West Virginia Council for Community and Technical College Education

(A Component Unit of the West Virginia Higher Education Policy Commission)

Combined Financial Statements
Years Ended June 30, 2017 and 2016
and
Independent Auditor's Reports

CERTIFIED PUBLIC ACCOUNTANTS

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

West Virginia Council for Community and Technical College Education
Charleston, West Virginia

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the business-type activities of the West Virginia Council for Community and Technical College Education (the Council), a component unit of the West Virginia Higher Education Policy Commission, as of and for the years ended June 30, 2017 and 2016, and the related notes to the combined financial statements, which collectively comprise the Council's combined financial statements as listed in the table of contents.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the 2017 or 2016 financial statements of Blue Ridge Community and Technical College (Blue Ridge), Mountwest Community and Technical College (Mountwest), West Virginia Northern Community College (Northern), or West Virginia University at Parkersburg (WVU at Parkersburg), which collectively represent 45%, 47%, and 43% of the 2017 assets, net position, and revenues of the Council. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Blue Ridge, Mountwest, Northern, and WVU at Parkersburg, is based solely on the reports of the 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined 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 reports of other auditors, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the business-type activities of the Council, as of June 30, 2017 and 2016, and the combined changes in financial position and 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 - 17, and the schedule of proportionate share of the net pension liability, the schedule of pension contributions, and the related footnote on pages 50 - 52 be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined 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 Council'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 Council's internal control over financial reporting and compliance.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 23, 2017

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2017

Overview of the Combined Financial Statements and Financial Analysis

Senate Bill No. 448, passed during the 2004 legislative session, gave the West Virginia Council for Community and Technical College Education (the Council) the statutory authority for coordinating the delivery of community and technical college education in the State of West Virginia. The Council is comprised of 13 persons appointed by the Governor with the advice and consent of the Senate. There were nine public community and technical colleges and one administrative unit during fiscal years 2016 and 2017. As of July 1, 2015, Bridgemont Community and Technical College (Bridgemont) and Kanawha Valley Community and Technical College (Kanawha Valley) were combined to form BridgeValley Community and Technical College (BridgeValley). The Council, combined with the West Virginia Higher Education Policy Commission (the Commission) and its institutions collectively comprise the West Virginia Higher Education Fund (the Fund), which is a discretely presented component unit of the State of West Virginia. The supervision and management of the affairs of each institution is the responsibility of individual Governing Boards, while the Council is responsible for the development and implementation of a higher education policy agenda. Comparative combined statements for the fiscal years ended June 30, 2017 and 2016 are presented.

During fiscal year 2008, House Bill No. 3215 was passed, which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the Statewide network of independently-accredited community and technical colleges. Effective July 1, 2008, West Virginia University at Parkersburg (WVU at Parkersburg) and the administratively-linked community and technical colleges of Fairmont State University, Marshall University, West Virginia State University, and West Virginia University (the Universities) established their own Boards of Governors. Except for Fairmont State University and Pierpont Community and Technical College (Pierpont), which were granted an extension to be effective January 2010, the newly established Boards of Governors and the Boards of Governors of the Universities jointly agreed on a division of assets and liabilities of the Universities, which was effective retroactively to July 1, 2008. During 2017, there were transfers to the Universities of approximately $329,000. During 2016, there were transfers to the Universities of approximately $120,000. The Universities and the separately-established community and technical colleges developed a plan that ensured the financial stability of auxiliary enterprises, including but not limited to student housing, student centers, dining services, parking, and athletics through fiscal year 2012. The transition plans related to Fairmont State University and Pierpont extend Pierpont's obligation beyond 2017 to match outstanding bond commitments of Fairmont State University. Other than Pierpont's obligation, there are no formal commitments beyond 2017.

The Governmental Accounting Standards Board (GASB) has issued directives for presentation of college and university financial statements and any component units. The Council does not have any significant entities that are entirely or almost entirely for the benefit of the community and technical colleges reporting to the Council. While certain community and technical colleges do have Foundations, which are included in their respective individual financial statements, these Foundations are not currently significant to the Council, either individually or in total.

The following discussion and analysis of the Council's combined financial statements provides an overview of its financial activities for Fiscal Years 2017, 2016, and 2015, with a focus on 2017, and is required supplementary information. There are three financial statements presented: the Combined Statement of Net Position; the Combined Statement of Revenues, Expenses, and Changes in Net Position; and the Combined Statement of Cash Flows.

Combined Statement of Net Position

The Combined Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Council. This point-of-time financial statement is designed to present to readers a fiscal snapshot of the Council. The Combined Statement of Net Position presents end-of-year financial information on assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources).

From the data presented, readers of the Combined Statement of Net Position are able to determine the assets available to continue the operations of the Council as well as the amount of deferred outflows of resources. They are also able to determine how much the Council owes vendors, employees, and lending institutions and the amount of deferred inflows of resources. Finally, the Combined Statement of Net Position provides a picture of the net position and its availability for expenditure by the Council.

Net Position is divided into three major categories as follows:

(1) Net investment in capital assets, which provides the Council's equity in property, plant, and equipment owned by the Council.

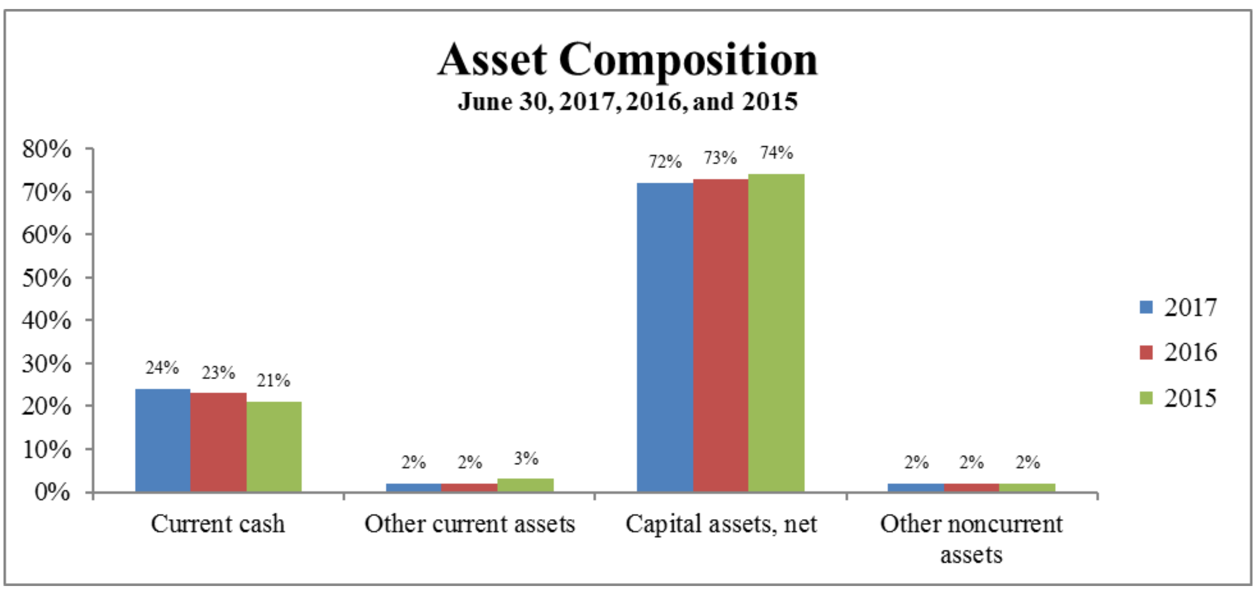
(2) Restricted net position, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted balances are not available for expenditure by the Council. These funds are invested and generate earnings that are available for certain types of expenditures. Expendable restricted balances are available for expenditure by the Council but have a specific purpose.

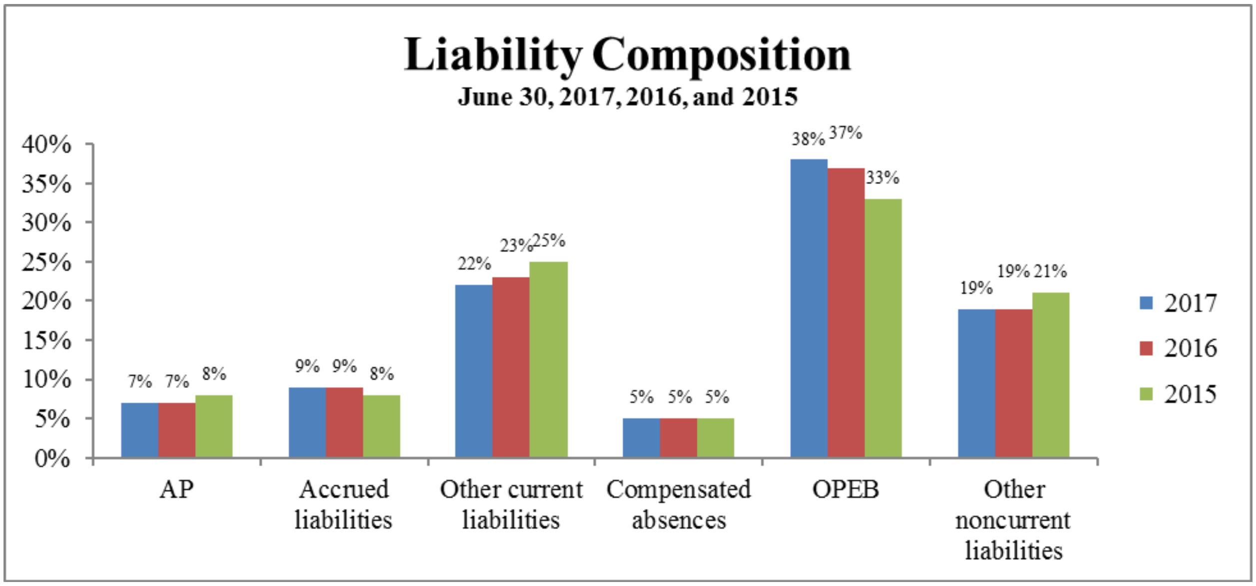
(3) Unrestricted balances are available for expenditure and can be used for any lawful purpose of the Council.

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2017

Condensed Combined Schedules of Net Position
June 30:
(In thousands of dollars)

	2017	2016	2015	Change from 2016 to 2017
Assets				
Current assets	$ 91,615	$ 82,668	$ 80,685	$ 8,947
Capital assets, net	249,181	239,464	245,176	9,717
Other noncurrent assets	6,091	5,607	5,594	484
Total assets	346,887	327,739	331,455	19,148
Deferred outflows of resources	822	329	319	493
Total	$ 347,709	$ 328,068	$ 331,774	$ 19,641
Liabilities				
Current liabilities	$ 31,652	$ 32,363	$ 35,848	$ (711)
Noncurrent liabilities	42,827	42,455	42,513	372
Total liabilities	74,479	74,818	78,361	(339)
Deferred inflows of resources	873	1,080	1,149	(207)
Net position				
Net investment in capital assets	235,969	225,543	229,220	10,426
Restricted				
Nonexpendable	50	50	50	-
Expendable	12,583	11,898	11,509	685
Unrestricted	23,755	14,679	11,485	9,076
Total net position	272,357	252,170	252,264	20,187
Total	$ 347,709	$ 328,068	$ 331,774	$ 19,641





Major items of note in the Combined Statements of Net Position include:

- Total current assets of approximately $91.6 million exceeded total current liabilities of approximately $31.7 million as of June 30, 2017 for net working capital of approximately $59.9 million as compared to net working capital of approximately $50.3 million as of June 30, 2016. Current assets increased from the prior year by approximately $8.9 million, and current liabilities decreased by approximately $0.7 million.

  - The major components of currents assets include cash and cash equivalents of approximately $84.7 million and approximately $75.5 million, appropriations due from primary government of approximately $2.5 million and approximately $1.7 million, and net accounts receivable of approximately $3.4 million and approximately $4.8 million as of June 30, 2017 and 2016, respectively. The majority of the cash and cash equivalents represent interest-earning assets invested through the office of the West Virginia State Treasurer, a significant portion of which were invested with the Board of Treasury Investments at both June 30, 2017 and 2016.

  - The major components of current liabilities include unearned revenue and deposits of approximately $14.3 million and approximately $14.6 million, approximately $6.9 million and approximately $6.9 million in accrued liabilities, approximately $5.3 million and approximately $5.4 million in accounts payable, and approximately $3.0 million and approximately $3.2 million of compensated absences as of June 30, 2017 and 2016, respectively.

- Noncurrent assets total approximately $255.3 million and approximately $245.1 million, and noncurrent liabilities total approximately $42.8 million and approximately $42.5 million as of June 30, 2017 and 2016, respectively. Noncurrent assets decreased over the prior year by approximately $10.2 million.

  - Capital assets, net of accumulated depreciation increased from approximately $239.5 million to approximately $249.2 million, an increase of approximately $9.7 million from the previous year. This increase is a result of capital additions as discussed in the capital asset and long-term debt activity section of this MD&A.

  - Major components of noncurrent liabilities include bonds payable totaling approximately $1.5 million and approximately $1.9 million, net pension liability of approximately $2.8 million and $2.4 million, debt service obligations payable to the Commission of approximately $6.8 million and approximately $7.3 million, and other postemployment benefits liability of approximately $28.3 million and approximately $27.5 million as of June 30, 2017 and 2016, respectively. During the 2012 legislative session, the legislature identified and committed funding for the other postemployment benefits liability that will result in a gradual reduction of the liability beginning in fiscal year 2022. The liability is estimated to be fully funded by 2034.

- Deferred outflows of resources totaled approximately $0.8 million and $0.3 million as of June 30, 2017 and 2016, respectively. Deferred inflows of resources totaled approximately $0.9 million and approximately $1.1 million as of June 30, 2017 and 2016, respectively.

- The net position of the Council totals approximately $272.4 million and approximately $252.2 million as of June 30, 2017 and 2016, respectively, an increase of approximately $20.2 million.

  - The net investment in capital assets totaled approximately $236.0 million and approximately $225.5 million as of June 30, 2017 and 2016, respectively.

  - The restricted portion of the net position totaled approximately $12.6 million and approximately $11.9 million as of June 30, 2017 and 2016, respectively and are primarily restricted for sponsored and capital projects.

  - The unrestricted portion of the net position totaled approximately $23.8 million and approximately $14.7 million as of June 30, 2017 and 2016, respectively and represent net position available to the Council for any lawful purpose of the Council and their institutions.

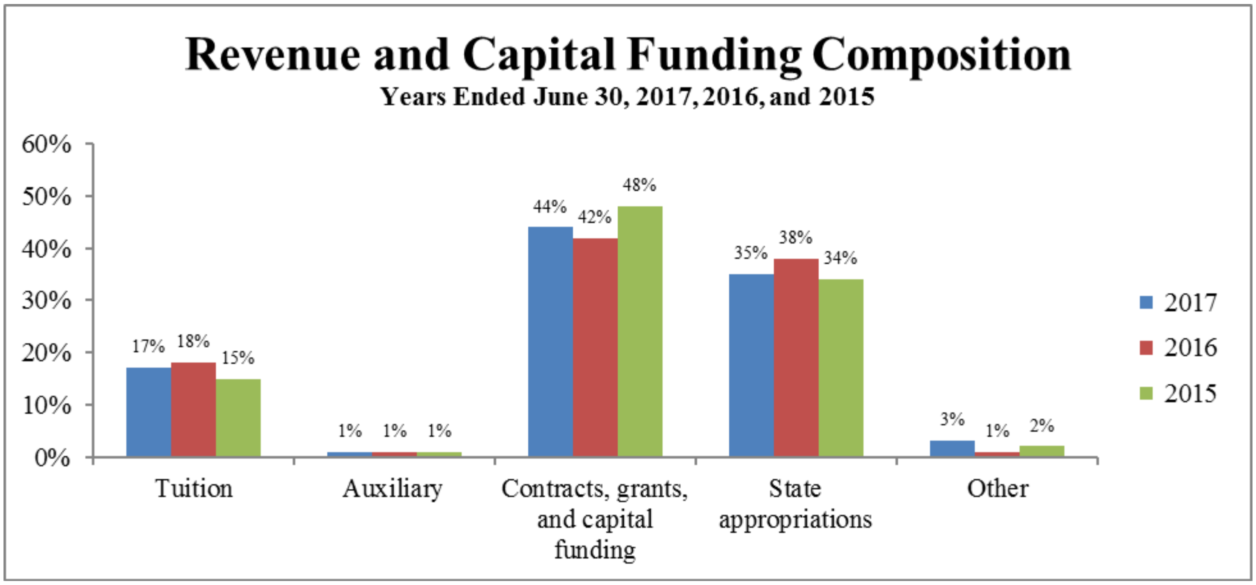
Combined Statement of Revenues, Expenses, and Changes in Net Position

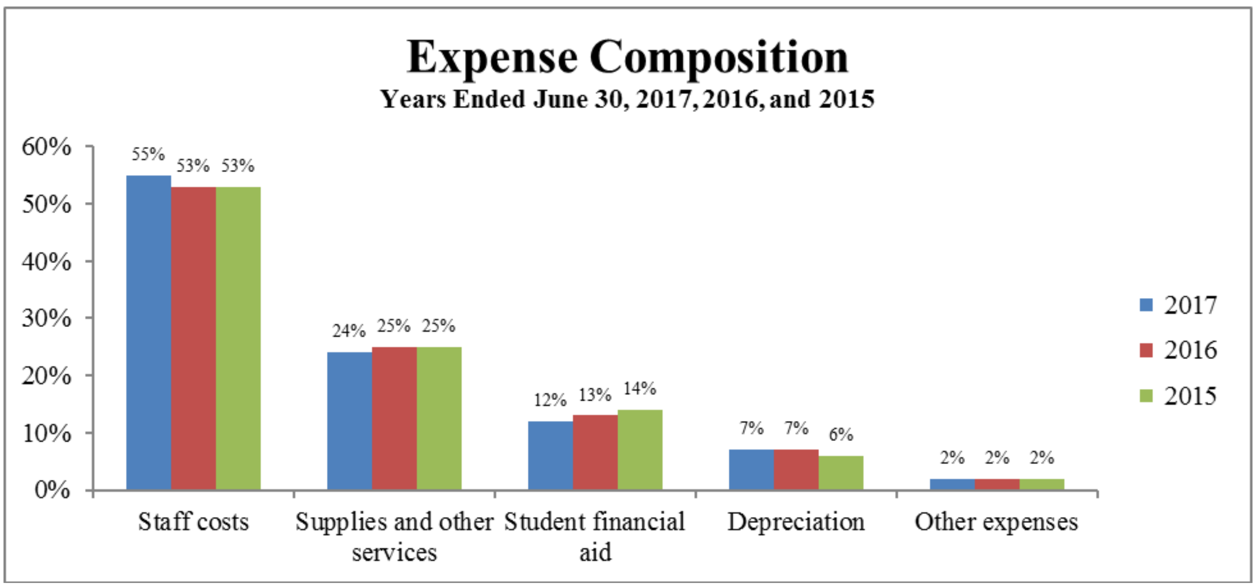
Changes in total net position as presented on the Combined Statement of Net Position are based on the activity presented in the Combined Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues, both operating and nonoperating, expenses, both operating and nonoperating, and any other revenues, expenses, gains, or losses of the Council.

Operating revenues represent the receipts earned from providing goods and service to the various customers and constituencies served by the Council, including fees from students and revenue in the form of Federal and State grants used to support operations and various initiatives. Operating expenses are those expenses in the form of staff salaries, benefits, and various goods and services incurred to carry out the mission of the Council. Revenues for which goods and services are not provided are reported as nonoperating revenues. For example, State appropriations are nonoperating because they are provided by the West Virginia State Legislature to the Council without the Legislature directly receiving commensurate goods and services for those revenues.

Condensed Combined Schedule of Revenues, Expenses, and Changes in Net Position
Years Ended June 30:
(In thousands of dollars)

	2017	2016	2015	Change from 2016 to 2017
Operating revenues	$ 64,789	$ 68,943	$ 62,458	$ (4,154)
Operating expenses	156,723	166,794	170,042	(10,071)
Operating loss	(91,934)	(97,851)	(107,584)	5,917
Net nonoperating revenues	96,300	95,855	105,377	445
Increase (decrease) in net position before other revenues, expenses, gains, or losses	4,366	(1,996)	(2,207)	6,362
Payments made and expenses incurred by the State on behalf of the Council and Institutions	494	351	334	143
Capital projects and bond proceeds from the Commission and the State	130	6	721	124
Capital grants and gifts	287	1,107	4,595	(820)
Capital payments made on behalf of the Council and Institutions	15,239	558	18,989	14,681
Increase in net position before transfers	20,516	26	22,432	20,490
Transfers from (to) Institutions of the Commission	(329)	(120)	363	(209)
Net position - beginning of year	252,170	252,264	232,923	(94)
Net effect of change in accounting policy	-	-	(3,454)	-
Net position - beginning of year (Restated)	252,170	252,264	229,469	(94)
Net position - end of year	$ 272,357	$ 252,170	$ 252,264	$ 20,187





Major items of note in the Combined Statements of Revenue, Expenses, and Changes in Net Position include:

- Operating revenues of the Council totaled approximately $64.8 million in fiscal year 2017 compared to approximately $68.9 million in fiscal year 2016, a decrease of approximately $4.1 million compared to a prior year increase of approximately $6.4 million.

- Student tuition and fee revenues totaled approximately $29.5 million in fiscal year 2017 compared to approximately $29.9 million in fiscal year 2016, a decrease of approximately $0.4 million. Tuition is reported net of scholarship allowances totaling approximately $27.8 million and approximately $27.5 million in fiscal years 2017 and 2016, respectively. The decrease is primarily due to enrollment decline.

- Federal grants and contracts totaled approximately $16.8 million in fiscal year 2017 compared to approximately $21.4 million in fiscal year 2016. Federal grants include funding for sponsored research and other miscellaneous federal programs.

- State grants and contracts totaled approximately $10.0 million in fiscal year 2017 compared to approximately $9.5 million in fiscal year 2016, and private grants and contracts totaled approximately $2.6 million in fiscal year 2017 compared to approximately $2.8 million in fiscal year 2016. These fluctuations represent normal grant activities.

- Sales and services of educational activities generated revenues of approximately $1.9 million in fiscal year 2017 compared to approximately $1.2 million in fiscal year 2016.

- Auxiliary enterprises generated revenues of approximately $1.5 million, net of approximately $0.2 million of scholarship allowances in both fiscal year 2017 and fiscal year 2016.

- Other operating revenues totaled approximately $2.5 million in fiscal year 2017 compared to approximately $2.7 million in fiscal year 2016.

- Operating expenses totaled approximately $156.7 million in fiscal year 2017 compared to approximately $166.8 million in fiscal year 2016, a decrease of approximately $10.1 million.

    - Staff costs, including salaries and benefits, totaled approximately $86.2 million in fiscal year 2017 compared to approximately $90.0 million in fiscal year 2016, a decrease of approximately $3.8 million from the prior year. This decrease is attributed to decreased staffing at the institutions.

    - Supplies and other services totaled approximately $37.0 million in fiscal year 2017 compared to approximately $41.8 million in fiscal year 2016. The change is attributable to reduction in purchases of supplies and other services in response to decreased appropriation revenues.

    - Scholarships and fellowships totaled approximately $18.8 million in fiscal year 2017 compared to approximately $20.9 million in fiscal year 2016. This is primarily attributed to a decrease in the number of students receiving Pell grants.

    - Depreciation on capital assets totaled approximately $11.3 million in fiscal year 2017 compared to approximately $11.0 million in fiscal year 2016.

- The result from operations was an operating loss of approximately $91.9 million and approximately $97.9 million for the years ended June 30, 2017 and 2016, respectively, which excludes State appropriations of approximately $62.4 million and approximately $63.1 million, respectively, and federal Pell grants of approximately $33.4 million and approximately $35.6 million, respectively. These exclusions are recorded as nonoperating revenues.

- Net nonoperating revenue totaled approximately $96.3 million and approximately $95.9 million for the years ended June 30, 2017 and 2016, respectively, an increase of approximately $0.4 million from the prior year.

    - State general revenue and lottery appropriations totaled approximately $62.4 million and approximately $63.1 million for the years ended June 30, 2017 and 2016, reflecting a decrease of approximately $0.7 million in fiscal year 2017.

    - Interest earned on investments totaled approximately $0.6 million and approximately $0.2 million for the years ended June 30, 2017 and 2016, respectively, reflecting an increase of approximately $0.4 million in fiscal year 2017.

- Other funding primarily consists of capital payments made on behalf of the Council totaling approximately $15.2 million and approximately $0.6 million for the years ended June 30, 2017 and 2016, respectively. Capital grants and gifts totaled approximately $0.3 million and approximately $1.1 million for the years ended June 30, 2017 and 2016, respectively. Payments made and expenses incurred by the State on behalf of the Council totaled approximately $0.5 million and approximately $0.4 million for the years ended June 30, 2017 and 2016, respectively.

- The activity for fiscal year 2017 resulted in an increase in net position after transfers of approximately $20.2 million, as compared to the approximately $0.1 million decrease in net position after transfers during fiscal year 2016. The net position at June 30, 2017 totaled approximately $272.4 million compared to approximately $252.2 million at June 30, 2016.

- As reported on a functional basis, expenditures for educational and general (E&G) expenses were approximately $124.4 million and approximately $132.7 million in fiscal year 2017 and fiscal year 2016, respectively, a decrease of approximately $8.3 million from fiscal year 2016. Instruction expenses constitute 46.8% and 48.9% of total E&G expenses, and institutional support constitutes 24.9% and 22.8% of total E&G expenses in fiscal year 2017 and fiscal year 2016, respectively.

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2017

Condensed Functional Expense Comparisons
Years Ended June 30:
(In thousands of dollars)

	2017 Total	% of E&G Total	2016 Total	% of E&G Total	2015 Total	% of E&G Total	Change from 2016 to 2017
Instruction	$ 58,239	46.8%	$ 64,899	48.9%	$ 66,062	49.1%	$ (6,660)
Research	18	0.0%	-	0.0%	-	0.0%	18
Public service	2,687	2.2%	2,895	2.2%	3,460	2.6%	(208)
Academic support	8,036	6.5%	7,859	5.9%	9,968	7.4%	177
Student services	11,415	9.2%	11,440	8.6%	11,947	8.9%	(25)
General institutional support	30,939	24.9%	30,253	22.8%	27,073	20.1%	686
Operations and maintenance of plant	13,052	10.4%	15,331	11.6%	15,901	11.9%	(2,279)
Total education and general	124,386	100.0%	132,677	100.0%	134,411	100.0%	(8,291)
Student financial aid	18,874		21,012		23,061		(2,138)
Auxiliary enterprises	1,408		1,359		1,518		49
Depreciation	11,312		10,983		10,260		329
Loan cancellations and write-offs	234		189		157		45
Other	509		574		635		(65)
Total	$ 156,723		$ 166,794		$ 170,042		$ (10,071)

Combined Statement of Cash Flows

The final statement presented is the Combined Statement of Cash Flows. The Combined Statement of Cash Flows presents detailed information about the cash activity of the Council during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used by the operating activities of the Council. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section reflects cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used in operations to the operating loss reflected on the Combined Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Combined Schedule of Cash Flows
Years Ended June 30:
(In thousands of dollars)

	2017	2016	2015	Change from 2016 to 2017
Cash provided (used) by:				
Operating activities	$ (78,903)	$ (84,309)	$ (99,471)	$ 5,406
Noncapital financing activities	95,453	99,824	108,374	(4,371)
Capital and related financing activities	(6,976)	(8,996)	(12,501)	2,020
Investing activities	599	226	84	373
Increase (decrease) in cash	10,173	6,745	(3,514)	3,428
Cash - beginning of year	79,718	72,973	76,487	6,745
Cash - end of year	$ 89,891	$ 79,718	$ 72,973	$ 10,173

Major items of note in the Combined Statements of Cash Flows include:

- Cash provided by operating activities was exceeded by cash expended for operating activities by approximately $78.9 million and approximately $84.3 million for the years ended June 30, 2017 and 2016, respectively, primarily because State appropriations and federal Pell grants are defined within GAAP as noncapital financing activities. Primary sources of cash from operating activities during fiscal years 2017 and 2016 were student tuition and fees of approximately $29.6 million and approximately $31.6 million, respectively, and contracts and grants of approximately $27.1 million and approximately $31.7 million, respectively. Primary uses of cash for fiscal years 2017 and 2016, respectively, included payments to and on behalf of employees of approximately $85.2 million and approximately $87.6 million, payments to suppliers of approximately $32.2 million and approximately $37.4 million, and payments for scholarship and fellowships of approximately $15.5 million and approximately $19.8 million.

- Net cash provided by noncapital financing activities for fiscal years 2017 and 2016, respectively, totaled approximately $95.5 million and approximately $99.8 million, of which approximately $61.6 million and approximately $62.5 million were from State general revenue and lottery appropriations, and approximately $33.4 million and approximately $35.7 million were from federal Pell grants.

- Net cash used in capital financing activities for fiscal years 2017 and 2016, respectively, totaled approximately $7.0 million and approximately $9.0 million and primarily resulted from purchases of capital assets and debt activity.

- Net cash of the Council at June 30, 2017 was approximately $89.9 million compared to approximately $79.7 million at June 30, 2016, an increase of approximately $10.2 million.

Capital Asset and Long-Term Debt Activity

Funding for capital projects comes from a variety of sources, including student tuition and other operating revenues, fundraising, bond proceeds from the Commission, capital lease financing, and other external financing arrangements. Three of the recently-separated community and technical colleges primarily utilize the facilities of their respective four-year and post-graduate counterpart. The Commission still maintains responsibility within the West Virginia Higher Education Fund for real property acquisition and construction.

On December 8, 2009, the Commission, on behalf of the Council, issued $78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (2009 Bonds). The proceeds of the 2009 Bonds are being used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The interest rate on the 2009 Bonds ranges from 2.5% to 5.0% and the due dates commenced July 1, 2010 and end July 1, 2028. State Lottery proceeds of a maximum of $5,000,000 per year will be used to repay the debt, which has a maximum annual debt service of $4,999,750. In addition, pursuant to Section 18 (j) (1) of the Lottery Act, the Commission has granted a third-in-party lien, for the benefit of the bond holders, on the proceeds of the State Lottery Fund, up to a maximum of $7,500,000 annually. Further details concerning capital assets and long-term liabilities are included in Note 5 and in Notes 6 through 12, respectively, of the Notes to the Council's Combined Financial Statements.

Other Factors Impacting the Financial Position and Results of Operations of the Council

Fulfilling the Vision: 2015-2020 is the new West Virginia Community and Technical College System Master Plan. The mission of the West Virginia Community and Technical College System is to promote and provide high-quality, accessible, and responsive education and training opportunities that maximize student learning, improve the standard of living for West Virginians, and contribute to the economic vitality and competitiveness of our state. The Community and Technical College System will:

- Be a comprehensive community and technical college system that offers developmental education, career and technical education, workforce and continuing education, and transfer education;
- Be the economic stimulus for business and industry to remain in or relocate to the state because of the education and training with which it equips its citizens to compete in the global economy;
- Produce a world-class workforce by being the primary provider of adult workforce and technical training; and
- Strategically partner with economic, workforce and community development, K-12, and the universities to meet the workforce development needs of citizens and businesses.

The Community and Technical College System goals are the following:

- Improve the success of students by increasing college completion;
- Meet the workforce demands of employers and enhance economic development efforts in West Virginia;
- Provide access to affordable, comprehensive community and technical college education in all regions of the state; and
- Ensure fiscal stability to effectively deliver comprehensive community and technical college education.

The State appropriations for Community and Technical Colleges, as they were included in the Council for fiscal years 2017 and 2016, respectively, amounted to approximately $62.4 million and $63.1 million. For fiscal year 2017, State appropriations decreased approximately $0.7 million as a result of statewide budget reductions. For fiscal year 2018, state appropriations for the Council and its institutions declined 4.37%. For fiscal year 2019, the Governor has requested that agencies submit level-funded budget requests.

The demographics of the State of West Virginia also have an impact on the future operations of the Council. The number of high school graduates has declined in recent years and is projected to decline further over the next ten years. Significant efforts are underway to expand the participation rate in higher education by both high school graduating seniors as well as adults to improve the economic environment of the State. Net student tuition and fees provide approximately 16.7% of the total revenues of the Council.

One of the key goals of the higher education system is to improve the economic environment of the State of West Virginia. The full impact of the current economic environment and the resulting impact on the future economic environment by various factors including the performance of the higher education system cannot be predicted with any certainty. The Council's current financial condition will be a significant resource supporting future economic development efforts.

Requests for Information

The financial report is designed to provide an overview of the finances of the Council for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ed Magee at 1018 Kanawha Boulevard East, Suite 700, Charleston, West Virginia 25301.

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
COMBINED STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 84,681,039	$ 75,504,738
Appropriations due from Primary Government - current portion	2,518,591	1,692,038
Accounts receivable, net of allowance for doubtful accounts	3,401,281	4,804,857
Due from the Commission	158,305	59,368
Inventories	130,761	137,377
Due from Marshall University - current portion	350,000	350,000
Other current assets	375,403	119,494
Total current assets	91,615,380	82,667,872
NONCURRENT ASSETS:		
Cash and cash equivalents	5,209,868	4,213,474
Due from Marshall University	42,834	392,834
Capital assets, net of accumulated depreciation	249,180,976	239,464,267
Other noncurrent assets	838,036	1,001,218
Total noncurrent assets	255,271,714	245,071,793
DEFERRED OUTFLOWS OF RESOURCES:		
Differences between expected and actual experience	26,275	-
Changes in proportion and differences in pension contributions	228,599	86,349
Changes in assumptions	112,888	-
Net difference between projected and actual earnings on pension plan investments	234,216	-
Employer pension contributions	220,166	242,644
Total deferred outflows of resources	822,144	328,993
TOTAL	$ 347,709,238	$ 328,068,658

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
COMBINED STATEMENTS OF NET POSITION (Continued)
JUNE 30, 2017 AND 2016

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	2017	2016
CURRENT LIABILITIES:		
Accounts payable	$ 5,269,416	$ 5,351,340
Accrued liabilities	6,886,831	6,926,519
Due to the Commission	251,558	106,149
Due to the State and State agencies	473,945	509,677
Compensated absences - current portion	3,022,176	3,159,331
Capital lease obligations - current portion	112,230	390,019
Bonds payable - current portion	394,713	378,921
Other debt service obligations - current portion	914,651	848,198
Funds due to West Virginia Development Office - current portion	66,668	66,668
Unearned revenue and deposits	14,257,548	14,622,253
Other current liabilities	2,009	4,017
Total current liabilities	31,651,745	32,363,092
NONCURRENT LIABILITIES:		
Advances from federal sponsors	10,081	14,817
Other postemployment benefits liability	28,263,567	27,466,748
Compensated absences	545,350	524,825
Capital lease obligations	470,534	407,396
Bonds payable	1,515,606	1,910,319
Other debt service obligations	6,756,807	7,259,214
Funds due to West Virginia Development Office	2,419,930	2,486,597
Net pension liability	2,845,650	2,385,460
Total noncurrent liabilities	42,827,525	42,455,376
DEFERRED INFLOWS OF RESOURCES:		
Differences between expected and actual experience	16,487	20,307
Changes in proportion and differences in pension contributions	690,774	727,792
Net difference between projected and actual earnings on pension plan investments	-	100,104
Service concession arrangement	165,991	231,983
Total deferred inflows of resources	873,252	1,080,186
NET POSITION:		
Net investment in capital assets	235,969,076	225,542,659
Restricted for - nonexpendable - other	50,000	50,000
Restricted for - expendable - capital projects	6,604,813	6,481,206
Restricted for - expendable - scholarships	78,307	82,950
Restricted for - expendable - sponsored projects	2,799,253	2,488,564
Restricted for - expendable - other	3,100,536	2,845,388
Unrestricted	23,754,731	14,679,237
Total net position	272,356,716	252,170,004
TOTAL	$ 347,709,238	$ 328,068,658

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
COMBINED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES:		
Student tuition and fees, net of scholarship allowance of $27,839,256 and $27,516,003 in 2017 and 2016, respectively	$ 29,537,056	$ 29,870,646
Contracts and grants:		
Federal	16,841,313	21,364,035
State	9,956,464	9,489,898
Private	2,562,864	2,759,578
Sales and services of educational activities	1,945,260	1,228,002
Auxiliary enterprise revenue, net of scholarship allowance of $195,877 and $182,107 in 2017 and 2016, respectively	1,473,640	1,536,667
Other operating revenue	2,472,980	2,694,464
Total operating revenues	64,789,577	68,943,290
OPERATING EXPENSES:		
Salaries and wages	68,086,305	71,509,863
Benefits	18,147,591	18,504,958
Supplies and other services	37,031,444	41,815,260
Utilities	3,117,675	2,904,198
Student financial aid - scholarships and fellowships	18,793,745	20,888,483
Depreciation	11,312,589	10,982,719
Loan cancellations and write-offs	233,774	188,624
Total operating expenses	156,723,123	166,794,105
OPERATING LOSS	(91,933,546)	(97,850,815)

The Accompanying Notes Are An Integral
Part Of These Combined Financial Statements

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
COMBINED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION (Continued)
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
NONOPERATING REVENUES (EXPENSES):		
State appropriations	62,372,494	63,079,785
Federal Pell grant	33,428,037	35,602,158
Investment income	616,375	238,924
Fees assessed by the Commission	(90,085)	(127,156)
Other nonoperating revenues (expenses)	(27,142)	(2,938,939)
Net nonoperating revenues	96,299,679	95,854,772
INCREASE (DECREASE) IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	4,366,133	(1,996,043)
PAYMENTS MADE AND EXPENSES INCURRED BY THE STATE ON BEHALF OF THE COUNCIL AND INSTITUTIONS	493,759	351,216
CAPITAL PROJECTS AND BOND PROCEEDS FROM THE COMMISSION AND STATE	130,031	5,700
CAPITAL GRANTS AND GIFTS	286,721	1,107,241
CAPITAL PAYMENTS MADE ON BEHALF OF THE COUNCIL AND INSTITUTIONS	15,239,531	557,489
INCREASE IN NET POSITION BEFORE TRANSFERS	20,516,175	25,603
TRANSFERS TO INSTITUTIONS OF THE COMMISSION	(329,463)	(119,870)
INCREASE (DECREASE) IN NET POSITION	20,186,712	(94,267)
NET POSITION - Beginning of year	252,170,004	252,264,271
NET POSITION - End of year	$ 272,356,716	$ 252,170,004

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 29,559,725	$ 31,574,116
Contracts and grants	27,105,381	31,722,543
Payments to and on behalf of employees	(85,173,169)	(87,643,764)
Payments to suppliers	(32,177,932)	(37,408,983)
Payments to utilities	(3,146,647)	(2,887,368)
Payments for scholarships and fellowships	(15,494,604)	(19,804,885)
Auxiliary enterprise charges	1,912,256	1,944,707
Sales and service educational activities	1,897,126	1,464,115
Other payments, net	(3,385,166)	(3,269,365)
Net cash used in operating activities	(78,903,030)	(84,308,884)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	61,552,698	62,542,133
Federal Pell Grant	33,425,492	35,680,951
Federal student loan program - direct lending receipts	29,484,821	29,397,918
Federal student loan program - direct lending payments	(29,488,521)	(29,409,722)
Other nonoperating receipts, net	478,704	1,613,258
Net cash provided by noncapital financing activities	95,453,194	99,824,538
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital grants and gifts received	230,721	1,107,241
Purchases of capital assets	(5,713,076)	(8,080,134)
Proceeds from capital debt	33,725	5,700
Proceeds from sale of capital assets	4,511	39,955
Capital projects and bond proceeds from the Commission and State	40,674	329,000
Debt service assessed for debt service and reserves	(560,465)	(746,930)
Principal paid on capital debt and leases	(1,155,507)	(1,187,557)
Interest paid on capital debt and leases	(192,311)	(226,934)
Other	335,674	(236,543)
Net cash used in capital financing activities	(6,976,054)	(8,996,202)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	598,585	226,182
Net cash provided by investing activities	598,585	226,182
INCREASE IN CASH AND CASH EQUIVALENTS	10,172,695	6,745,634
CASH AND CASH EQUIVALENTS - Beginning of year	79,718,212	72,972,578
CASH AND CASH EQUIVALENTS - End of year	$ 89,890,907	$ 79,718,212

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
COMBINED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (91,933,546)	$ (97,850,815)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	11,312,589	10,982,719
Pension expense - special funding situation	484,260	386,014
Changes in assets and liabilities:		
Receivables, net	2,103,638	4,135,257
Due from the Commission	43,662	(55,275)
Inventories	6,616	7,295
Deferred outflows of resources	(459,668)	(19,026)
Accounts payable/amounts due	(216,955)	(824,836)
Accrued liabilities	80,267	844,479
Advances from federal sponsors	(4,736)	(26,086)
Other postemployment benefits	679,820	1,342,561
Compensated absences	(116,630)	(250,613)
Unearned revenue and deposits	(364,705)	(2,997,492)
Net pension liability	460,190	(253,128)
Deferred inflows of resources	(19,718)	2,405
Other	(958,114)	267,657
Net cash used in operating activities	$ (78,903,030)	$ (84,308,884)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:		
Cash and cash equivalents classified as current	$ 84,681,039	$ 75,504,738
Cash and cash equivalents classified as noncurrent	5,209,868	4,213,474
	$ 89,890,907	$ 79,718,212
NONCASH TRANSACTIONS:		
Capital asset additions in accounts payable or retainage	$ 677,333	$ 736,311
Capital assets acquired through contributions or donation	$ 313,500	$ 500
Capital payments made and expenses incurred on behalf of the Council	$ 15,656,946	$ 286,869
Capital lease adjustment	$ -	$ 332,115
Loss on disposal of assets	$ 6,000	$ 2,752,000
Donations	$ 8,000	$ 54,000
OPEB adjustment	$ 117,000	$ 247,000
Transfer from Fairmont	$ (319,613)	$ (135,369)

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - ORGANIZATION

The West Virginia Council for Community and Technical College Education (the Council) is comprised of the following:

Blue Ridge Community and Technical College (Blue Ridge)
BridgeValley Community and Technical College (BridgeValley)
Eastern West Virginia Community and Technical College (Eastern)
Pierpont Community and Technical College (Pierpont)
Mountwest Community and Technical College (Mountwest)
New River Community and Technical College (New River)
Southern West Virginia Community and Technical College (Southern)
West Virginia Council for Community and Technical College Education (administrative unit)
West Virginia Northern Community College (Northern)
West Virginia University at Parkersburg (WVU at Parkersburg)

The Council is a part of the West Virginia Higher Education Fund. The Council (two-year education) and the West Virginia Higher Education Policy Commission (the Commission) (four-year and post-graduate education) collectively comprise the West Virginia Higher Education Fund. The Council and the Commission were legislatively created under Senate Bill No. 448 and Senate Bill No. 653, respectively. Senate Bill No. 448, which was enacted in March 2004, requires a separate combined audit of the Council.

The Council is responsible for developing, overseeing, and advancing the State of West Virginia's (the State) public policy agenda as it relates to community and technical college education. The Council is comprised of 13 persons appointed by the Governor with the advice and consent of the Senate.

Each institution within the Council is governed by its own Governing Board, which is responsible for the general determination, control, supervision, and management of the financial business and educational policies and affairs of its institution. Certain administrative services are provided by the Commission to the Council at no charge.

During fiscal year 2008, House Bill No. 3215 was passed, which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges. Effective July 1, 2008, WVU at Parkersburg and the administratively linked community and technical colleges of Fairmont State University, Marshall University, West Virginia State University, and West Virginia University (the Universities) established their own Boards of Governors. Except for Fairmont State University (Fairmont) and Pierpont, which were granted an extension to be effective January 1, 2010, the newly established Boards of Governors and the Boards of Governors of the Universities jointly agreed on a division of assets and liabilities of the Universities as required. During 2017, there were transfers to the Universities of approximately $329,000. During 2016, there were transfers to the Universities of approximately $120,000. The Universities and the separately established community and technical colleges developed a plan to ensure the financial stability of auxiliary enterprises, including but not limited to, student housing, student centers, dining services, parking, and athletics through at least fiscal year 2012. There are no formal requirements after June 30, 2017 except for Pierpont. The transition plans related to Fairmont and Pierpont extend Pierpont's obligation beyond 2017 to match outstanding bond commitments of Fairmont.

The combined financial statements of the Council have been prepared in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles) as prescribed by Governmental Accounting Standards Board standards (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the Council'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 accompanying combined financial statements present all entities under the authority of the Council under GASB.

The basic criterion for inclusion in the accompanying combined financial statements is the exercise of oversight responsibility derived from the Council's ability to significantly influence operations and accountability for fiscal matters of related entities. Related foundations and other affiliates of the Council are not part of the Council's reporting entity and are not included in the accompanying combined financial statements as the Council has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of the foundations and other affiliates under GASB blended component unit requirements.

Under GASB discretely presented component unit requirements, the Council does not have any foundations or other affiliates that are required to be included in the combined financial statements as a discretely presented component unit, as they are either 1) insignificant or 2) have dual purpose (not entirely or almost entirely for the benefit of the Council).

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

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

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

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

- *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 represents resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the Council and may be used at the discretion of the respective governing boards to meet current expenses for any purpose.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State of West Virginia (the State) for investment purposes by the West Virginia Board of Treasury Investments (the 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 the 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 combined financial statements.

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

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies, and its 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; 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 Council'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 collectibility experienced by the Council on such balances, and other factors, which, in the Council's judgment, require consideration in estimating doubtful accounts.

Amounts with Affiliates - The current amounts due to/from affiliates, including the Commission and institutions of the Commission, are noninterest bearing and payable on demand.

Debt service obligations payable to the Commission and its institutions bear interest and have scheduled maturities. Notes payable to the Commission are noninterest bearing (see Note 11).

Inventories - Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out method.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Noncurrent Cash, Cash Equivalents, and Investments - Cash, cash equivalents, and investments that are (1) externally restricted to make debt service payments, to make long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets or settle long-term liabilities, or (3) to be held for permanently restricted net position, are classified as noncurrent assets in the combined statements of net position.

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

Capital Assets - Capital assets include property, plant, and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or at fair market value at the date of donation in the case of gifts. There was no interest capitalized as part of the cost of assets for the years ended June 30, 2017 and 2016. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, 7 to 20 years for library assets, and 3 to 10 years for furniture and equipment.

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

Compensated Absences and Other Postemployment Benefits (OPEB) - GASB provides standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the Council was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan and its stand-alone financial statements can be obtained by contacting West Virginia Public Employees Insurance Agency (PEIA), 601 57th Street SE, Charleston, WV 25304 or http://www.wvpeia.com.

GASB requires entities to accrue for employees’ rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable. The Council’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 issuance premium subsidy from the Council. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimated expense and expense incurred for vacation leave or OPEB are recorded as a component of benefits expense on the combined 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 when 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 (see Note 15).

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

Deferred Inflows of Resources - An acquisition of net position by the Council that is applicable to a future fiscal year is reported as a deferred inflow of resources on the combined statements of net position.

Risk Management - The State's Board of Risk and Insurance Management (BRIM) provides general, property, and casualty coverage to the Council and its employees. Such coverage may be provided to the Council 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 Council or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the Council is currently charged by BRIM and the ultimate cost of that insurance based on the Council's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the Council and the Council's ultimate actual loss experience, the difference will be recorded as the change in estimate becomes known.

In addition, through its participation in PEIA and a third-party insurer, the Council has obtained health insurance, life insurance, 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 Council has transferred its risks related to health insurance, life insurance, prescription drug coverage, and job-related injuries.

Classification of Revenues - The Council has classified its revenues according to the following criteria:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Restricted Net Position - The Council 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 Council attempts to utilize restricted net position first when practicable. Certain community and technical colleges (CTCs) have adopted a policy to utilize restricted net position first.

Federal Financial Assistance Programs - The Council makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest-subsidized and unsubsidized loans directly to students through the institutions within the Council. Direct student loans receivable are not included in the Council's combined statements of net position. In 2017 and 2016, the Council received and disbursed, or awarded, approximately $29,300,000 and $29,400,000, respectively, under the Direct Student Loan Program, which are not included as revenue and expense on the combined statements of revenues, expenses, and changes in net position.

The Council 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 combined financial statements. In 2017 and 2016, the Council received and disbursed approximately $34,300,000 and $37,100,000, respectively, under these federal student aid programs.

Scholarship Allowances - Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the combined 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 Council and the amount that is paid by students and/or third parties making payments on behalf of the students.

Financial aid to students is reported in the combined financial statements under the alternative method as prescribed by the National Association of College and University 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 combined 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 Council recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to five years.

Income Taxes - The Council 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.

Cash Flows - Any cash and cash equivalents, including those escrowed, restricted for noncurrent assets, or in funded reserves, are included as cash and cash equivalents for the purpose of the combined statements of cash flows.

Use of Estimates - The preparation of combined financial statements in conformity with generally accepted accounting principles 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 combined financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ materially from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 combined financial statements.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board - The Governmental Accounting Standards Board has issued Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The adoption of GASB Statement No. 80 had no impact on the June 30, 2017 combined financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for fiscal years beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The early adoption of GASB Statement No. 81 had no impact on the June 30, 2017 combined financial statements.

The Governmental Accounting Standards Board has also issued 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 early adoption of GASB Statement No. 86 had no impact on the June 30, 2017 combined 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 Council 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 Council 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 Council has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Council has not yet determined the effect that the adoption of GASB Statement No. 85 may have on its financial statements.

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 Council 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 at June 30, 2017 and 2016, was held as follows:

	2017		
	Current	Noncurrent	Total
State Treasurer	$ 83,823,953	$ 5,133,931	$ 88,957,884
Trustee	-	105	105
Banks	846,736	75,832	922,568
On hand	10,350	-	10,350
	$ 84,681,039	$ 5,209,868	$ 89,890,907

	2016		
	Current	Noncurrent	Total
State Treasurer	$ 74,178,695	$ 4,126,365	$ 78,305,060
Trustee	-	80	80
Banks	1,314,543	87,029	1,401,572
On hand	11,500	-	11,500
	$ 75,504,738	$ 4,213,474	$ 79,718,212

Amounts held by the State Treasurer and Trustee include $8,553,171 and $6,762,052 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 $922,568 and $1,401,572, respectively, as compared with the combined bank balance of $1,310,186 and $2,005,324, 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 secured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Amounts with the State Treasurer were $88,957,884 and $78,305,060 as of June 30, 2017 and 2016, respectively. Of these amounts, $84,059,838 and $74,290,402 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.

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	
External Pool	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	$ 82,168,487	AAAm	$ 72,578,881	AAAm
WV Short Term Bond Pool	$ 1,891,351	Not Rated	$ 1,711,521	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		2016	
External Pool	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	$ 82,168,487	36	$ 72,578,881	49

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

	2017		2016	
External Pool	Carrying Value	Effective Duration (Days)	Carrying Value	Effective Duration (Days)
WV Short Term Bond Pool	$ 1,891,351	426	$ 1,711,521	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 Council 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 Council'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.

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

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 Council has no securities with foreign currency risk.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 and 2016, are as follows:

	2017	2016
Student tuition and fees, net of allowance for doubtful accounts of $7,120,620 and $7,366,817 in 2017 and 2016, respectively	$ 1,673,093	$ 2,000,508
Grants and contracts receivable, no allowance necessary	777,353	1,873,741
Due from State agencies	202,671	210,439
Other	748,164	720,169
	$ 3,401,281	$ 4,804,857

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 5 - CAPITAL ASSETS

A summary of capital assets transactions for the Council at June 30, 2017 and 2016, is as follows:

	2017				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	$ 11,066,289	$ -	$ 265,500	$ -	$ 11,331,789
Construction in progress	8,329,462	(4,571)	3,815,415	9,661,167	2,479,139
Total capital assets not being depreciated	$ 19,395,751	$ (4,571)	$ 4,080,915	$ 9,661,167	$ 13,810,928
Other capital assets:					
Land improvements	$ 3,060,216	$ (13,149)	$ 251,777	$ -	$ 3,298,844
Infrastructure	9,250,362	(82,902)	8,345	-	9,175,805
Buildings	259,726,084	(487,373)	24,435,883	27,067	283,647,527
Equipment	42,941,116	(5,466)	2,195,104	1,212,652	43,918,102
Software	592,900	-	-	-	592,900
Library books	9,042,129	(27,242)	124,534	491,829	8,647,592
Total other capital assets	324,612,807	(616,132)	27,015,643	1,731,548	349,280,770
Less accumulated depreciation for:					
Land improvements	1,334,938	(5,197)	199,845	-	1,529,586
Infrastructure	6,609,444	(58,715)	403,399	-	6,954,128
Buildings	62,712,617	(154,134)	6,903,598	12,631	69,449,450
Equipment	25,149,676	(3,318)	3,618,760	1,193,587	27,571,531
Software	158,247	-	39,127	-	197,374
Library books	8,579,369	(26,747)	147,860	491,829	8,208,653
Total accumulated depreciation	104,544,291	(248,111)	11,312,589	1,698,047	113,910,722
Other capital assets, net	$ 220,068,516	$ (368,021)	$ 15,703,054	$ 33,501	$ 235,370,048
Capital asset summary:					
Capital assets not being depreciated	$ 19,395,751	$ (4,571)	$ 4,080,915	$ 9,661,167	$ 13,810,928
Other capital assets	324,612,807	(616,132)	27,015,643	1,731,548	349,280,770
Total cost of capital assets	344,008,558	(620,703)	31,096,558	11,392,715	363,091,698
Less accumulated depreciation	104,544,291	(248,111)	11,312,589	1,698,047	113,910,722
Capital assets, net	$ 239,464,267	$ (372,592)	$ 19,783,969	$ 9,694,668	$ 249,180,976

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 5 - CAPITAL ASSETS (Continued)

	2016				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	$ 11,066,289	$ -	$ -	$ -	$ 11,066,289
Construction in progress	10,503,829	(421)	4,141,643	6,315,589	8,329,462
Total capital assets not being depreciated	$ 21,570,118	$ (421)	$ 4,141,643	$ 6,315,589	$ 19,395,751
Other capital assets:					
Land improvements	$ 2,929,955	$ (4,995)	$ 135,256	$ -	$ 3,060,216
Infrastructure	9,287,903	(37,541)	-	-	9,250,362
Buildings	257,148,786	(217,707)	6,367,005	3,572,000	259,726,084
Equipment	40,235,839	(2,374)	4,404,505	1,696,854	42,941,116
Software	815,900	-	-	223,000	592,900
Library books	9,100,588	(13,269)	164,051	209,241	9,042,129
Total other capital assets	319,518,971	(275,886)	11,070,817	5,701,095	324,612,807
Less accumulated depreciation for:					
Land improvements	1,147,334	(2,015)	189,619	-	1,334,938
Infrastructure	6,221,825	(24,432)	412,051	-	6,609,444
Buildings	56,550,358	(65,603)	6,517,862	290,000	62,712,617
Equipment	23,029,520	34,344	3,667,735	1,581,923	25,149,676
Software	302,788	-	55,126	199,667	158,247
Library books	8,661,257	(12,973)	140,326	209,241	8,579,369
Total accumulated depreciation	95,913,082	(70,679)	10,982,719	2,280,831	104,544,291
Other capital assets, net	$ 223,605,889	$ (205,207)	$ 88,098	$ 3,420,264	$ 220,068,516
Capital asset summary:					
Capital assets not being depreciated	$ 21,570,118	$ (421)	$ 4,141,643	$ 6,315,589	$ 19,395,751
Other capital assets	319,518,971	(275,886)	11,070,817	5,701,095	324,612,807
Total cost of capital assets	341,089,089	(276,307)	15,212,460	12,016,684	344,008,558
Less accumulated depreciation	95,913,082	(70,679)	10,982,719	2,280,831	104,544,291
Capital assets, net	$ 245,176,007	$ (205,628)	$ 4,229,741	$ 9,735,853	$ 239,464,267

The Council 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.

Title for certain real property is with the Commission.

The Council has construction commitments as of June 30, 2017, of approximately:

Northern	$ 113,539
Eastern	141,665
Pierpont	5,090
WVU at Parkersburg	81,000
	$ 341,294

NOTE 6 - LONG-TERM LIABILITIES

A summary of long-term obligation transactions for the Council at June 30, 2017 and 2016, is as follows:

	2017				
	Beginning Balance	Transfers/ Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Capital leases payable	$ 797,415	$ 254,333	$ 468,984	$ 582,764	$ 112,230
Other debt service obligations	8,107,412	493,353	929,307	7,671,458	914,651
Bonds payable	2,289,240	-	378,921	1,910,319	394,713
Funds due to West Virginia Development Office	2,553,265	-	66,667	2,486,598	66,668
Total debt	13,747,332	747,686	1,843,879	12,651,139	1,488,262
Other noncurrent liabilities:					
Advances from federal sponsors	14,817	-	4,736	10,081	-
Other postemployment benefits liability	27,466,748	3,013,791	2,216,972	28,263,567	-
Accrued compensated absences	3,684,156	197,851	314,481	3,567,526	3,022,176
Net pension liability	2,385,460	742,613	282,423	2,845,650	-
Total long-term liabilities	$ 47,298,513	$ 4,701,941	$ 4,662,491	$ 47,337,963	$ 4,510,438

	2016				
	Beginning Balance	Transfers/ Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Capital leases payable	$ 868,591	$ 332,115	$ 403,291	$ 797,415	$ 390,019
Other debt service obligations	9,169,522	(17,922)	1,044,188	8,107,412	848,198
Bonds payable	2,653,001	-	363,761	2,289,240	378,921
Funds due to West Virginia Development Office	2,619,932	-	66,667	2,553,265	66,668
Total debt	15,311,046	314,193	1,877,907	13,747,332	1,683,806
Other noncurrent liabilities:					
Advances from federal sponsors	40,903	-	26,086	14,817	-
Other postemployment benefits liability	25,877,187	3,955,877	2,366,316	27,466,748	-
Accrued compensated absences	3,934,769	209,760	460,373	3,684,156	3,159,331
Net pension liability	2,638,588	204,663	457,791	2,385,460	-
Total long-term liabilities	$ 47,802,493	$ 4,684,493	$ 5,188,473	$ 47,298,513	$ 4,843,137

At June 30, 2017 and 2016, debt service obligations include amounts due to the Commission of $2,390,309 and $2,344,915, respectively, Fairmont of $3,185,452 and $3,480,497, respectively, West Virginia University of $2,023,000 and $2,282,000, respectively, and vendors of $72,697 and $0, respectively.

NOTE 7 - LEASE OBLIGATIONS

Capital - The Council leases certain property, plant, and equipment through capital leases. The net book value of leased assets totaled $841,147 and $1,612,587 for June 30, 2017 and 2016, respectively. The following is a schedule by year of future annual minimum payments required under the lease obligations:

Year Ending June 30,	Total
2018	$ 128,709
2019	122,974
2020	105,040
2021	68,955
2022	62,138
Thereafter	162,544
Future minimum lease payments	650,360
Less interest	67,596
Total	$ 582,764

Operating - The Council had entered into various operating lease agreements. Future annual minimum lease payments for years subsequent to June 30, 2017, are as follows:

Year Ending June 30,	Total
2018	$ 506,221
2019	270,606
2020	197,951
2021	140,031
2022	74,764
Thereafter	195,929
Total	$ 1,385,502

Total rent expense for these operating leases for the years ended June 30, 2017 and 2016, was approximately $958,812 and $1,550,097, respectively.

NOTE 8 - BONDS

Bonds payable at June 30, 2017 and 2016, respectively, consist of the following:

	Original Interest Rate	Annual Principal Installment Due	Principal Amount Outstanding 2017	Principal Amount Outstanding 2016
College Revenue Bonds	4.125 %	$229,999–$446,147	$ 1,910,319	$ 2,289,240

NOTE 8 - BONDS (Continued)

On September 30, 2012, Mountwest issued $3,500,000 in revenue bonds to First Sentry Bank of Huntington, WV. The proceeds were used to complete the financing of the $20.0 million campus project opened in the fall semester of 2013. The terms of the bonds are for 10 years with the fixed interest rate of 4.125%. Mountwest made interest-only payments on March 1, 2012 and September 1, 2012. Semi-annual payments of principal and interest will be made on March 1 and September 1 of each year, thereafter, commencing on March 1, 2013. The payments are to be made from cash receipts from Marshall University pursuant to the Memorandum of Understanding between Mountwest and Marshall University executed on March 20, 2009, and a pledge of the general capital fees collected from students.

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2017, is as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 394,713	$ 74,771	$ 469,484
2019	411,162	58,322	469,484
2020	428,298	41,186	469,484
2021	446,147	23,337	469,484
2022	229,999	4,744	234,743
			2,112,679
Less interest			202,360
Total			$ 1,910,319

NOTE 9 - WEST VIRGINIA DEVELOPMENT OFFICE OBLIGATION

In previous years, Eastern entered into two financial assistance agreements with the West Virginia Development Office (WVDO) for $685,000 to construct a new sewer system and $2,000,000 for the access road for Eastern’s facility at 316 Eastern Drive. A total of $619,932 was drawn on these agreements as of June 30, 2017. Under the terms of both agreements, Eastern agrees to repay the WVDO if nonoperating funds become available, when an appropriate nonoperating income stream is established, or if Eastern sells or disposes of the two acres of property. During the year ended June 30, 2014, Eastern entered into another financial assistance agreement with the WVDO for $2,000,000 to construct an academic wing at Eastern’s campus in Moorefield, West Virginia. Eastern will remit payments of $16,667 each quarter beginning on September 30, 2015 until the debt is paid in full. Payments during the year ended June 30, 2017 totaled $66,667. The debt will be due in total on June 30, 2045. As of June 30, 2017, a total of $2,486,598 was outstanding on these three agreements.

Future minimum payments related to the academic wing debt, as of June 30, 2017 were as follows:

Year Ending June 30,	Total
2018	$ 66,668
2019	66,668
2020	66,668
2021	66,668
2022	66,668
Thereafter	1,533,326
Total	$ 1,866,666

NOTE 10 - OTHER POSTEMPLOYMENT 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 $28,263,567, $27,466,748, and $25,877,187, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees were $3,013,791 and $1,220,300, respectively, during 2017, or 40%; $3,955,877 and $1,306,570, respectively, during 2016, or 33%; and $3,841,167 and $1,320,461, respectively, during 2015, or 34%. As of June 30, 2017, 2016, and 2015, there were 174, 190, and 195 retirees receiving these benefits, respectively. During the 2012 legislative session, the State took proactive measures to address this unfunded liability, which will take effect in future fiscal years and fully fund the liability by 2034.

NOTE 11 - SYSTEM BONDS PAYABLE

The Council receives State appropriations to finance its operations. In addition, it is subject to the legislative and administrative mandates of State government. Those mandates affect various aspects of the Council'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 within the Council. Financing for these facilities was provided through revenue bonds issued by various former Board of Regents or various former Boards of the University and College Systems (the Boards). These obligations administered by the Commission are the direct and total responsibility of the Municipal Bond Commission, as successor to the former Boards.

The Municipal Bond Commission has the authority to assess each public institution of the Council for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as capital obligation of the Commission, an estimate of the obligation of each institution was reported as a long-term payable by each institution and as a receivable by the Commission.

During 2017 and 2016, the Council paid $116,481 and $223,205, respectively, to the Commission against the debt obligation. The amount due to the Commission on this debt obligation at June 30, 2017 and 2016, is $1,460,545 and $1,590,674, respectively. The Commission has loans with individual institutions of the Council. During 2012, BridgeValley borrowed $910,000 from the Commission. In 2014, BridgeValley borrowed an additional $500,000 from the Commission. The institutions repaid $229,479 to the Commission during 2017 and owe the Commission $524,762 as of June 30, 2017.

For the years ended June 30, 2017 and 2016, debt service assessed is as follows:

	2017	2016
Principal	$ 116,481	$ 233,205
Interest	69,413	80,552
Other	37,810	50,568
	$ 223,704	$ 364,325

During the year ended June 30, 2005, the Commission issued $167.0 million of 2004 Series B 30-year Revenue Bonds to fund capital projects at various higher education institutions in the State. The Institutions that comprise the Council have been approved to receive $34.5 million of these funds. State lottery funds will be used to repay the debt, although the Council's revenues are pledged if lottery funds prove to be insufficient. As of June 30, 2017, there are no funds remaining to be drawn.

NOTE 12 - CAPITAL PAYMENTS MADE ON BEHALF OF THE COUNCIL

On December 8, 2009, the Commission, on behalf of the Council, issued $78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (2009 Bonds). The proceeds of the 2009 Bonds will be used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia and pay issuance costs of $295,000. The interest rate on the 2009 Bonds ranges from 2.5% to 5.0% and the due dates commence July 1, 2010 and end July 1, 2028. State Lottery proceeds of a maximum of $5,000,000 per year will be used to repay the debt, which has a maximum annual debt service of $4,999,750. In addition, pursuant to Section 18(j)(1) of the Lottery Act, the Commission has granted a third-in-party lien, for the benefit of the bondholders, on the proceeds of the State Lottery Fund, up to a maximum of $7,500,000 annually.

NOTE 13 - SERVICE CONCESSION ARRANGEMENTS

The Council has adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The Council has identified three contracts for services that meet the four criteria of a service concession arrangement (SCA). SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided and the government retains ownership of the assets at the end of the contract. The contracts are between Blue Ridge and Barnes & Noble College Booksellers, LLC (Barnes & Noble), Mountwest and Follett Higher Education Group, Inc. (Follett), Mountwest and Alladin Food Management Services, LLC (Aladdin), and Northern and Barnes & Noble. Blue Ridge, Mountwest, and Northern contract with Barnes & Noble and Follett to operate the campus bookstores. Mountwest contracts with Aladdin to operate its campus cafeteria and to provide snack vending services. Commission revenues from these contracts are recorded as other operating revenue on the combined statements of revenues, expenses, and changes in net position.

NOTE 14 - UNRESTRICTED NET POSITION

The Council's unrestricted net position include certain designated net position at June 30, 2017 and 2016, as follows:

	2017	2016
Designated for fund managers	$ 1,373,176	$ 1,107,604
Designated for auxiliaries	13,380	10,773
Undesignated	50,631,742	41,027,608
Total unrestricted net position before OPEB	52,018,298	42,145,985
Less OPEB liability	28,263,567	27,466,748
Total unrestricted net position	$ 23,754,731	$ 14,679,237

NOTE 15 - RETIREMENT PLANS

Substantially all full-time employees of the Council participate in either the West Virginia Teachers' Retirement System (STRS) or the Teachers' Insurance and Annuities Association - College Retirement Equities Fund (TIAA-CREF). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants. Current participants in the STRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan.

NOTE 15 - RETIREMENT PLANS (Continued)

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 Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan.

DEFINED BENEFIT PENSION PLAN

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

As related to the implementation of GASB 68, following are the Council'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	$ 2,845,650	$ 2,385,460
Deferred outflows of resources	822,144	328,993
Deferred inflows of resources	707,261	848,203
Revenues	487,448	389,084
Pension expense	587,031	370,560
Contributions made by the Council and Institutions	220,166	242,644

Plan Description

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

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

Benefits Provided

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

NOTE 15 - RETIREMENT PLANS (Continued)

Contributions

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

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

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

- 15% of gross salary of their State-employed members hired prior to July 1, 1991;
- 15% of School Aid Formula (SAF) covered payroll of county-employed members for entities other than institutions of higher education;
- 7.5% of SAF covered payroll of members of the Teachers' Defined Contribution 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 Council's proportionate share attributable to this special funding subsidy was $487,448 and $389,084, respectively.

The Council's contributions to STRS for the years ended June 30, 2017, 2016, and 2015, were approximately $220,000, $243,000, and $319,000, 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: 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: 3.0%.
- Discount rate: 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 15 - 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 Council'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 Council'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	$ 3,600,526	$ 2,845,650	$ 2,200,810

NOTE 15 -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 Council's proportionate share of the STRS net pension liability was $8,433,637. Of this amount, the Council recognized $2,845,650 as its proportionate share on the statement of net position. The remainder of $5,587,987 denotes the Council's proportionate share of net pension liability attributable to the special funding.

At June 30, 2016, the Council's proportionate share of the STRS net pension liability was $7,800,977. Of this amount, the Council recognized $2,385,460 as its proportionate share on the statement of net position. The remainder of $5,415,517 denotes the Council'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 its 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 the June 30, 2016 measurement date, the Council's proportion was 0.069243%, an increase of 0.000757% from its proportion of 0.068486% calculated as of June 30, 2015.

For the year ended June 30, 2017, the Council recognized STRS pension expense of $587,031. Of this amount, 99,583 was recognized as the Council's proportionate share of the STRS expense and $487,448 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The Council also recognized revenue of $487,448 for support provided by the State.

For the year ended June 30, 2016, the Council recognized STRS pension expense of $370,560. Of this amount, ($18,524) was recognized as the Council's proportionate share of the STRS expense and $389,084 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The Council also recognized revenue of $389,084 for support provided by the State.

At June 30, 2017 and 2016, deferred outflows of resources and deferred inflows of resources related to the STRS pension are as follows.

June 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 26,275	$ 16,487
Changes in proportion and difference between employer contributions and proportionate share of contributions	228,599	690,774
Changes in assumptions	112,888	-
Net difference between projected and actual investment earnings	234,216	-
Contributions after the measurement date	220,166	-
Total	$ 822,144	$ 707,261

NOTE 15 - RETIREMENT PLANS (Continued)

June 30, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 20,307
Changes in proportion and difference between employer contributions and proportionate share of contributions	86,349	727,792
Net difference between projected and actual investment earnings	-	100,104
Contributions after the measurement date	242,644	-
Total	$ 328,993	$ 848,203

The Council will recognize the $220,166 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	$ (96,849)
2019	(96,851)
2020	(9,015)
2021	64,665
2022	32,767
	$ (105,283)

Payables to the Pension Plan

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

DEFINED CONTRIBUTION PLANS

The TIAA-CREF and Educators Money are defined contribution 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 Council 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 that are not matched by the Council.

Total contributions to the TIAA-CREF for the years ended June 30, 2017, 2016, and 2015 were approximately $6,694,000, $6,960,000, and $7,040,000, which consisted of approximately $3,347,000, $3,480,000, and $3,520,000, respectively, from both the Council and the covered employees.

Total contributions to the Educators Money for the years ended June 30, 2017, 2016, and 2015 were approximately $128,000, $130,000, and $140,000, which consisted of approximately $64,000, $65,000, and $70,000, respectively, from both the Council and the covered employees.

NOTE 15 - RETIREMENT PLANS (Continued)

The Council's total payroll for the years ended June 30, 2017, 2016, and 2015 was approximately $68,086,000, $71,510,000, and $72,654,000, respectively, and total covered employees' salaries in TIAA-CREF and Educators Money were approximately $55,924,000 and $1,070,000, respectively in 2017, $57,834,000 and $1,078,000, respectively, in 2016, and $58,838,000 and $1,169,000, respectively, in 2015.

NOTE 16 - FOUNDATIONS

Various foundations have been established as separate nonprofit organizations incorporated in the State having as their purpose "… to aid, strengthen and further in every proper and useful way, the work and services of the (individual institutions within the Council), and their affiliated nonprofit organizations…" Oversight of the foundations is the responsibility of separate and independently-elected Boards of Directors not otherwise affiliated with the Council. In carrying out their responsibilities, the Boards of Directors of the foundations employ management, form policy, and maintain fiscal accountability over funds administered by the foundations. Accordingly, the financial statements of the foundations are not included in the accompanying combined financial statements under the blended component unit requirements. The financial statements are also not included in the accompanying combined financial statements as discretely presented component units because they are not significant.

NOTE 17 - AFFILIATED ORGANIZATIONS

The Council has various separately-incorporated affiliated organizations, including alumni and other associations. Oversight responsibility for these organizations rests with independent boards and management not otherwise affiliated with the Council. Accordingly, the financial statements of these organizations are not included in the accompanying combined financial statements under the blended component unit requirements. They are also not included in the accompanying combined financial statements under the discretely presented component unit requirement as they are not significant or have dual purpose (i.e., not entirely or almost entirely for the benefit of the Council).

NOTE 18 - CONTINGENCIES AND COMMITMENTS

The nature of the educational industry is such that, from time to time, claims will be presented against colleges and universities 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 Council would not have a significant impact on the financial status of the Council.

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. Management believes disallowances, if any, would not have a significant financial impact on the Council's financial position.

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the combined financial statements at June 30, 2017.

The institutions within the Council own various buildings that are known to contain asbestos. The institutions are not required by Federal, State, or Local Law to remove the asbestos from the buildings. The institutions are required by Federal Environmental, Health, and Safety Regulations to manage the presence of asbestos in the buildings in a safe condition. Significant problems of dangerous asbestos conditions are abated as the conditions become known. The institutions also address 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 19 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 23, 2017, the date the combined financial statements were available to be issued. No significant subsequent events requiring adjustment to or disclosure in the combined financial statements were noted.

NOTE 20 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2017 and 2016, the following table represents operating expenses within both natural and functional classifications:

2017	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-Offs	Total
Instruction	$ 37,084,490	$ 9,011,260	$ 11,935,624	$ 189,178	$ 18,045	$ -	$ -	$ 58,238,597
Research	15,712	1,950	954	-	-	-	-	18,616
Public service	1,423,914	320,533	937,317	1,115	3,948	-	-	2,686,827
Academic support	4,542,572	1,164,409	2,258,004	60,467	11,000	-	-	8,036,452
Student services	6,889,460	1,954,267	2,570,226	1,010	-	-	-	11,414,963
General institutional support	14,460,085	4,541,791	11,589,378	347,407	-	-	-	30,938,661
Operations and maintenance of plant	3,245,409	1,062,512	6,225,283	2,518,498	-	-	-	13,051,702
Total education and general	67,661,642	18,056,722	35,516,786	3,117,675	32,993	-	-	124,385,818
Student financial aid	106,171	7,610	-	-	18,760,752	-	-	18,874,533
Auxiliary enterprises	318,492	83,259	1,005,890	-	-	-	-	1,407,641
Depreciation	-	-	-	-	-	11,312,589	-	11,312,589
Loan cancellations and write-offs	-	-	-	-	-	-	233,774	233,774
Other	-	-	508,768	-	-	-	-	508,768
Total	$ 68,086,305	$ 18,147,591	$ 37,031,444	$ 3,117,675	$ 18,793,745	$ 11,312,589	$ 233,774	$ 156,723,123

2016	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-Offs	Total
Instruction	$ 39,599,046	$ 9,162,656	$ 16,057,204	$ 79,822	$ -	$ -	$ -	$ 64,898,728
Public service	1,542,219	359,610	992,229	779	-	-	-	2,894,837
Academic support	4,450,509	1,054,100	2,286,858	55,933	11,500	-	-	7,858,900
Student services	7,171,616	1,675,745	2,591,905	972	-	-	-	11,440,238
General institutional support	13,504,968	4,833,062	11,587,929	327,447	-	-	-	30,253,406
Operations and maintenance of plant	4,720,044	1,321,363	6,850,998	2,439,245	-	-	-	15,331,650
Total education and general	70,988,402	18,406,536	40,367,123	2,904,198	11,500	-	-	132,677,759
Student financial aid	125,347	9,965	-	-	20,876,649	-	-	21,011,961
Auxiliary enterprises	396,114	88,457	874,033	-	334	-	-	1,358,938
Depreciation	-	-	-	-	-	10,982,719	-	10,982,719
Loan cancellations and write-offs	-	-	-	-	-	-	188,624	188,624
Other	-	-	574,104	-	-	-	-	574,104
Total	$ 71,509,863	$ 18,504,958	$ 41,815,260	$ 2,904,198	$ 20,888,483	$ 10,982,719	$ 188,624	$ 166,794,105

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
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
Council's proportion of the net pension liability (asset) (percentage)	0.069243%	0.068486%	0.076370%							
Council's proportionate share of the net pension liability (asset)	$2,845,650	$2,385,460	$2,638,588							
State's proportionate share of the net pension liability (asset)	5,419,987	5,415,637	5,962,696							
Total proportionate share of the net pension liability (asset)	$8,265,637	$7,801,097	$8,601,284							
Council's covered-employee payroll	$1,680,669	$1,989,696	$2,182,351							
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	169.32%	119.89%	120.91%							
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, the Council should present information for those years for which information is available.

See independent auditor's report and notes to required supplementary information.

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2017

State Teachers' Retirement System
Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 220,166	$ 258,982	$ 328,285							
Contributions in relation to the contractually required contribution	(220,166)	(260,982)	(329,310)							
Contribution deficiency (excess)	$ -	$ (2,000)	$ (1,025)							
Council's covered-employee payroll	$ 1,355,895	$ 1,555,318	$ 1,982,331							
Contributions as a percentage of covered-employee payroll	16.24%	16.78%	16.61%							

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Council should present information for those years for which information is available.

See independent auditor's report and notes to required supplementary information.

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
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 other assumptions. Additional information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report for the year ended June 30, 2016.

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

West Virginia Council for Community and Technical College Education
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of the business-type activities of the West Virginia Council for Community and Technical College Education (the Council), a component unit of the West Virginia Higher Education Policy Commission, as of and for the year ended June 30, 2017, and the related notes to the combined financial statements, which collectively comprise the Council's combined financial statements, and have issued our report thereon dated October 23, 2017. Our report includes a reference to other auditors who audited the financial statements of Blue Ridge Community and Technical College, Mountwest Community and Technical College, West Virginia Northern Community College, and West Virginia University at Parkersburg, as described in our report on the Council's combined 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.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Council'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's combined 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 combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 23, 2017