

**Kanawha Valley Community  
and Technical College**

Financial Statements  
Years Ended June 30, 2014 and 2013

and

Independent Auditor's Reports

# KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE

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## INDEPENDENT AUDITOR'S REPORT

Board of Governors  
Kanawha Valley Community and Technical College  
South Charleston, West Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Kanawha Valley Community and Technical College (the College), a component of the West Virginia Council for Community and Technical College Education, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the College, as of June 30, 2014 and 2013, and the respective changes in financial position, and, where applicable, cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standard generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2014, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Charleston, West Virginia

October 28, 2014

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

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## **History**

Kanawha Valley Community and Technical College (Kanawha Valley or the College) is a State-supported institution within the West Virginia Council for Community and Technical College Education. Kanawha Valley offers certificate and associate-degree programs primarily in energy, health, and technical areas and customized training in these respective fields through workforce development. Until October 2004, the College was a component of West Virginia State University (WVSU). The community and technical college component became independently accredited by the Higher Learning Commission (HLC) of the North Central Association at that time, while still governed by the WVSU Board of Governors. The official name of the independently accredited institution was West Virginia State Community and Technical College (WVSCTC).

In accordance with House Bill 3215, passed by the West Virginia State Legislature in its 2008 session, WVSCTC became a separate entity with its own local Board of Governors effective July 1, 2008 and received net position transferred from WVSU as of this date. In April 2009, the Board of Governors officially changed the college name to Kanawha Valley Community and Technical College. On July 1, 2010, Kanawha Valley began the transition from an administratively-linked college to an independent college with its own Board, unique name, and fully staffed offices and faculty to serve students. The College received funds during 2012 as part of the Community and Technical College lottery funds in the amount of \$13.5 million and began renovating building 2000 at the WV Regional Technology Park which the College leases through the WV Regional Technology Park Corporation. Kanawha Valley began fiscal year 2014 at the new campus location at the WV Regional Technology Park. This move completed the transition to a standalone community and technical college.

During the 2014 legislative session, Senate Bill 438 passed allowing the consolidation of Kanawha Valley with Bridgmont Community and Technical College. The Higher Learning Commission approved the consolidation at its February 2014 meeting. Effective March 20, 2014 BridgeValley Community and Technical College (BridgeValley) was officially recognized by the Higher Learning Commission; this is considered to be the founding date for BridgeValley. Effective July 1, 2014 BridgeValley began operating as a single college for state financial purposes.

## **Overview**

The Management's Discussion and Analysis is required supplementary information and has been prepared in accordance with the requirements of Governmental Accounting Standards Board (GASB) standards. This section of Kanawha Valley's annual financial report provides an overview of the College's financial performance during the fiscal years ended June 30, 2014, 2013, and 2012, with a focus on 2014. A comparative analysis is presented for fiscal year 2014 compared to fiscal year 2013.

Kanawha Valley's annual report consists of three basic financial statements: the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. These statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. Each of these statements is discussed below.

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

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### **Financial Highlights**

At June 30, 2014, the total net position for Kanawha Valley was \$13,413,101 representing an increase of \$1,671,230 compared with fiscal year 2013 and an increase of \$1,479,168 compared with fiscal year 2012. This increase in net position, fiscal year 2014 compared with fiscal year 2013, was related to the capital payments made on behalf of \$1,136,835 as well as the increase in net position of \$534,395 before revenues, expenses, gains or losses. The increase in fiscal year 2014 compared to fiscal year 2012 was primarily attributable to the increase the in net position before revenues, expenses, gains or losses in 2014 of \$534,395 versus the decrease in 2012 of \$783,411.

Fiscal year 2014 operating revenues decreased over fiscal year 2013 by \$430,835 or 6% with a decrease in state and private grants offset somewhat by an increase in tuition and fees revenues. Fiscal year 2014 operating revenues increased nearly 5% or \$278,093 over fiscal year 2012. These increases were primarily in tuition and fees offset by decrease in state grants.

### **Net Position**

The statement of net position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position of the College as of the end of the fiscal year. Assets denote the resources available to continue the operations of the College. Deferred outflows of resources are consumptions of net position that are applicable to future reporting periods. Liabilities indicate how much the College owes vendors, employees and lenders. Deferred inflows of resources are acquisitions of net position that are applicable to future reporting periods. Net position measures the equity or the availability of funds of the College for future periods.

Net position is displayed in three major categories:

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

*Restricted net position.* This category includes net position, the use of which is restricted, either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components – nonexpendable and expendable. **Nonexpendable restricted net position** includes endowment and similar type funds for 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. **Expendable restricted net position** includes resources for which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. The College has no restricted net position.

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

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**Condensed Schedules of Net Position**

|  | <b>June 30,</b>      |                      |                      |
|--|----------------------|----------------------|----------------------|
|  | <u>2014</u>          | <u>2013</u>          | <u>2012</u>          |
| <b>Assets and deferred outflows</b>                    |                      |                      |                      |
| Current assets   | \$ 4,071,488         | \$ 3,468,428         | \$ 3,230,584         |
| Noncurrent assets                                      | <u>15,318,389</u>    | <u>14,347,992</u>    | <u>14,169,201</u>    |
| Total assets   | <u>19,389,877</u>    | <u>17,816,420</u>    | <u>17,399,785</u>    |
| <br>   |                      |                      |                      |
| Deferred outflows of resources                         | <u>-</u>             | <u>-</u>             | <u>-</u>             |
| <br>   |                      |                      |                      |
| Total  | <u>\$ 19,389,877</u> | <u>\$ 17,816,420</u> | <u>\$ 17,399,785</u> |
| <br>   |                      |                      |                      |
| <b>Liabilities, deferred inflows, and net position</b> |                      |                      |                      |
| Current liabilities                                    | \$ 3,154,930         | \$ 2,939,541         | \$ 3,292,969         |
| Noncurrent liabilities                                 | <u>2,821,846</u>     | <u>3,135,008</u>     | <u>2,172,883</u>     |
| Total liabilities                                      | <u>5,976,776</u>     | <u>6,074,549</u>     | <u>5,465,852</u>     |
| <br>   |                      |                      |                      |
| Deferred inflows of resources                          | <u>-</u>             | <u>-</u>             | <u>-</u>             |
| <br>   |                      |                      |                      |
| <b>Net position</b>                                    |                      |                      |                      |
| Invested in capital assets                             | 14,064,106           | 12,718,614           | 13,669,201           |
| Unrestricted (deficit)                                 | <u>(651,005)</u>     | <u>(976,743)</u>     | <u>(1,735,268)</u>   |
| Total net position                                     | <u>13,413,101</u>    | <u>11,741,871</u>    | <u>11,933,933</u>    |
| <br>   |                      |                      |                      |
| Total  | <u>\$ 19,389,877</u> | <u>\$ 17,816,420</u> | <u>\$ 17,399,785</u> |

Total assets for Kanawha Valley were \$19,389,877 representing an increase of \$1,573,457 compared with fiscal year 2013 and an increase of \$1,990,092 compared with fiscal year 2012. Specifics related to the changes in total assets in fiscal year 2014 compared with fiscal year 2013 are as follows:

- Cash and cash equivalents increased by \$1,497,224 primarily related to improvement in cash in the tuition and fees funds related to efficiencies and savings with the consolidation with Bridgemont Community and Technical College including contractual savings and shared staff between the two colleges.
- Due from the Council/Commission decreased by \$970,927 primarily related to payment of last year's unpaid construction related items and an advanced grant accrued in FY 2013.
- Capital assets increased by \$970,397 primarily related to additional construction in progress and grant funded equipment offset by the depreciation especially with leasehold improvements and equipment.

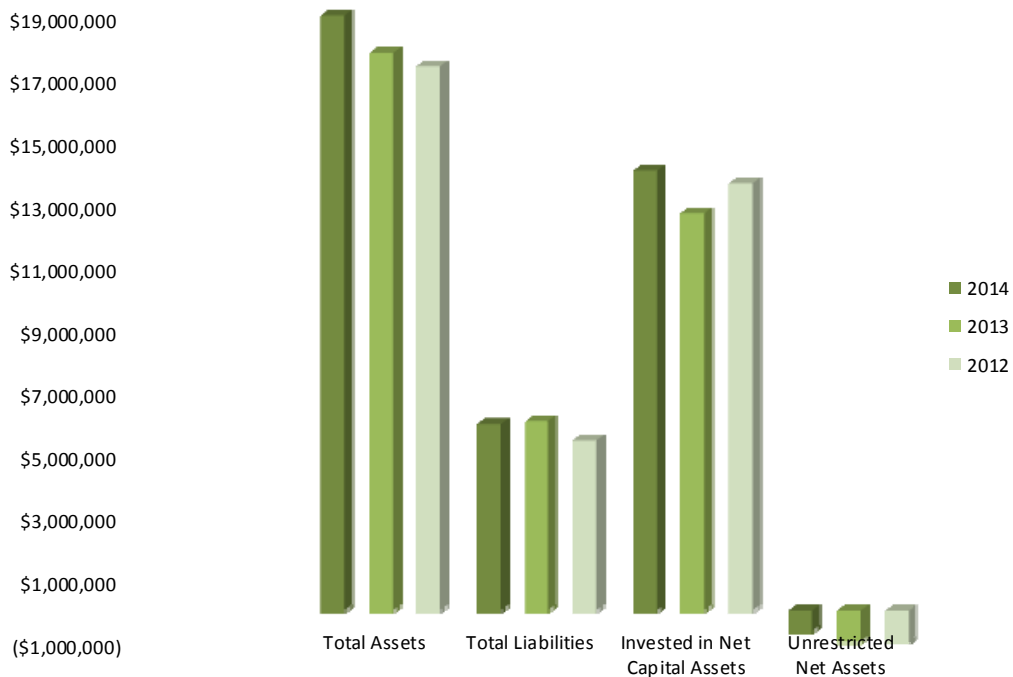
**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

Total liabilities decreased by \$97,773 over fiscal year 2013 and increased by \$510,924 over fiscal year 2012. Specifics related to the changes in fiscal year 2014 compared with fiscal year 2013 are as follows:

- Accounts payable increased by \$243,120 primarily related to grant purchases in June and annual lease payments for 2014 not paid until 2015.
- Leases payable decreased by \$237,476 for long-term leases and \$37,619 for short-term leases which was related the payment and adjustment to a lease-purchase agreement for the telephone and network infrastructure.
- Accrued liabilities increased by \$151,254 due to accrued payroll.
- Debt obligation due to the Commission decreased by \$100,000 for long-term debt related to annual debt payment.
- The other post employment benefits liability increased by only \$36,529 as the impact from the State's measures to fund this liability and contain costs took effect in FY 2013 and continued into FY 2014. In FY 2015, this liability is expected to reflect a decrease.

The following is a comparative illustration of the Statements of Net Position.

**STATEMENT OF NET ASSETS  
As of June 30, 2014, 2013, and 2012**





**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**Revenues, Expenses, and Changes in Net Position**

Statements of revenues, expenses, and changes in net position present the operating revenues, operating expenses, nonoperating revenues and expenses, and other revenues, expenses, gains, or losses of Kanawha Valley for each fiscal year.

State appropriations, while budgeted for operations, are considered and reported as non-operating revenues. This is because State appropriations are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Pell grants are reported as nonoperating, because of specific guidance in the American Institute of Certified Public Accountants industry audit guide.

Student tuition and fees are reported net of scholarship discounts and allowances. Financial aid to students is reported using the National Association of College and University Business Officers alternative method. Under this method certain aid, such as loans and federal direct lending, is accounted for as a third party payment, while all other aid is reflected either as operating expenses or scholarship allowances, which reduce revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

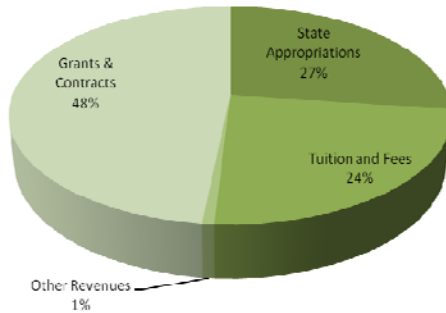
**Condensed Schedules of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30,**

|   | <u>2014</u>          | <u>2013</u>          | <u>2012</u>          |
|---|----------------------|----------------------|----------------------|
| Operating revenues  | \$ 6,308,556         | \$ 6,739,391         | \$ 6,030,463         |
| Operating expenses  | <u>13,437,620</u>    | <u>14,995,457</u>    | <u>15,010,813</u>    |
| Operating loss  | (7,129,064)          | (8,256,066)          | (8,980,350)          |
| Net nonoperating revenues   | <u>7,663,459</u>     | <u>8,003,167</u>     | <u>8,196,939</u>     |
| Increase (decrease) in net position before revenue,<br>expenses, gains, or losses | 534,395              | (252,899)            | (783,411)            |
| Capital grants and gifts and payments on behalf                                   | 1,136,835            | 60,837               | 10,900,444           |
| Bond proceeds from the Commission   | <u>-</u>             | <u>-</u>             | <u>999,385</u>       |
| Increase (decrease) in net position   | 1,671,230            | (192,062)            | 11,116,418           |
| Net position at beginning of year   | <u>11,741,871</u>    | <u>11,933,933</u>    | <u>817,515</u>       |
| Net position at end of year   | <u>\$ 13,413,101</u> | <u>\$ 11,741,871</u> | <u>\$ 11,933,933</u> |

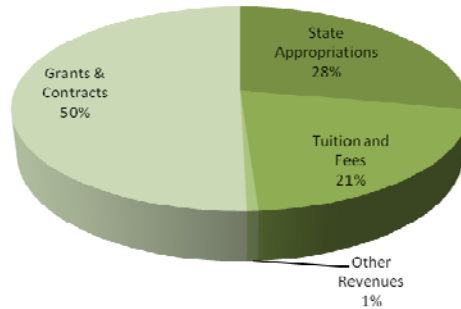
**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

The following chart illustrates the composition of revenues by source for 2014 and 2013.

**TOTAL REVENUES  
For the Year Ended June 30, 2014**



**TOTAL REVENUES  
For the Year Ended June 30, 2013**



The most significant sources of revenue for the College are State appropriations, tuition and fees, and grants and contracts. Operating revenues for fiscal year 2014 decreased from 2013 by \$430,835. Net nonoperating revenues in fiscal year 2014 decreased compared with fiscal year 2013 by \$339,708. Specifics related to the changes in revenues in fiscal year 2014 compared with fiscal year 2013 are as follows:

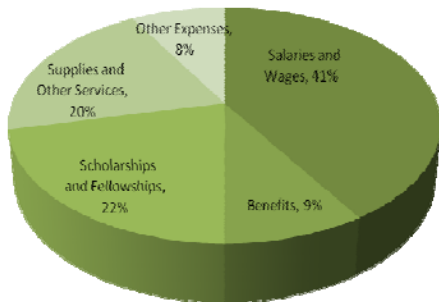
- State contracts and grants revenue decreased by \$543,732 primarily related to the timing of new grants versus the completion of old grants.
- State appropriations decreased by \$346,665 representing the 3.5% reduction as well as a mid-year reduction in FY 2014.
- Net tuition and fee revenue increased by \$240,843, primarily related to tuition increases.
- Private contracts and grants decreased by \$161,877 primarily related to timing of new contracts versus the completion of old grants.

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

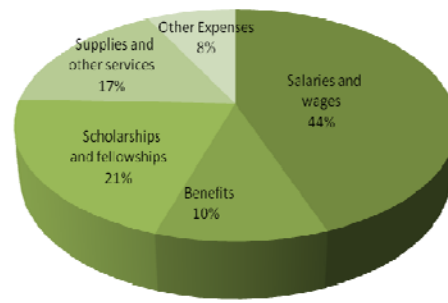
Expenses:

The following is a graphic illustration of total expenses by source for fiscal years 2014 and 2013.

**TOTAL EXPENSES  
For the year ended June 30, 2014**



**TOTAL EXPENSES  
For the year ended June 30, 2013**



Total operating expenses for fiscal year 2014 were \$13,437,620 representing a decrease of \$1,557,837 over fiscal year 2013. Specifics related to the changes in expenses in fiscal year 2014 compared with fiscal year 2013 are as follows:

- Salaries and wages decreased by \$1,140,921 and benefits by \$384,690 compared with 2013, primarily related to reduction of grant funded employees as the grants expired. Additionally the College began realizing efficiencies due to the consolidation with Bridgmont such as the sharing of administrative personnel.
- Utilities decreased by \$226,974 over fiscal year 2013 due to the Tech Park lease payment not splitting out the utility portion in 2014 compared with 2013.
- Student financial aid decreased by \$147,736 primarily related to the financial aid participation of the students.
- Supplies and other services increased by \$189,358, partially related to the Tech Park Lease as noted above.
- Depreciation increased in fiscal year 2014 compared with 2013 by \$165,642 related to depreciating new lease-purchase equipment and additional grant funded equipment.

**Cash Flows**

The statement of cash flows provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and financing activities (capital and noncapital) of the College during the year. This statement helps users assess the College's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

The statement of cash flows is divided into five sections:

*Cash flows from operating activities.* This section shows the net cash used by the operating activities of the College.

*Cash flows from noncapital financing activities.* This section reflects the cash received and paid for nonoperating, noninvesting, and noncapital financing purposes.

*Cash flows from capital financing activities.* This section includes cash used for the acquisition and construction of capital and related items.

*Cash flows from investing activities.* This section shows the purchases, proceeds, and interest received from investing activities.

*Reconciliation of operating loss to net cash used in operating activities.* This section provides a schedule that reconciles the accrual-based operating income (loss) and net cash used in operating activities.

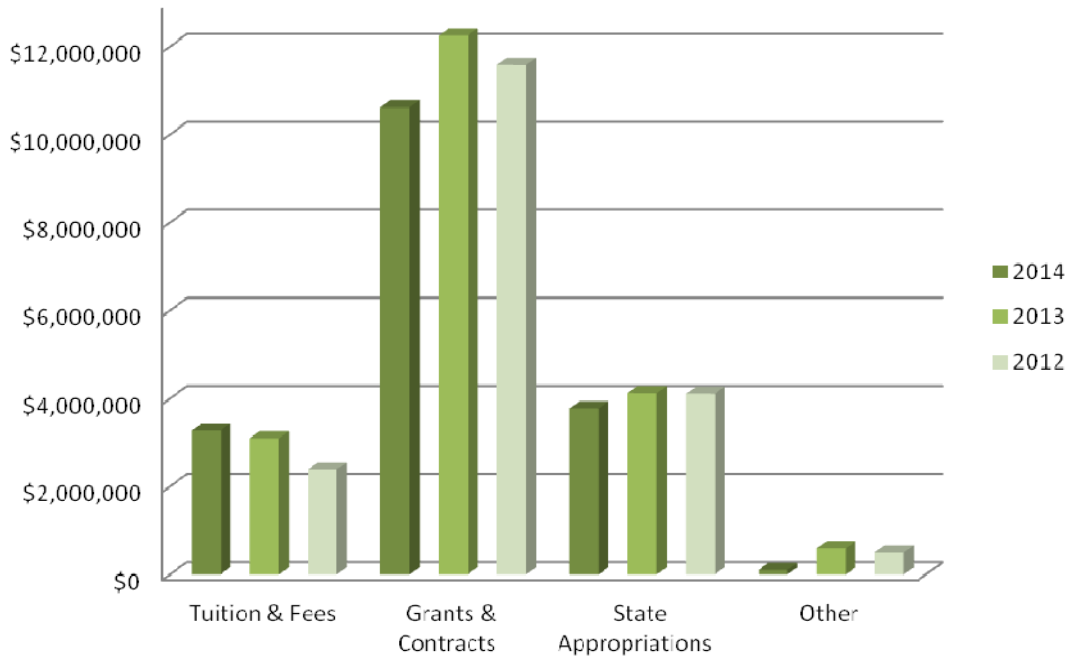
**Condensed Schedules of Cash Flows  
Years Ended June 30,**

|  | <u>2014</u>         | <u>2013</u>         | <u>2012</u>         |
|--|---------------------|---------------------|---------------------|
| Cash provided (used) by:                         |                     |                     |                     |
| Operating activities                             | \$ (5,471,507)      | \$ (7,301,660)      | \$ (9,285,964)      |
| Noncapital financing activities                  | 7,704,276           | 8,000,807           | 8,197,789           |
| Capital and related financing activities         | (739,076)           | 191,362             | (236,430)           |
| Investing activities                             | <u>3,531</u>        | <u>2,360</u>        | <u>1,451</u>        |
| Increase (Decrease) in Cash and Cash Equivalents | 1,497,224           | 892,869             | (1,323,154)         |
| <br>   |                     |                     |                     |
| Cash and Cash Equivalents, Beginning of Year     | <u>2,096,827</u>    | <u>1,203,958</u>    | <u>2,527,112</u>    |
| Cash and Cash Equivalents, End of Year           | <u>\$ 3,594,051</u> | <u>\$ 2,096,827</u> | <u>\$ 1,203,958</u> |

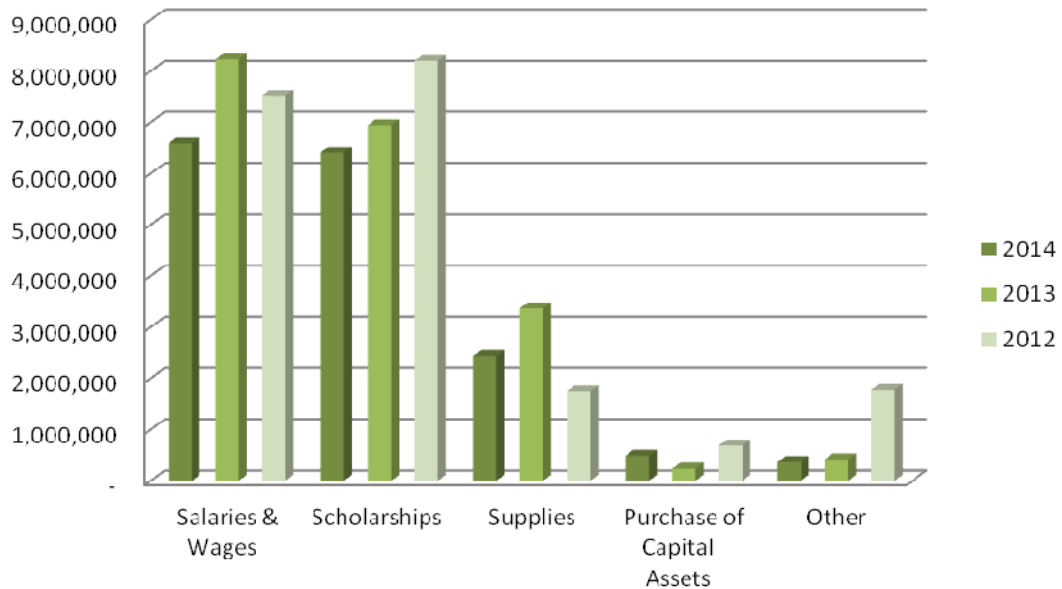
**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

The following graphs illustrate the sources and uses of cash for the last three fiscal years.

**SOURCES OF CASH  
Fiscal Years 2014, 2013, and 2012**



**USES OF CASH  
Fiscal Years 2014, 2013, and 2012**



**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

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### **Capital Asset and Long Term Debt Activity**

During fiscal year 2011, Kanawha Valley obtained \$1,348,808 of the \$13.5 million bond funds which were spent as payment for the design and renovations for the new college campus to be located at the WV Regional Technology Park.

During fiscal year 2012, Kanawha Valley obtained an additional \$10,900,444 of the \$13.5 million bond funds making the total capital payments made on behalf of Kanawha Valley \$12,249,252. Additionally, the Commission transferred bond proceeds in the amount of \$999,385 for payment of furniture and equipment related to the construction. These payments/transfers made a cumulative amount spent from bond funds of \$13,248,637. The College relocated to the new college campus at the end of fiscal year 2012. Some of the remaining retainage to vendors was paid during fiscal year 2014 as equipment, exterior lighting, and punch list items are resolved. These payments represented \$20,100.

System debt associated with the Council's \$13.5 million bonds is being repaid through the use of lottery funds. The College entered into a new energy savings loan with the Commission in the amount of \$500,000 in fiscal year 2012 and an additional \$500,000 in fiscal year 2013 to help further fund construction and equipment related to the new campus. This combined loan of \$1,000,000 will be paid over ten years with final payment in 2022.

### **Economic Outlook**

The financial position of Kanawha Valley Community and Technical College, now BridgeValley Community and Technical College (BridgeValley) effective July 1, 2014, is closely tied to that of the State of West Virginia. However, legislative changes have occurred over the last decade resulting in more autonomy and control over all operations of the College. BridgeValley is dependent upon tuition and fee revenue to maintain the large percentage of high-cost technical and allied health programs; however, the rate of tuition increases has been contained as much as possible. With the 3.75% reduction in state appropriations, the consolidated Board of Governors approved a 5% or \$178 annual tuition increase for fiscal year 2015. Current revenue projections for fiscal year 2016 from the State Budget Office are level with 2015.

Faculty and staff rely on external funding, primarily through State grants and contracts, to initiate new academic programs and workforce initiatives. Grants and contracts provide essential start-up money with sustainability of initiatives created through enrollment. Several projects are underway to seek new state grants.

During fiscal year 2014 Bridgemont and Kanawha Valley, along with the other remaining eight community and technical colleges, were awarded a statewide \$15 million, Bridging the Gap, Federal Department of Labor Grant. This federal grant will provide primarily personnel funding for both campuses.

Another revenue enhancement is the new consolidated BridgeValley Community and Technical College Foundation (Foundation). The new Foundation began operations July 1, 2014. Foundation assets have been combined from the previous Bridgemont and Kanawha Valley Foundations. Additionally with the recent opening of the Advanced Technology Center at the South Charleston Campus, new opportunities to serve the area have become available. Toyota announced a five-year pledge of \$1 million to support the sustainability of this center thus ensuring that the Advanced Technology Center maintains state-of-the-art technology and equipment.

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

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With the consolidation of Bridgemont and Kanawha Valley Community and Technical Colleges completed, many opportunities will be available to enhance revenue and pursue additional efficiencies. Personnel efficiencies include careful consideration of filling vacancies, determining the applicability of part-time versus full-time employees, and contractual versus permanent employees. Non-personnel measures include reviewing all contracts to negotiate reductions and increasing the use of bulk purchasing. Enhanced recruitment activities and projects are on-going to increase the tuition and fee revenue stream through enrollment.

**Request For Information**

The financial report is designed to provide an overview of the finances of the College for those with an interest in this organization. Questions concerning any of the financial information provided in this report or requests for addition information should be addressed to the Kanawha Valley Community and Technical College at 2001 Union Carbide Drive, South Charleston, WV 25303.

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2014 AND 2013**

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|  | <u>2014</u>                 | <u>2013</u>                 |
|--|-----------------------------|-----------------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS</b>                    |                             |                             |
| CURRENT ASSETS:  |                             |                             |
| Cash and cash equivalents                              | \$ 3,594,051                | \$ 2,096,827                |
| Due from the Council/Commission                        | 197,024                     | 1,167,951                   |
| Accounts receivable — net                              | <u>280,413</u>              | <u>203,650</u>              |
| Total current assets                                   | 4,071,488                   | 3,468,428                   |
| NONCURRENT ASSETS:                                     |                             |                             |
| Capital assets — net                                   | <u>15,318,389</u>           | <u>14,347,992</u>           |
| DEFERRED OUTFLOWS OF RESOURCES:                        |                             |                             |
| Total deferred outflows of resources                   | <u>-</u>                    | <u>-</u>                    |
| <b>TOTAL</b>   | <b><u>\$ 19,389,877</u></b> | <b><u>\$ 17,816,420</u></b> |
| <b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b> |                             |                             |
| CURRENT LIABILITIES:                                   |                             |                             |
| Accounts payable                                       | \$ 626,847                  | \$ 383,727                  |
| Due to the Council/Commission                          | 15,102                      | 36,184                      |
| Accrued liabilities                                    | 619,846                     | 468,592                     |
| Due to State agencies                                  | 160,561                     | 136,001                     |
| Compensated absences — current portion                 | 143,615                     | 193,705                     |
| Debt obligation due to Commission — current portion    | 100,000                     | 100,000                     |
| Leases payable — current portion                       | 138,476                     | 176,095                     |
| Unearned revenue                                       | <u>1,350,483</u>            | <u>1,445,237</u>            |
| Total current liabilities                              | <u>3,154,930</u>            | <u>2,939,541</u>            |
| NONCURRENT LIABILITIES:                                |                             |                             |
| Other postemployment benefits liability                | 1,719,413                   | 1,682,884                   |
| Compensated absences                                   | 86,626                      | 98,841                      |
| Debt obligation due to Commission                      | 725,000                     | 825,000                     |
| Leases payable   | <u>290,807</u>              | <u>528,283</u>              |
| Total noncurrent liabilities                           | <u>2,821,846</u>            | <u>3,135,008</u>            |
| DEFERRED INFLOWS OF RESOURCES:                         |                             |                             |
| Total deferred inflows of resources                    | <u>-</u>                    | <u>-</u>                    |
| NET POSITION:  |                             |                             |
| Net investment in capital assets                       | 14,064,106                  | 12,718,614                  |
| Unrestricted (deficit)                                 | <u>(651,005)</u>            | <u>(976,743)</u>            |
| Total net position                                     | <u>13,413,101</u>           | <u>11,741,871</u>           |
| <b>TOTAL</b>   | <b><u>\$ 19,389,877</u></b> | <b><u>\$ 17,816,420</u></b> |

The Accompanying Notes Are An Integral  
Part Of These Financial Statements



**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

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|  | <u>2014</u>          | <u>2013</u>          |
|--|----------------------|----------------------|
| <b>OPERATING REVENUES:</b>   |                      |                      |
| Student tuition and fees — net of scholarship allowance of \$2,534,017 in 2014 and \$2,103,170 in 2013 | \$ 3,330,981         | \$ 3,090,138         |
| Contracts and grants:  |                      |                      |
| Federal  | 192,176              | 159,443              |
| State  | 2,316,908            | 2,860,640            |
| Private  | 369,204              | 531,081              |
| Miscellaneous revenue  | 99,287               | 98,089               |
| Total operating revenues   | <u>6,308,556</u>     | <u>6,739,391</u>     |
| <b>OPERATING EXPENSES:</b>   |                      |                      |
| Salaries and wages   | 5,508,747            | 6,649,668            |
| Benefits   | 1,203,910            | 1,588,600            |
| Supplies and other services  | 2,692,857            | 2,503,499            |
| Utilities  | 39,369               | 266,343              |
| Student financial aid — scholarships and fellowships   | 2,952,046            | 3,099,782            |
| Depreciation   | 985,705              | 820,063              |
| Fees assessed by the Commission for operations   | 54,986               | 67,502               |
| Total operating expenses   | <u>13,437,620</u>    | <u>14,995,457</u>    |
| <b>OPERATING LOSS</b>  | <u>(7,129,064)</u>   | <u>(8,256,066)</u>   |
| <b>NONOPERATING REVENUES (EXPENSES):</b>   |                      |                      |
| State appropriations   | 3,778,999            | 4,125,664            |
| Pell grant revenue   | 3,933,635            | 3,883,501            |
| Investment income  | 3,897                | 2,360                |
| Loss on disposal   | (16,669)             | -                    |
| Fees assessed by the Commission  | (8,358)              | (8,358)              |
| Interest on capital asset related debt   | (28,045)             | -                    |
| Net nonoperating revenues  | <u>7,663,459</u>     | <u>8,003,167</u>     |
| <b>INCREASE (DECREASE) IN NET POSITION BEFORE REVENUES, EXPENSES, GAINS, OR LOSSES</b>                 | 534,395              | (252,899)            |
| <b>CAPITAL PAYMENTS AND EXPENSES INCURRED ON BEHALF OF THE COLLEGE</b>                                 | <u>1,136,835</u>     | <u>60,837</u>        |
| <b>INCREASE (DECREASE) IN NET POSITION</b>   | 1,671,230            | (192,062)            |
| <b>NET POSITION — Beginning of year</b>  | <u>11,741,871</u>    | <u>11,933,933</u>    |
| <b>NET POSITION — End of year</b>  | <u>\$ 13,413,101</u> | <u>\$ 11,741,871</u> |

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

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|   | <u>2014</u>           | <u>2013</u>           |
|---|-----------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                       |                       |
| Student tuition and fees  | \$ 3,275,664          | \$ 3,098,122          |
| Grants and contracts  | 3,233,381             | 4,527,330             |
| Payments to and on behalf of employees  | (6,590,349)           | (8,228,105)           |
| Payments to suppliers   | (2,436,055)           | (3,363,469)           |
| Payments to utilities   | (47,413)              | (266,343)             |
| Payments for scholarships and fellowships   | (2,951,036)           | (3,099,782)           |
| Fees retained by the Commission   | (54,986)              | (67,502)              |
| Other receipts (payments)   | 99,287                | 98,089                |
| Net cash used in operating activities   | <u>(5,471,507)</u>    | <u>(7,301,660)</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>                           |                       |                       |
| State appropriations  | 3,778,999             | 4,125,664             |
| Federal student loan program — direct lending receipts                            | 3,525,445             | 3,843,038             |
| Federal student loan program — direct lending payments                            | (3,525,445)           | (3,843,038)           |
| Pell Grant revenue  | 3,933,635             | 3,883,501             |
| Fees assessed by the Commission   | (8,358)               | (8,358)               |
| Net cash provided by noncapital financing activities                              | <u>7,704,276</u>      | <u>8,000,807</u>      |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>                              |                       |                       |
| Purchases and construction of capital assets                                      | (486,439)             | (233,638)             |
| Payments on capital leases  | (124,592)             | -                     |
| Payments for interest   | (28,045)              | -                     |
| Payment to the Commission for debt service  | (100,000)             | (75,000)              |
| Proceeds from the Commission  | -                     | 500,000               |
| Net cash provided by (used in) capital financing activities                       | <u>(739,076)</u>      | <u>191,362</u>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                      |                       |                       |
| Interest on investments   | 3,531                 | 2,360                 |
| Net cash provided by investing activities   | <u>3,531</u>          | <u>2,360</u>          |
| <b>INCREASE IN CASH AND CASH EQUIVALENTS</b>                                      | 1,497,224             | 892,869               |
| <b>CASH AND CASH EQUIVALENTS - Beginning of year</b>                              | <u>2,096,827</u>      | <u>1,203,958</u>      |
| <b>CASH AND CASH EQUIVALENTS - End of year</b>                                    | <u>\$ 3,594,051</u>   | <u>\$ 2,096,827</u>   |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED</b>                          |                       |                       |
| <b>IN OPERATING ACTIVITIES:</b>   |                       |                       |
| Operating loss  | \$ (7,129,064)        | \$ (8,256,066)        |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                       |                       |
| Depreciation expense  | 985,705               | 820,063               |
| Changes in assets and liabilities:  |                       |                       |
| Due from the Commission/Council   | 471,293               | 324,057               |
| Accounts receivable, net  | (76,763)              | 330,968               |
| Accounts payable  | 243,120               | (836,248)             |
| Due to the Commission/Council   | (21,082)              | (86,765)              |
| Accrued liabilities   | 151,254               | (23,687)              |
| Due to State Agencies   | 24,560                | 63,043                |
| Compensated absences  | (62,305)              | (12,916)              |
| Unearned revenue  | (94,754)              | 329,125               |
| Other postemployment benefits liability   | 36,529                | 46,766                |
| Net cash used in operating activities   | <u>\$ (5,471,507)</u> | <u>\$ (7,301,660)</u> |
| <b>NONCASH TRANSACTIONS:</b>  |                       |                       |
| Noncash transactions — Payments on behalf of the College                          | <u>\$ 1,136,835</u>   | <u>\$ 60,837</u>      |
| Noncash transactions — Capital lease (adjustment)                                 | <u>\$ (150,503)</u>   | <u>\$ 704,378</u>     |
| Noncash transactions — Loss on disposal   | <u>\$ 16,669</u>      | <u>\$ -</u>           |

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

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**NOTE 1 - ORGANIZATION**

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

Kanawha Valley Community and Technical College (Kanawha Valley or the College) was governed by the Kanawha Valley Community and Technical College Board of Governors (the Board). The Board was established by House Bill 3215 (H.B. 3215), effective July 1, 2008, which clarified and redefined relationships between and among certain higher education boards and institutions. During the State's 2013 legislative session, legislators passed Senate Bill 438 allowing for the consolidation of Bridgemont Community and Technical College (Bridgemont) and Kanawha Valley. Effective July 1, 2013, the joint Board of Governors for both Bridgemont and Kanawha Valley Community and Technical Colleges assumed the governing for both colleges. The Board's first order was to name the new consolidated College, BridgeValley Community and Technical College (BridgeValley), pending the Higher Learning Commission's approval. The Higher Learning Commission approved the consolidation at its February 2014 meeting. Effective March 20, 2014 BridgeValley Community and Technical College was officially recognized by the Higher Learning Commission; this is considered to be the founding date for BridgeValley. Effective July 1, 2014 BridgeValley began operating as a single college for state financial purposes.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The accompanying financial statements present all funds under the authority of the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. The related foundation of the College is not part of the College's reporting entity and is not included in the accompanying financial statements as the College has no ability to designate management, cannot significantly influence operations of the entity, and is not accountable for the fiscal matters of the foundation under GASB blended component unit requirements.

The related foundation of the College does not meet the criteria for inclusion as a component unit of the College under discretely presented component unit requirements and, as a result, is not included in these financial statements.

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

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

*Restricted net position - expendable* - This includes resources for which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. The College does not have any restricted expendable net position at June 30, 2014 or 2013.

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

*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. The College does not have any restricted nonexpendable net position at June 30, 2014 and 2013.

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

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities; 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.

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Noncurrent Cash, Cash Equivalents, and Investments** - Cash, cash equivalents, and investments that are (a) externally restricted to make debt service payments and long-term loans to students, or to maintain sinking or reserve funds, (b) to purchase capital or other noncurrent assets or settle long-term liabilities, and (c) permanently restricted net position are classified as noncurrent assets in the accompanying statements of net position.

**Capital Assets** - Capital assets include construction in progress, leasehold improvements and equipment. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. The capital assets transferred in were recorded at net book value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20–50 years for buildings and infrastructure, 20 years for land improvements, and 3–10 years for furniture and equipment. The College uses a capitalization threshold of \$5,000 for other capital assets.

**Unearned Revenue** - Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue. Financial aid and other deposits are separately classified as deposits. Additionally, revenues under reimbursement grant contracts are classified as unearned revenue until the costs have been incurred.

**Compensated Absences and Other Postemployment Benefits (OPEB)** - GASB provides for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. The College is required to participate in this multiple-employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan and its standalone financials can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), 601 57<sup>th</sup> Street SE, Suite 2, Charleston, WV 25304-2345 or <http://www.wvpeia.com>.

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

West Virginia had a single private insurance company, BrickStreet Insurance, which provided workers' compensation coverage to all employers in the State. Other private insurance companies began to offer coverage to the private-sector employers beginning July 1, 2009 and began to offer to government employers July 1, 2010. Nearly every employer in the State, who has a payroll, must have coverage. The cost of all coverage is paid by the employers. BrickStreet retains the risk related to the compensation of injured employees under the program.

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

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

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

*Other revenues* - Other revenues consist primarily of capital gains and gifts.

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



**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Federal Financial Assistance Programs** - The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and unsubsidized loans directly to students, through institutions like the College. Direct student loan receivables are not included in the College's statements of net position as the loans are repayable directly to the U.S. Department of Education. In 2014 and 2013, the College received and disbursed approximately \$3.5 million and \$3.8 million, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2014 and 2013, the College received and disbursed approximately \$4.0 million and \$4.0 million, respectively, under these federal student aid programs.

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

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

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

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

**Cash Flows** - Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves have been included as cash and cash equivalents for the purpose of the statements of cash flows.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**Newly Adopted Statements Issued by the Governmental Accounting Standards Board**

The GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for fiscal years beginning after June 15, 2013. This statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. In addition, the Statement requires: (1) A government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required. Such factors may include whether the issuer of the guaranteed obligation is experiencing significant financial difficulty or initiating the process of entering into bankruptcy or financial reorganization; (2) An issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released. When a government is released, the government would recognize revenue as a result of being relieved of the obligation; (3) A government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The adoption of this statement did not have a material impact on the financial statements.

**Recent Statements Issued by the Governmental Accounting Standards Board**

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. This statement enhances the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. The College has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

The GASB has also issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning after December 31, 2013. This statement provides guidance on measurement and reporting of combinations and disposals of government operations. The College has not yet determined the effect that the adoption of GASB Statement No. 69 may have on its financial statements.

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The GASB has also issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2014. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The College has not yet determined the effect that the adoption of GASB Statement No. 71 may have on its financial statements.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The composition of cash and cash equivalents as of June 30, 2014 and 2013, are held as follows:

|  | 2014         | 2013         |
|--|--------------|--------------|
| Cash on deposit with State Treasurer/BTI | \$ 3,489,251 | \$ 1,944,633 |
| Cash in bank                             | 104,800      | 152,194      |
|  | \$ 3,594,051 | \$ 2,096,827 |

There was no restricted cash held by the State Treasurer at June 30, 2014 and 2013.

The combined carrying amount of cash in the bank was \$104,800 and \$152,194 as compared with the combined bank balance of \$147,569 and \$185,771 at June 30, 2014 and 2013, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Non-interest bearing accounts are fully insured through December 31, 2014.

Amounts with the State Treasurer as of June 30, 2014 and 2013, are comprised of three investment pools, the WV Money Market Pool, the WV Government Money Market Pool, and the WV Short Term Bond Pool.

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

| External Pool                   | 2014                             |                 | 2013                             |                 |
|---------------------------------|----------------------------------|-----------------|----------------------------------|-----------------|
|                                 | Carrying Value<br>(in Thousands) | S & P<br>Rating | Carrying Value<br>(in Thousands) | S & P<br>Rating |
| WV Money Market Pool            | \$ 1,959,590                     | AAAm            | \$ 2,495,868                     | AAAm            |
| WV Government Money Market Pool | \$ 238,954                       | AAAm            | \$ 287,184                       | AAAm            |
| WV Short Term Bond Pool         | \$ 771,941                       | Not Rated       | \$ 615,807                       | Not Rated       |

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)**

A Fund rated “AAAm” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAm” is the highest principal stability fund rating assigned by Standard & Poor’s.

*Interest Rate Risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All the amounts with the State Treasurer are subject to interest rate risk. The following table provides information on the weighted-average maturities for the WV Money Market Pool and the WV Government Money Market Pool:

| External Pool                   | 2014                             |               | 2013                             |               |
|---------------------------------|----------------------------------|---------------|----------------------------------|---------------|
|                                 | Carrying Value<br>(in Thousands) | WAM<br>(Days) | Carrying Value<br>(in Thousands) | WAM<br>(Days) |
| WV Money Market Pool            | \$ 1,959,590                     | 36            | \$ 2,495,868                     | 52            |
| WV Government Money Market Pool | \$ 238,954                       | 37            | \$ 287,184                       | 50            |

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

| External Pool           | 2014                             |                                 | 2013                             |                                 |
|-------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|                         | Carrying Value<br>(in Thousands) | Effective<br>Duration<br>(Days) | Carrying Value<br>(in Thousands) | Effective<br>Duration<br>(Days) |
| WV Short Term Bond Pool | \$ 771,941                       | 407                             | \$ 615,807                       | 358                             |

*Other Investment Risks* - Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI’s Consolidated Fund’s investment pools or accounts is exposed to these risks as described below.

*Custodial Credit Risk* - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

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

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

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2014 and 2013, are as follows:

|  | 2014       | 2013       |
|--|------------|------------|
| Student tuition and fees — net of allowance for doubtful accounts<br>of \$474,939 and \$361,058 in 2014 and 2013, respectively | \$ 175,435 | \$ 163,939 |
| Due from other State Agencies  | -          | 5,780      |
| Grants receivable  | 104,978    | 33,931     |
|  | \$ 280,413 | \$ 203,650 |

**NOTE 5 - CAPITAL ASSETS**

A summary of capital assets transactions for the College as of June 30, 2014 and 2013, is as follows:

|  | 2014                 |              |              |                   |
|--|----------------------|--------------|--------------|-------------------|
|  | Beginning<br>Balance | Additions    | Reductions   | Ending<br>Balance |
| Capital assets not being depreciated:      |                      |              |              |                   |
| Construction in progress                   | \$ 765,215           | \$ 1,625,911 | \$ (704,378) | \$ 1,686,748      |
| Total capital assets not being depreciated | \$ 765,215           | \$ 1,625,911 | \$ (704,378) | \$ 1,686,748      |
| Other capital assets:                      |                      |              |              |                   |
| Leasehold improvements                     | \$ 12,749,252        | \$ -         | \$ -         | \$ 12,749,252     |
| Equipment                                  | 1,806,262            | 1,051,238    | (33,339)     | 2,824,161         |
| Total other capital assets                 | 14,555,514           | 1,051,238    | (33,339)     | 15,573,413        |
| Less accumulated depreciation for:         |                      |              |              |                   |
| Leasehold improvements                     | (637,463)            | (637,463)    | -            | (1,274,926)       |
| Equipment                                  | (335,274)            | (348,242)    | 16,670       | (666,846)         |
| Total accumulated depreciation             | (972,737)            | (985,705)    | 16,670       | (1,941,772)       |
| Capital assets, net                        | \$ 14,347,992        | \$ 1,691,444 | \$ (721,047) | \$ 15,318,389     |

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

|  | 2013                 |                      |                        |                      |
|--|----------------------|----------------------|------------------------|----------------------|
|  | Beginning<br>Balance | Additions            | Reductions             | Ending<br>Balance    |
| Capital assets not being depreciated:      |                      |                      |                        |                      |
| Construction in progress                   | \$ 12,749,252        | \$ 765,215           | \$ 12,749,252          | \$ 765,215           |
| Total capital assets not being depreciated | <u>\$ 12,749,252</u> | <u>\$ 765,215</u>    | <u>\$ 12,749,252</u>   | <u>\$ 765,215</u>    |
| Other capital assets:                      |                      |                      |                        |                      |
| Leasehold improvements                     | \$ -                 | \$ 12,749,252        | \$ -                   | \$ 12,749,252        |
| Equipment                                  | <u>1,587,762</u>     | <u>233,639</u>       | <u>(15,139)</u>        | <u>1,806,262</u>     |
| Total other capital assets                 | <u>1,587,762</u>     | <u>12,982,891</u>    | <u>(15,139)</u>        | <u>14,555,514</u>    |
| Less accumulated depreciation for:         |                      |                      |                        |                      |
| Leasehold improvements                     | -                    | (637,463)            | -                      | (637,463)            |
| Equipment                                  | <u>(167,813)</u>     | <u>(182,600)</u>     | <u>15,139</u>          | <u>(335,274)</u>     |
| Total accumulated depreciation             | <u>(167,813)</u>     | <u>(820,063)</u>     | <u>15,139</u>          | <u>(972,737)</u>     |
| Capital assets, net                        | <u>\$ 14,169,201</u> | <u>\$ 12,928,043</u> | <u>\$ (12,749,252)</u> | <u>\$ 14,347,992</u> |

The College maintains various collections of inexhaustible assets to which no value can be determined. 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. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

At June 30, 2014 the College had no outstanding contractual commitments for property, plant, and equipment expenditures.

**NOTE 6 - LONG-TERM LIABILITIES**

A summary of long-term obligation transactions for the College for the years ended June 30, 2014 and 2013, is as follows:

|   | 2014                 |                   |                   |                     |                    |
|---|----------------------|-------------------|-------------------|---------------------|--------------------|
|   | Beginning<br>Balance | Additions         | Reductions        | Ending<br>Balance   | Current<br>Portion |
| Compensated absences                    | \$ 292,546           | \$ -              | \$ 62,305         | \$ 230,241          | \$ 143,615         |
| Other postemployment benefits liability | 1,682,884            | 226,338           | 189,809           | 1,719,413           | -                  |
| Leases payable                          | 704,378              | -                 | 275,095           | 429,283             | 138,476            |
| Debt obligation due to the Commission   | <u>925,000</u>       | <u>-</u>          | <u>100,000</u>    | <u>825,000</u>      | <u>100,000</u>     |
| Total long-term liabilities             | <u>\$ 3,604,808</u>  | <u>\$ 226,338</u> | <u>\$ 627,209</u> | <u>\$ 3,203,937</u> | <u>\$ 382,091</u>  |

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)**

|   | 2013                        |                     |                   |                          |                           |
|---|-----------------------------|---------------------|-------------------|--------------------------|---------------------------|
|   | Beginning<br><u>Balance</u> | <u>Additions</u>    | <u>Reductions</u> | Ending<br><u>Balance</u> | Current<br><u>Portion</u> |
| Compensated absences                    | \$ 305,462                  | \$ -                | \$ 12,916         | \$ 292,546               | \$ 193,705                |
| Other postemployment benefits liability | 1,636,118                   | 267,534             | 220,768           | 1,682,884                | -                         |
| Leases payable                          | -                           | 704,378             | -                 | 704,378                  | 176,095                   |
| Debt obligation due to the Commission   | <u>500,000</u>              | <u>500,000</u>      | <u>75,000</u>     | <u>925,000</u>           | <u>100,000</u>            |
| Total long-term liabilities             | <u>\$ 2,441,580</u>         | <u>\$ 1,471,912</u> | <u>\$ 308,684</u> | <u>\$ 3,604,808</u>      | <u>\$ 469,800</u>         |

**NOTE 7 - 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, 2014, 2013, and 2012 the noncurrent liability related to OPEB costs was \$1,719,413, \$1,682,884, and \$1,636,118, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$226,338 and \$23,841, respectively, during 2014 or 11%. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$267,534 and \$15,095, respectively, during 2013 or 6%. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$752,744 and \$9,252, respectively, during 2012 or 1%. As of the years ended June 30, 2014, 2013 and 2012, there were fourteen, nine, and six retirees, respectively, receiving these benefits.

**NOTE 8 - LEASES**

**Operating Leases** - The College leases various buildings and equipment under operating lease agreements. Total rental expense for the years ended June 30, 2014 and 2013, was \$471,545 and \$339,519, respectively. All of the leases for Kanawha Valley are cancelable leases.

**Capital Leases** - On November 7, 2012, the College entered into a capital lease for equipment. During FY 2014, this capital lease was modified with a change order. The revised lease is payable in annual installments of \$152,638 (including implied interest and principal) over 4 years. The principal amount outstanding on the lease at June 30, 2014 was \$429,283. The payment terms were also modified with final payment on May 15, 2017.

The net book value of equipment under capital leases is included in the Statements of Net Position as capital assets, net and was \$443,100 at June 30, 2014. Depreciation of assets purchased under capital leases is included in depreciation expense.

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 8 - LEASES (CONTINUED)**

The future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2014, are as follows:

| <u>Year Ending June 30</u>              |                   |
|---|-------------------|
| 2015                                    | \$ 152,638        |
| 2016                                    | 152,638           |
| 2017                                    | <u>152,636</u>    |
| Total minimum payments                  | 457,912           |
| Less: Amounts representing interest     | <u>28,629</u>     |
| Present value of minimum lease payments | <u>\$ 429,283</u> |

**NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS**

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

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

During December 2009, the Commission, on behalf of the Council, issued \$78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the "2009 Bonds"). The proceeds of the 2009 Bonds were used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The bond projects listed in the bond offering for the 2009 Bonds proposes bond funding of \$13,500,000 for the College. As of June 30, 2014, \$13,330,000 was recognized by the College. State lottery funds will be used to repay the debt.

During fiscal year 2013 the College entered into an interest free capital project loan with the Commission in the amount of \$500,000 to fund building renovations. This loan was combined with a similar interest free capital project loan that the College received from the Commission during fiscal year 2012 in the amount of \$500,000. The total loan in the amount of \$1 million is to be repaid over ten years in quarterly payments of \$25,000. The amount due to the Commission at June 30, 2014 and 2013 was \$825,000 and \$925,000, respectively.



**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - UNRESTRICTED NET POSITION**

The College did not have any designated unrestricted net position as of June 30, 2014 and 2013.

|   | 2014         | 2013         |
|---|--------------|--------------|
| Total unrestricted net position (deficit) before OPEB liability | \$ 1,068,408 | \$ 706,141   |
| Less: OPEB liability  | 1,719,413    | 1,682,884    |
| Total unrestricted net position (deficit)                       | \$ (651,005) | \$ (976,743) |

The primary reason that unrestricted net position is in a deficit is related to the unfunded OPEB liability. The OPEB liability represents the College's accumulated unpaid annual required contribution. The Trust accumulates and manages funds for retiree health benefits under a defined benefit cost-sharing multiple employer OPEB plan. The Public Employees Insurance Agency (PEIA) has been assigned the responsibility for the administration of the Trust. PEIA invoices the participants in the State's OPEB Plan, including the College, on a monthly basis, the contractually required contribution based on current health insurance policy holders. During the 2013 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 2037.

**NOTE 11 - RETIREMENT PLANS**

Substantially all full-time employees of the College 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. Contributions to and participation in the West Virginia Teachers' Defined Contribution Plan by College employees have not been significant to date.

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

The STRS is a cost-sharing, defined benefit, public employee retirement system. Employer and employee contribution rates are established annually by the West Virginia State Legislature. The contractual maximum contribution rate is 15%. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for the years ended June 30, 2014, 2013, and 2012. Required employee contributions were at the rate of 10% of total annual salary for the years ended June 30, 2014, 2013, and 2012. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years' salary out of the last 15 years) multiplied by the number of years of service. At June 30, 2014 there were no employees contributing to the plan.

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
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**NOTE 11 - RETIREMENT PLANS (CONTINUED)**

Total contributions to the STRS for the years ended June 30, 2014, 2013, and 2012, were \$0, \$7,615, and \$24,245, respectively, which consisted of \$0, \$5,440, and \$15,685, respectively, from the College and \$0, \$2,175, and \$8,560, respectively, from the covered employees.

The contribution rate is set by the West Virginia State Legislature on an overall basis and the STRS does not perform a calculation of the contribution requirement for individual employers, such as the College. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of the report may be obtained by writing to the Consolidated Public Retirement Board, 4101 MacCorkle Avenue S.E., Charleston, West Virginia 25304-1636.

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

Total contributions to the TIAA-CREF for the years ended June 30, 2014, 2013, and 2012, were \$543,456, \$640,036, and \$577,666, respectively, which consisted of \$271,728, \$320,018, and \$288,833, respectively, from the College and the covered employees.

Total contributions to the Educators Money for the years ended June 30, 2014, 2013, and 2012, were \$7,576, \$16,552, and \$16,484, respectively, which consisted of \$3,788, \$8,276, and \$8,242, respectively, from both the College and covered employees.

The College's total payroll for the years ended June 30, 2014, 2013 and 2012, was \$5,497,915, \$5,264,249, and \$4,859,938, respectively, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were \$0, \$4,528,799, and \$72,934 in 2014, \$36,263, \$5,090,808, and \$137,178, respectively, in 2013, and \$142,669, \$4,579,905, and \$137,634, respectively in 2012.

**NOTE 12 - CONTINGENCIES**

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

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

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 - CONTINGENCIES (CONTINUED)**

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 financial statements as of June 30, 2014 and 2013.

**NOTE 13 - SUBSEQUENT EVENTS**

During the State's 2013 legislative session, legislators passed Senate Bill 438 allowing for the consolidation of Bridgemont and Kanawha Valley Community and Technical Colleges. The Higher Learning Commission approved the consolidation at its February 2014 meeting. Effective March 20, 2014 BridgeValley Community and Technical College was officially recognized by the Higher Learning Commission; this is considered to be the founding date for BridgeValley. Effective July 1, 2014 BridgeValley began operating as a single college for state financial purposes. For audit purposes, fiscal year 2014 was the last year that each college (Bridgemont and Kanawha Valley) had separate audits. This consolidation is having a positive impact on both institutions as they are small and cannot afford to duplicate management. Moreover, with the close geographical proximity, less than 35 miles, each institution competed with one another especially in the workforce industry training. The impact of these efficiencies began being realized in 2014 and will continue to be felt in 2015. Please see Economic Outlook in the Management Discussion and Analysis section.

**KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 14 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

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

|                                     | 2014                |                     |                             |                   |                              |                   |                             |                      |
|-------------------------------------|---------------------|---------------------|-----------------------------|-------------------|------------------------------|-------------------|-----------------------------|----------------------|
|                                     | Salaries and Wages  | Benefits            | Supplies and Other Services | Utilities         | Scholarships and Fellowships | Depreciation      | Fees Assessed by Commission | Total                |
| Instruction                         | \$ 3,560,218        | \$ 752,052          | \$ 472,224                  | \$ -              | \$ -                         | \$ -              | \$ -                        | \$ 4,784,494         |
| Public service                      | 193,413             | 47,057              | 5,522                       | 882               | 15,594                       | -                 | -                           | 262,468              |
| Academic support                    | 338,254             | 87,903              | 327,498                     | -                 | -                            | -                 | -                           | 753,655              |
| Student services                    | 303,504             | 72,659              | 53,395                      | 123               | -                            | -                 | -                           | 429,681              |
| General institutional support       | 962,397             | 196,051             | 1,133,838                   | 969               | -                            | -                 | -                           | 2,293,255            |
| Operations and maintenance of plant | 150,961             | 48,188              | 700,380                     | 37,395            | -                            | -                 | -                           | 936,924              |
| Student financial aid               | -                   | -                   | -                           | -                 | 2,936,452                    | -                 | -                           | 2,936,452            |
| Depreciation                        | -                   | -                   | -                           | -                 | -                            | 985,705           | -                           | 985,705              |
| Fees assessed by the Commission     | -                   | -                   | -                           | -                 | -                            | -                 | 54,986                      | 54,986               |
| <b>Total</b>                        | <b>\$ 5,508,747</b> | <b>\$ 1,203,910</b> | <b>\$ 2,692,857</b>         | <b>\$ 39,369</b>  | <b>\$ 2,952,046</b>          | <b>\$ 985,705</b> | <b>\$ 54,986</b>            | <b>\$ 13,437,620</b> |
| 2013                                |                     |                     |                             |                   |                              |                   |                             |                      |
|                                     | Salaries and Wages  | Benefits            | Supplies and Other Services | Utilities         | Scholarships and Fellowships | Depreciation      | Fees Assessed by Commission | Total                |
| Instruction                         | \$ 4,080,727        | \$ 884,345          | \$ 366,399                  | \$ (687)          | \$ -                         | \$ -              | \$ -                        | \$ 5,330,784         |
| Public service                      | 591,941             | 130,207             | 406,569                     | 9,369             | 30,992                       | -                 | -                           | 1,169,078            |
| Academic support                    | 378,905             | 92,110              | 382,752                     | 20                | -                            | -                 | -                           | 853,787              |
| Student services                    | 361,221             | 115,257             | 85,392                      | (25,894)          | -                            | -                 | -                           | 535,976              |
| General institutional support       | 991,679             | 305,850             | 1,132,688                   | 283,535           | -                            | -                 | -                           | 2,713,752            |
| Operations and maintenance of plant | 172,851             | 60,502              | 129,699                     | -                 | -                            | -                 | -                           | 363,052              |
| Student financial aid               | 72,344              | 329                 | -                           | -                 | 3,068,790                    | -                 | -                           | 3,141,463            |
| Depreciation                        | -                   | -                   | -                           | -                 | -                            | 820,063           | -                           | 820,063              |
| Fees assessed by the Commission     | -                   | -                   | -                           | -                 | -                            | -                 | 67,502                      | 67,502               |
| <b>Total</b>                        | <b>\$ 6,649,668</b> | <b>\$ 1,588,600</b> | <b>\$ 2,503,499</b>         | <b>\$ 266,343</b> | <b>\$ 3,099,782</b>          | <b>\$ 820,063</b> | <b>\$ 67,502</b>            | <b>\$ 14,995,457</b> |

Charges from West Virginia State University are included under supplies and other services in the general institutional support line item.

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

Board of Governors  
Kanawha Valley Community and Technical College  
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 financial statements of the business-type activities of Kanawha Valley Community and Technical College (the College), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 28, 2014.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

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

Charleston, West Virginia

October 28, 2014