							
State's proportionate share of the net pension liability (asset)	748,134	684,644	792,052							
Total proportionate share of the net pension liability (asset)	\$1,140,910	\$ 987,181	\$1,142,584							
College's covered-employee payroll	\$ 269,633	\$ 312,047	\$ 312,047							
College's proportionate share of the net pension liability (asset) as a percentage of its coveredemployee payroll	145.67%	%56.96	112.33%							
Plan fiduciary net position as a percentage of the total pension liability	61.42%	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, 2017

State Teachers' Retirement System Last 10 Fiscal Years

2008

Contractually required contribution	\$ 39,531	\$ 40,445	\$ 46,807	2014	<u>2013</u>	2012	2011	<u>2010</u>	<u>2009</u>
Contributions in relation to the contractually required contribution	(39,531)	(40,445)	(46,807)						
Contribution deficiency (excess)	· ·	· •	· ·						
College's covered-employee payroll	\$ 263,539	\$269,633	\$312,047						
Contributions as a percentage of coveredemployee payroll	15.00%	15.00%	15.00%						

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.

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NEW RIVER COMMUNITY AND TECHNICAL COLLEGE NOTE TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2017

Amounts reported during the year ended June 30, 2017 reflect changes in assumptions to more closely reflect actual experience. The changes in assumptions are related to projected salary increases, inflation rate, mortality tables, withdrawal rates, and disability rates.

There are no other 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, 2016.



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 Beaver, 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), a component unit of the West Virginia Council for Community and Technical College Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 23, 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.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2017-001 that we consider to be a material weakness.

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.

Charleston, West Virginia

Suttle + Stalnaker, PUC

October 23, 2017

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2017

2017-001 FINANCIAL REPORTING

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.

Condition: As partially noted in the prior year, several accounts in the general ledger required

material adjustments to reconcile to supporting documentation. Additionally,

beginning net position did not agree to the prior year's audit report.

Context: Total assets, deferred outflows, liabilities, deferred inflows, net position, revenues,

and expenses of the College are \$33.3 million, \$118 thousand, \$6.5 million, \$45 thousand, \$26.9 million, \$14.7 million, and \$15.0 million, respectively. The impact of adjustments to assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses was \$409 thousand, \$118 thousand, \$79 thousand,

\$84 thousand, \$0, \$255 thousand, and \$384 thousand, respectively.

Cause: Inaccuracies in posting prior year audit adjustments, recording yearend accruals,

and reconciling supporting schedules to the fiscal year 2017 trial balance resulted in

material adjustments to the financial statements.

Effect: The financial statements required material audit adjustments in order to be

presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Additionally, the discrepancies between accounting records and the trial balance resulted in delays in issuing the audited

financial statements.

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 We agree with the findings and will take the necessary corrective actions as noted

Officials: *in the corrective action plan attached.*



Corrective Action Plan

October 23, 2017

West Virginia Council for Community and Technical College Education

New River Community and Technical College respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and address of independent public accounting firm: Suttle & Stalnaker, PLLC, 1411 Virginia Street, East, Suite 100, Charleston, WV 25301

Audit Period: Year ended June 30, 2017

The finding from the October 23, 2017 schedule of findings and responses is discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDING-FINANCIAL STATEMENT AUDIT

2017-001 - FINANCIAL REPORTING

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.

Action Taken:

The College was challenged by maintaining adequate staffing levels and training through the year. The full-time accountant resigned during the audit preparation with only giving a three days' notice. The temporary part-time accountant employed ended up not dedicating as many hours to the preparation as planned. The full-time payroll accountant unexpectedly went on family medical leave, and the full-time purchasing assistant transferred into a different department during the same time period. The audit date was not able to be moved to a later date due to the strictly reinforced timeline by the State of West Virginia to publish audited financials by October 31, 2017. The Chief Financial Officer was left with the final preparation and the completion of the audit. The WVNetwork was able to assist with the beginning net position in Banner not agreeing to the prior year's audit report. The College also hired a consultant from an accounting firm under the WV State contract to assist the Chief Financial Officer with the completion of the audit and to meet the WV deadline of October 31, 2017.

The College will continue taking advantage using the WVNetwork with the maintaining of Banner. We will contract and consult with an accounting firm for the preparation of account reconciliations and maintaining supporting schedules for all account balances. The job descriptions for the two vacant full-time positions (accountant and purchasing assistant) will be re-written and upgraded to attract applicants with higher

education and/or WV state accounting experiences. The finance team will also be cross trained to assist with important functions that support the preparation required for the annual audit. The Chief Financial Officer will create desk procedures with a minimum of quarterly timelines for all account reconciliations and supporting schedules related to account balances by January 31, 2018.

The changes of these job descriptions will allow the Chief Financial Officer to allocate additional time to maintain the accounting in the Banner system from which the financial audit is being prepared and to work with WVNetwork and a Consulting Firm as needed.

If the West Virginia Council for Community and Technical College Education has questions regarding this plan, please call Heike Soeffker-Culicerto at 304-929-5440.

Sincerely,

Heike Soeffker-Culicerto, CFO

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