MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE

Financial Statements as of and for the Years Ended June 30, 2015 and 2014, and Independent Auditors' Report

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of
Mountwest Community and Technical College
Huntington, WV

Report on the Financial Statements

We have audited the accompanying financial statements of Mountwest Community and Technical College ("the College") as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Mountwest Community and Technical College, as of June 30, 2015 and 2014, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the College implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015, which represents a change in accounting principle. As of July 1, 2014, the College's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note 2. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 13, and the schedules of proportionate share of net pension liability and contributions on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2016, on our consideration of Mountwest Community and Technical 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 Mountwest Community and Technical College's internal control over financial reporting and compliance.

Hayflich CPAs

Huntington, West Virginia
January 4, 2016

MOUNTWEST COMMUNITY & TECHNICAL COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR 2015
[Unaudited]

The History of the College

Mountwest Community and Technical College (MCTC or the "College") is one of West Virginia's nine community and technical colleges. MCTC headcount enrollment is approximately 2,500. MCTC offers 50 Associate degrees and 15 Certificate programs in the areas of Allied Health and Life Sciences, Business and Information Technology, Liberal Arts and Human Services, and Occupational Development.

Marshall Community College was founded in 1975 as a separate college within Marshall University to better serve students by bringing together many of the two-year associate degree programs under one College. Classes began in the fall of 1975 with a wide range of programs. From the outset, the Marshall Community College's mission has been to provide two year associate degrees as well as provide continuing education and community service.

In 1991, the Marshall Community College name was changed to Marshall Community and Technical College to better reflect the technical nature of many of the programs offered. On October 30, 2003, Marshall Community and Technical College became accredited as an independent institution by The Higher Learning Commission, a Commission of the North Central Association of Colleges and Schools. This accreditation was continued for ten years on July 3, 2008.

Prior to Fiscal Year 2009, MCTC was a separately accredited institution, administratively-linked to Marshall University. MCTC's financial information was included with the Marshall University Financial Statements through Fiscal Year 2008. With the passage of House Bill 3215 during the 2008 session of the West Virginia Legislature, MCTC became a free-standing and independent institution no longer administratively-linked to the four-year institution effective July 1, 2008. Effective March 13, 2010, Senate Bill 499 was passed changing the College's name from Marshall Community and Technical College to Mountwest Community and Technical College. In August of 2012, MCTC moved into its new campus and is no longer located on Marshall University's campus.

MCTC is governed by a separate Board of Governors. This twelve (12) member Board was established by House Bill 3215, effective July 1, 2008. The 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 MCTC.

Overview of the Financial Statements and Financial Analysis

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The Governmental Accounting Standards Board (GASB) issues directives for presentation of college and university financial statements. This report format places emphasis on the overall economic resources of the College.

Statement of Net Position

A Statement of Net Position presents the assets, liabilities, and net position of MCTC as of the end of the fiscal year. A Statement of Net Position is a point in time financial statement and provides a fiscal snapshot of the College. A Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets minus liabilities). Current assets and liabilities are typically associated with resources or obligations that will be used within the fiscal year. Noncurrent assets and liabilities are not typically used within the fiscal year. From the data presented, readers of a Statement of Net Position are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors, employees, lenders and others. Finally, a Statement of Net Position provides a picture of the net position (assets minus liabilities) and their availability for expenditure.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the College's equity in or ownership of property, plant and equipment. The next asset category is restricted net position, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position includes endowments. The corpus of nonexpendable restricted resources is only available for investment purposes. MCTC does not have any nonexpendable restricted net position at June 30, 2015 or June 30, 2014. Expendable restricted net position is available for expenditure by the College, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of these resources. The final category is unrestricted net position. Unrestricted net position is available for general use by the College.

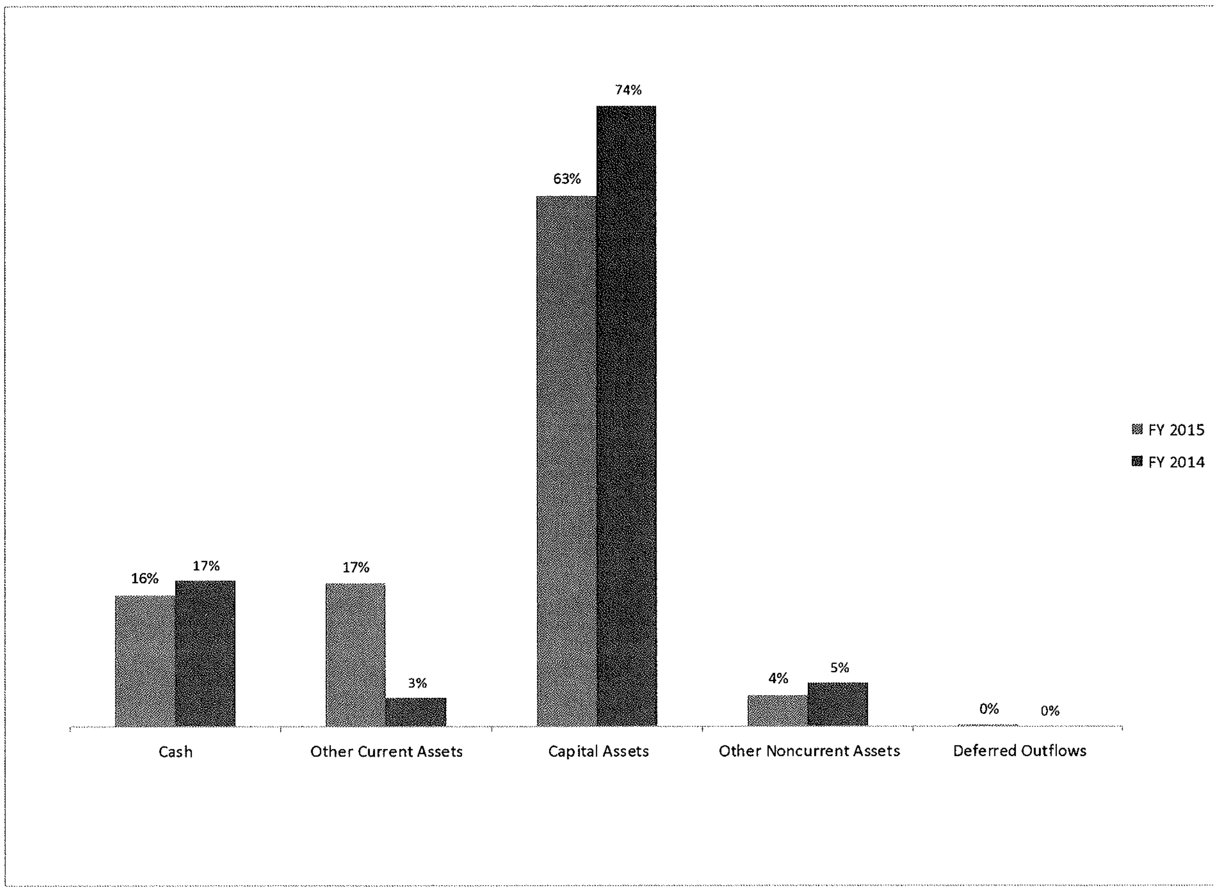
Condensed Schedules of Net Position

(in Thousands)

	FY 2015	FY 2014	FY 2013
Assets			
Current assets	$ 11,379	$ 6,316	$ 6,827
Noncurrent assets	23,247	24,038	24,365
Total Assets	34,626	30,354	31,192
Deferred Outflow of Resources	27	-	-
TOTAL	$ 34,653	$ 30,354	$ 31,192
Liabilities			
Current liabilities	$ 7,414	$ 4,104	$ 3,705
Noncurrent liabilities	5,525	5,865	6,562
Total Liabilities	12,939	9,969	10,267
Deferred Inflow of Resources	86	-	-
TOTAL	$ 13,025	$ 9,969	$ 10,267
Net Position			
Net investment in capital assets	$ 17,637	$ 17,430	$ 17,129
Restricted for:			
Scholarships	-	-	7
Debt service	469	469	235
Unrestricted	3,522	2,486	3,554
Total Net Position	21,628	20,385	20,925
Total	$ 34,653	$ 30,354	$ 31,192

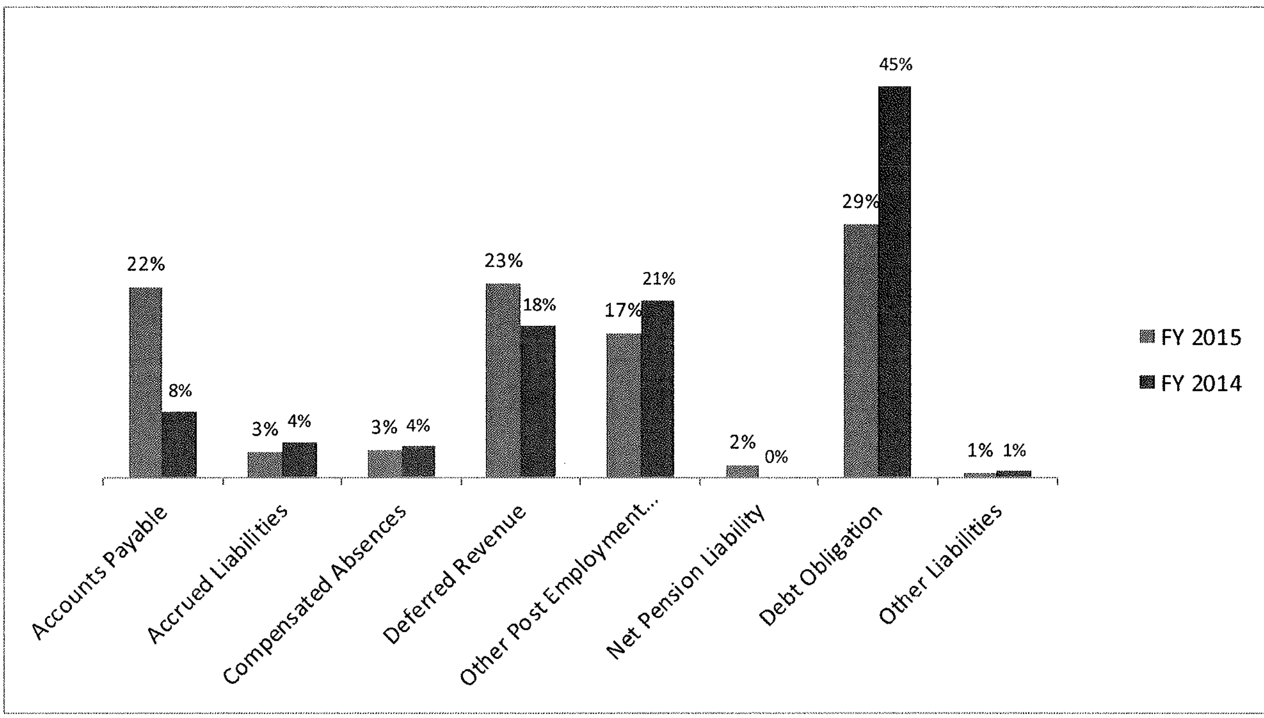
ASSET COMPOSITION
As of June 30, 2015 and 2014

	FY 2015	FY 2014
Cash	$ 5,466,230	$ 5,284,115
Other Current Assets	5,912,227	1,032,723
Capital Assets	21,949,465	22,475,648
Other Noncurrent Assets	1,297,512	1,562,318
Deferred Outflows	27,100	-
Total	$ 34,652,534	$ 30,354,804



LIABILITIES
As of June 30, 2015 and 2014

	FY 2015	FY 2014
Accounts Payable	$ 2,874,402	$ 765,650
Accrued Liabilities	459,980	414,147
Compensated Absences	426,376	363,023
Deferred Revenue	2,922,894	1,759,807
Other Post Employment Benefits (OPEB)	2,178,322	2,058,445
Net Pension Liability	198,553	-
Debt Obligation	3,806,844	4,535,074
Other Liabilities	71,523	73,268
Total	$ 12,938,894	$ 9,969,414



Major Items of Note in the Statement of Net Position include:

- Total current assets of $11.4 million exceeded total current liabilities of $7.4 million as of June 30, 2015 for net working capital of $4.0 million as compared to net working capital of $2.2 million as of June 30, 2014.
  - The major components of current assets include cash and cash equivalents of $5.5 million as of June 30, 2015 and $5.3 million as of June 30, 2014, and net accounts receivable of $5.2 million as of June 30, 2015 and $0.5 million as of June 30, 2014. The majority of cash and cash equivalents is representative of interest earning assets invested through the office of the West Virginia State Treasurer.

- The major components of current liabilities include accounts payable of $2.9 million as of June 30, 2015 and $0.8 million, unearned revenue of $2.9 million and $1.8 million, accrued liabilities of $0.5 million and $0.4 million, and compensated absences of $0.4 million as of June 30, 2015 and 2014, respectively. The increase in accounts payable $2.1 million was due to payments made from prior year accruals.

- Noncurrent assets total $23.2 million and $24 million and noncurrent liabilities total $5.5 million and $5.9 million as of June 30, 2015 and 2014, respectively.
  - Major components of noncurrent assets include capital assets of $21.9 million and $22.5 million as of June 30, 2015 and 2014, respectively. Note 5 to the Financial Statements provide additional information regarding capital assets.
  - Major components of noncurrent liabilities include debt service obligations payable to the Commission of $0.7 million and $0.9 million, bonds payable of $2.3 million and $2.7 million, and other post-employment benefits (OPEB) liability of $2.2 million and $2.1 million, as of June 30, 2015 and 2014, respectively. The OPEB liability continues to increase in the absence of any payments on behalf of the West Virginia Council for Community and Technical College Education during FY 2015 and decreases in investment returns by the State's Multiple-Employer Trust Fund which resulted in an increase of the Annual Required Contribution (ARC) related to other post-employment benefits. Note 7 to the Financial Statements provide additional information regarding the OPEB liability. Note 6 to the Financial Statements provide additional information regarding Bonds Payable.
- The net position of the College totaled $21.6 million as of June 30, 2015 as compared to $20.4 million as of June 30, 2014.
  - Net position invested in capital assets total $17.6 million and $17.4 million as of June 30, 2015 and 2014, respectively.
  - Unrestricted net position total $3.5 million and $2.5 million as of June 30, 2015 and 2014, respectively and represent net position available to the College. Note 10 to the Financial Statements explain the impact of other post-employment benefits (OPEB) liability on the unrestricted net position balance.

Statement of Revenues, Expenses and Changes in Net Position

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

Generally speaking, operating revenues are received and operating expenses are expended for those items related to providing goods and services to the various customers and constituencies of the College, while carrying out the mission of the College. Revenues received for which goods and services are not provided are reported as non-operating revenues. For example, State appropriations are non-operating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Federal Pell grants are reported as non-operating because of specific guidance in the AICPA industry audit guide.

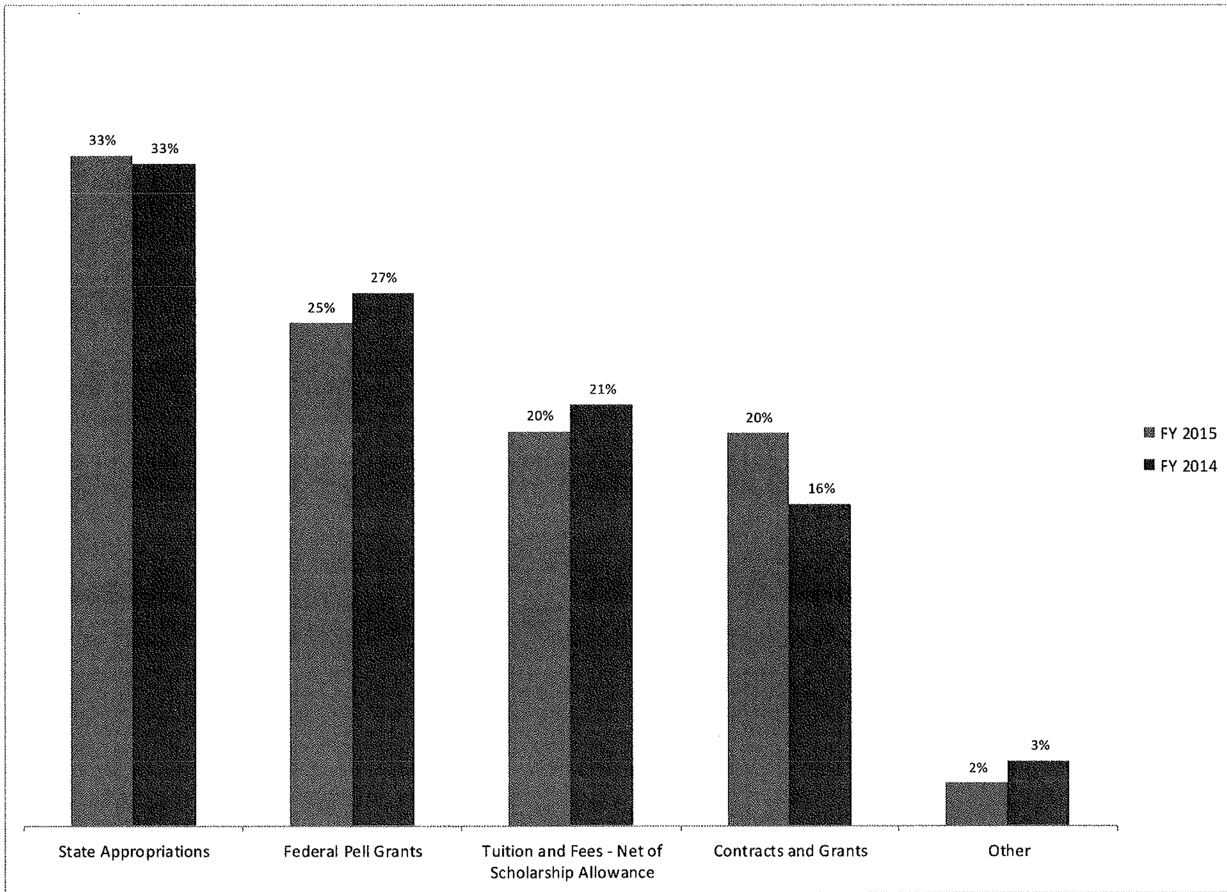
Condensed Schedules of Revenues, Expenses and Changes in Net Position
(in Thousands)

	FY 2015	FY 2014	FY 2013
Operating Revenues	$ 7,226	$ 6,652	$ 8,450
Operating Expenses	(15,795)	(17,563)	(19,300)
Operating Loss	(8,569)	(10,911)	(10,850)
Nonoperating Revenues	10,282	10,295	11,290
Nonoperating Expenses	(185)	(216)	(220)
Income (Loss) before Other Revenues, Expenses, Gains or Losses	1,528	(832)	220
Capital Payments made on behalf of MCTC	-	257	-
Transfer of Net Assets from Marshall University	-	35	-
Net (Decrease) Increase in Net Position	1,528	(540)	220
Net Position - Beginning of Year	20,385	20,925	20,705
*Prior Period Adjustment	(286)	-	-
Net Position - End of Year	$ 21,627	$ 20,385	$ 20,925

*** GASB 68 PENSION FUNDING**

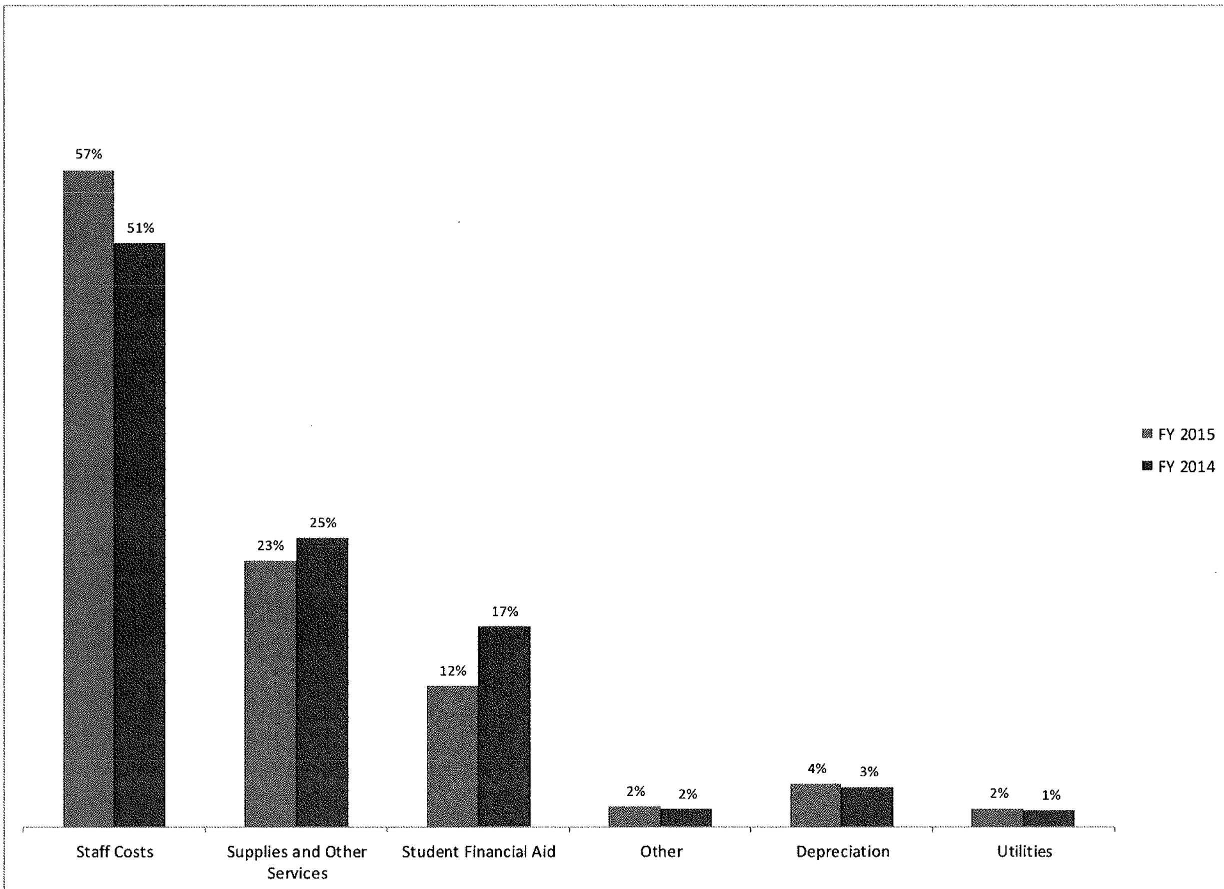
TOTAL REVENUES
For the Years ending June 30, 2015 and 2014

	FY 2015	FY 2014
State Appropriations	$ 5,855,049	$ 5,694,830
Federal Pell Grants	4,395,275	4,584,400
Tuition and Fees - Net of Scholarship Allowance	3,451,670	3,624,624
Contracts and Grants	3,432,078	2,771,920
Other	374,293	562,797
	$ 17,508,365	$ 17,238,571



TOTAL EXPENDITURES
For the Years ending June 30, 2015 and 2014

	FY 2015	FY 2014
Staff Costs	$ 9,161,023	$ 9,051,611
Supplies and Other Services	3,714,570	4,482,344
Student Financial Aid	1,965,339	3,108,726
Other	283,876	268,045
Depreciation	601,703	615,152
Utilities	253,741	252,584
	$ 15,980,252	$ 17,778,462



Major Items of Note in the Statement of Revenues, Expenses, and Changes in Net Position include:

- Operating Revenues of the College totaled $7.2 million for FY 2015 compared to $6.7 million in FY 2014, an increase of $0.5 million.
  - Net student tuition and fees revenues totaled $3.5 million in FY 2015 compared to $3.6 million in FY 2014, a decrease of $0.1 million. This decrease is due to the reduction of students enrolled during the academic year. The course fees received from students increase tuition, but also increase operating expenses and other service expense. Tuition is reported net of scholarship allowance totaling $4.6 million and $6.1 million in FY 2015 and 2014, respectively. Gross student tuition and fees totaled $8.1 million in FY 2015 compared to $9.7 million in FY 2014.
  - Federal grants and contracts totaled $1.7 million in FY 2015 compared to $1.0 million in FY 2014. This increase of $0.7 million is due to the increase of federal grants through the US Department of Labor and the US Department of Education received during FY 2015.
  - State grants and contracts totaled $1.6 million in FY 2015 and $1.7 million in FY2014 and private grants and contracts totaled $0.2 million in FY 2015 compared to $0.05 million in FY 2014. These fluctuations represent normal grant activities.
  - Other operating revenues totaled $0.3 million in FY 2015 compared to $0.2 million in FY 2014.

- Operating expenses totaled $15.8 million in FY 2015 compared to $17.6 million in FY 2014, a decrease of $1.8 million.
  - Staff costs including salaries and benefits totaled $9.2 million in FY 2015 and $9.1 million in FY 2014, an increase of $0.1 million
  - Supplies and other services totaled $3.7 million in FY 2015 compared to $4.5 million in FY 2014.
  - Student Financial Aid totaled $2.0 million in FY 2015 compared to $3.1 million in FY 2014. This decrease is attributable to student enrollment for the academic year and a reduction of Title IV financial assistance.
  - Depreciation on capital assets totaled $0.6 million in both FY 2015 and FY 2014.
- The result from operations was a net operating loss of $8.6 million and $10.9 million ended June 30, 2015 and 2014, respectively, but excludes State appropriations of $5.9 million and $5.7 million and Federal Pell grants of $4.4 million and $4.6 million for the years ended June 30, 2015 and 2014, respectively, which are recorded as non-operating revenue. Federal Pell grants are reported as non-operating, because of specific guidance in the AICPA industry audit guide.
- Net non-operating revenue totaled $10.1 million for the year ended June 30, 2015 and 2014 respectively.
- Capital payments made on behalf of Mountwest Community and Technical College were $0.0 million in FY 2015 and $0.26 million in FY 2014. These bond proceeds were used for renovation of the facility in FY 2012. Note 9 to the Financial Statements provide additional information regarding these bonds, which are not obligations of the College.
- The activities for FY 2015 resulted in an increase of net position of $1.5 million compared to a $0.50 million decrease in FY 2014. This resulted in an increase of $1.0 million in net position.

Statement of Cash Flows

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

Condensed Schedules of Cash Flows
(in Thousands)

	FY 2015	FY 2014	FY 2013
Cash flows provided by (used in):			
Operating activities	$ (9,214)	$ (10,076)	$ (10,707)
Noncapital financing activities	10,425	10,717	11,596
Capital and related financing activities	(1,035)	(1,026)	(1,794)
Investing activities	6	12	17
Net change in current cash	182	(373)	(888)
Current cash, beginning of year	5,754	6,127	7,015
Current cash, end of year	$ 5,936	$ 5,754	$ 6,127

Major Items of Note in the Statement of Cash Flows include:

- Cash provided from operating activities was exceeded by cash expended for operating activities by $9.2 million and $10.1 million for the years ended June 30, 2015 and 2014, primarily because State appropriations and Federal Pell grants are defined by GAAP as noncapital financing activities. Primary sources of cash from Operating Activities during FY 2015 and 2014 were cash collections for net Student tuition and fees of $(0.1) million and $3.7 million, and contracts and grants of $3.4 million for FY 2015 and 2014 respectively. Primary uses of cash for FY 2015 and 2014, respectively, included payments to and on behalf of employees of $9.0 million and $9.1 million, payments to suppliers of $1.6 million and $4.7 million, and payments for scholarships and fellowships of $2.0 million and $3.1 million.
- Net cash provided from noncapital financing activities for FY 2015 and 2014 totaled $10.4 million and $10.7 million for years ending June 30, 2015 and 2014 respectively. $4.4 million and $4.6 million were from Federal Pell grants, during FY 2015 and FY 2014, respectively.
- Net cash used in capital financing activities totaled $1.0 million for FY 2015 and 2014, respectively, and primarily resulted from purchases of capital assets and proceeds from sale of bonds for FY 2014.
- Net cash of the College at June 30, 2015 was $5.9 million compared to $5.8 million at June 30, 2014, which represents an increase of $0.1 million.

Capital Asset and Long-Term Debt Activity

On May 20, 2010 the College purchased 28 acres of land and a building with 115,000 square feet of space. This property was purchased for $7.7 million as part of the $13.5 million bond proceeds awarded from the $78.3 million Higher Education Policy Commission on behalf of the West Virginia Council for Community and Technical College bond issue. During FY 2011 and FY 2012, that property was renovated, and it is now a state of the art campus for the College. Note 6 to the Financial Statements provide additional information regarding this debt. The College occupied the new campus in the August of 2012.

As discussed in Note 6, the College issued $3.5 million of debt on September 30, 2011 in order to complete the renovation of its new campus by July 15, 2012. Additional details regarding the Capital Assets and Debt Administration can be found in the notes to the financial statements.

Economic Outlook

Generally, community college enrollment is inversely related to the strength of the nation's economy. A declining economy results in lower employment and higher community college enrollment as citizens look to the community college to retrain. As the economy slowly improves from the recent recession, enrollment is expected to moderate, which will result in lower tuition income.

However, two factors influence this general trend,

1) the impact of the college in the community
2) positive retention efforts from the College. Increased visibility and identity may, in the long run, partly off-set the national trend toward lower community college enrollments as the economy improves

The financial benefits of increased retention, however, are not substantial enough to counteract reductions in state allocations, due to changes in the energy industry and declining coal tax revenues in West Virginia. The state of West Virginia has reduced state allocations by 7.5% for FY2013 which amounted to $0.5 million reduction for the College. In FY2014 there was a mid-year reduction in state appropriations of $0.1 million. In FY2015 there was a 1.5% reduction for state appropriations. In FY2016 there is a planned reduction of 4% which amounts to $0.2 million. In all the College has had funding reduced in the amount of $0.8 million.

College administration initiated overall budget reductions and increases in tuition and fees to cope with the reductions in funding. At the same time enrollment of students is decreasing due to an improved economy and stricter guidelines for students receiving federal financial aid.

Beginning in 2012, with the move to the Mountwest campus, the college focus has be on implementing and stabilizing its systems within the new environment. Particular emphasis has been placed on enhancing student services systems to promote retention and college completion. With the changing state funding landscape, the College will need to place greater emphasis on establishing new revenue sources to offset reductions in state support.

Future directions may include:

- Increased focus on contract training for local employers
- Establishment of a virtual campus (on-line learning)
- Greater flexibility in course scheduling to attract adult learners
- Building stronger pathways for high schools students through programs such as dual credit
- Shifting the balance of instructional programming to increase transfer vs occupational and technical education

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MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF NET POSITION

AS OF JUNE 30, 2015 AND 2014

		2015		2014
ASSETS AND DEFERRED OUTFLOWS				
CURRENT ASSETS:				
Cash and cash equivalents	$	5,466,230	$	5,284,115
Due from the Council/Commission		221,946		180,637
Due from Marshall University - current portion		525,000		350,000
Accounts receivable - net		5,165,281		502,086
Total current assets		11,378,457		6,316,838
NONCURRENT ASSETS:				
Cash and cash equivalents		469,484		469,484
Due from Marshall University - noncurrent		742,834		1,092,834
Other receivables non-current		85,194		-
Capital assets - net		21,949,465		22,475,648
Total noncurrent assets		23,246,977		24,037,966
Total assets		34,625,434		30,354,804
DEFERRED OUTFLOWS OF RESOURCES		27,100		-
TOTAL	$	34,652,534	$	30,354,804

See notes to financial statements.

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF NET POSITION

AS OF JUNE 30, 2015 AND 2014

	2015	2014
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 2,874,402	$ 765,650
Due to State agencies	17,735	2,327
Due to Council/Commission	3,865	18,617
Accrued liabilities	459,980	414,147
Compensated absences	426,376	363,023
Debt obligation due to Commission - current portion	172,745	164,746
Bonds payable - current portion	363,761	349,208
Bonds interest payable	36,279	41,054
Capital lease obligation - current portion	122,240	214,279
Deposits	13,644	11,270
Unearned revenue	2,922,894	1,759,807
Total current liabilities	7,413,921	4,104,128
NONCURRENT LIABILITIES:		
Other post employment benefits liability	2,178,322	2,058,445
Net pension liability	198,553	-
Capital lease obligation	127,361	249,600
Bonds payable	2,289,240	2,653,001
Debt obligation due to Commission	731,497	904,240
Total noncurrent liabilities	5,524,973	5,865,286
Total liabilities	12,938,894	9,969,414
DEFERRED INFLOWS OF RESOURCES	85,640	-
TOTAL	13,024,534	9,969,414
NET POSITION:		
Net investment in capital assets	17,636,860	17,430,034
Restricted - expendable - for debt service	469,484	469,484
Unrestricted	3,521,656	2,485,872
Total net position	21,628,000	20,385,390
TOTAL	$ 34,652,534	$ 30,354,804

See notes to financial statements.

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Gross student tuition and fees	$ 8,050,604	$ 9,713,577
Less - scholarship allowance	(4,598,934)	(6,088,953)
Student tuition and fees - net of scholarship allowance	3,451,670	3,624,624
Contracts and grants:		
Federal	1,712,256	1,000,940
State	1,555,754	1,716,035
Private	164,068	54,945
Sales and services of educational activities	85,674	10,495
Other operating revenues	256,444	244,668
Total operating revenues	7,225,866	6,651,707
OPERATING EXPENSES:		
Salaries and wages	7,257,855	7,154,435
Benefits	1,903,168	1,897,176
Supplies and other services	3,714,570	4,482,344
Utilities	253,741	252,584
Student financial aid - scholarships and fellowships	1,965,339	3,108,726
Depreciation	601,703	615,152
Fees assessed by the Commission for operations	98,832	52,238
Total operating expenses	15,795,208	17,562,655
OPERATING LOSS	(8,569,342)	(10,910,948)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	5,855,049	5,694,830
Payments on behalf of the College	26,504	-
Federal Pell grants	4,395,275	4,584,400
Investment income	5,671	12,054
Interest on indebtedness	(131,484)	(154,838)
Gain (loss) on disposal of capital assets	-	3,102
Fees assessed by the Commission	(53,560)	(60,969)
Net nonoperating revenues	10,097,455	10,078,579
INCOME (LOSS) BEFORE OTHER REVENUE, EXPENSES, GAINS OR LOSSES	1,528,113	(832,369)
TRANSFER CAPITAL ASSET/LIABILITY	-	35,826
CAPITAL PAYMENTS MADE ON BEHALF OF THE COLLEGE	-	256,652
NET INCREASE (DECREASE) IN NET POSITION	1,528,113	(539,891)
NET POSITION - BEGINNING OF YEAR	20,385,390	20,925,281
RESTATEMENT FOR JULY 1, 2014, PENSION LIABILITY	(285,503)	-
NET POSITION - BEGINNING OF YEAR, RESTATED	20,099,887	20,925,281
NET POSITION - End of year	$ 21,628,000	$ 20,385,390

See notes to financial statements.

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ (133,632)	$ 3,667,052
Contracts and grants	3,432,078	3,368,542
Payments to and on behalf of employees	(8,979,699)	(9,116,478)
Payments to suppliers	(1,559,329)	(4,743,308)
Payments to utilities	(253,741)	(252,584)
Payments for scholarships and fellowships	(1,965,339)	(3,108,726)
Sales and service of educational activities	85,674	10,495
Auxiliary enterprise charges	143,774	54,319
Fees assessed by Commission	(98,832)	(52,238)
Other receipts/expenses - net	115,044	96,507
Net cash used in operating activities	(9,214,002)	(10,076,419)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	5,855,049	5,771,790
Federal Pell grants	4,395,275	4,584,400
Receipt of amount due from Marshall University	175,000	350,000
Federal student loan program - direct lending receipts	2,990,690	3,187,682
Federal student loan program - direct lending payments	(2,990,690)	(3,177,269)
Net cash provided by noncapital financing activities	10,425,324	10,716,603
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital bond proceeds from the Commission	-	256,652
Proceeds from sale of capital assets	-	7,500
Purchases of capital assets	(75,520)	(371,501)
Principal paid on debt	(728,230)	(540,079)
Interest paid on debt	(136,259)	(159,675)
Principal payment on debt obligation due to the Commission	(41,309)	(157,815)
Fees assessed by the Commission	(53,560)	(60,969)
Net cash used in capital financing activities	(1,034,878)	(1,025,887)
CASH FLOWS FROM INVESTING ACTIVITY:		
Investment income	5,671	12,054
(INCREASE) DECREASE IN CASH AND CASH EQUIVALENTS	182,115	(373,649)
CASH AND CASH EQUIVALENTS - Beginning of year	5,753,599	6,127,248
CASH AND CASH EQUIVALENTS - End of year	$ 5,935,714	$ 5,753,599

See notes to financial statements.

(Continued)

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

		2015		2014
Cash at the end of the year consists of:				
Cash and cash equivalents	$	5,466,230	$	5,284,115
Restricted assets:				
Cash and cash equivalents		469,484		469,484
Total cash at end of year	$	5,935,714	$	5,753,599
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:				
Operating loss	$	(8,569,342)	$	(10,910,948)
Adjustments to reconcile net operating loss to net cash used in operating activities:				
Depreciation expense		601,703		615,152
Changes in assets and liabilities:				
Accounts receivables - net		(4,748,389)		(223,719)
Other assets and prepaid expenses		-		48,285
Accounts payable and accrued expenses		2,154,585		(396,277)
Other liabilities		3,030		9,852
Defined benefit pension plan		(1,906)		-
Compensated absences		63,353		(8,232)
Accrued other post employment benefits liability		119,877		31,811
Unearned revenue		1,163,087		757,657
NET CASH USED IN OPERATING ACTIVITIES	$	(9,214,002)	$	(10,076,419)
NONCASH TRANSACTIONS				
Expenses paid on behalf of the College	$	26,504	$	-

See notes to financial statements. (Concluded)

1. ORGANIZATION

Mountwest Community and Technical College (the "College" or MCTC) is governed by the Mountwest Community and Technical College Board of Governors (the "Board"). The Board was established by House Bill 3215.

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Newly Adopted Statements Issued by the Governmental Accounting Standards Board — The College has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statements No. 68 and 71 require the College to report its share of the defined benefit pension liabilities and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the CPRB. The balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources at July 1, 2014 is reported on the Statement of Revenues, Expenses, and Changes in Net Position as a restatement to the 2015 Net Position—beginning of year. The CPRB was not able to provide sufficient information to restate the financial statements for the period ended June 30, 2014.

	2015
Net position - beginning of year, as previously stated	$ 20,385,390
Balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources	(285,503)
Net position - beginning of year, restated	$ 20,099,887

Recent Statements Issued by the Governmental Accounting Standards Board — The GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The College has not yet determined the effect that the adoption of GASB Statement No. 72 may have on its financial statements.

The GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. The requirements of this statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015.

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

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

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

The GASB has also issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is effective for fiscal years beginning after June 15, 2015. This statement establishes the hierarchy of GAAP for state and local governments. The College has not yet determined the effect that the adoption of GASB Statement No. 76 may have on its financial statements.

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

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

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

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 positions are classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's components of net positions are 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, net of related debt.

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

Restricted— 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 components of net position at June 30, 2015 or 2014.

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

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

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

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

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the Commission 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 report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd. East, Room E-122, Charleston, WV 25305 or http://www.wvbti.com.

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

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

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

Capital Assets — Capital assets include land, land improvements, leasehold improvements, equipment, buildings and improvements. 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 from Marshall University were recorded at net book value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 3–10 years for furniture and equipment, 15 years for land improvements, and 50 years for buildings and improvements. Leasehold improvements are amortized over the period of the lease. The financial statements reflect all adjustments required by GASB.

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

Compensated Absences and Other Postemployment Benefits (OPEB) — GASB provides standards for the measurement, recognition and display of 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. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), 601 57th St., SE, Suite 2, Charleston, WV 25304-2345 or http://www.peia.wv.gov

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 on the statements of revenues, expenses, and changes in net position.

Net Pension Liability – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (TRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported in the TRS financial statements, which can be found at ttps://www.wvretirement.com/Publications.html#CAFR. The plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ. (See Note 11.)

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. As of June 30, 2015, the College had deferred outflows related to pensions of $27,100.

Deferred Inflows of Resources — Acquisition of net position by the College that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position. As of June 30, 2015, the College had deferred inflows related to pensions of $85,640.

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.

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

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

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

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

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

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

Use of Restricted Components of 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 resources are available. Generally, the College attempts to utilize restricted resources first when practicable.

Federal Financial Assistance Programs — The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through institutions such as 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 2015 and 2014, the College received and disbursed approximately $2,990,690 and $3,190,000, 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 2015 and 2014, the College was awarded approximately $4,600,000 and $4,800,000, respectively, under these federal student aid programs.

Scholarship Allowances — Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the 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 University Business Officers. Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed 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.

Service Concession Arrangements — The College has Service Concession Arrangements (SCAs) for the operation of their bookstore. Renovations made to College facilities by service concession vendors are capitalized and revenues are deferred and accreted over the life of the contract.

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.

3. CASH AND CASH EQUIVALENTS

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

	June 30, 2015		
	Current	Noncurrent	Total
State Treasurer	$ 4,081,126	$ 469,484	$ 4,550,610
In Bank	1,383,754	-	1,383,754
On Hand	1,350	-	1,350
Total	$ 5,466,230	$ 469,484	$ 5,935,714

	June 30, 2014		
	Current	Noncurrent	Total
State Treasurer	$ 4,977,340	$ 469,484	$ 5,446,824
In Bank	305,425	-	305,425
On Hand	1,350	-	1,350
Total	$ 5,284,115	$ 469,484	$ 5,753,599

Cash held by the State Treasurer includes $469,484 at June 30, 2015 and 2014, of restricted cash reserved for debt payments on the College Revenue Bonds (see Note 6).

The carrying amount of cash in bank at June 30, 2015 and 2014, was $1,383,754 and $305,425 as compared with the combined bank balance of $1,385,507, and $319,002, respectively. The difference is primarily caused by the delay in the remission of funds, representative of student aid, due to the college. 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, bank accounts are insured by the Federal Deposit Insurance Corporation up to $250,000.

Amounts with the State Treasurer as of June 30, 2015 and 2014, 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:

	2015		**2014**	
External Pool	Carrying Value (in Thousands)	S&P Rating	Carrying Value (in Thousands)	S&P Rating
WV Money Market Pool	$ 4,493	AAAm	$ 5,294	AAAm
WV Government Money Market Pool	40	AAAm	44	AAAm
WV Short Term Bond Pool	1	Not Rated	112	Not Rated

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

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

	2015		2014	
External Pool	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	$ 4,493	49	$ 5,294	36
WV Government Money Market Pool	40	58	44	37

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

	2015		2014	
External Pool	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	$ 1	410	$ 112	407

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.

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015 and 2014, are as follows:

	2015	2014
Student tuition and fees - net of allowance for doubtful accounts of $322,414 and $523,906 for 2015 and 2014, respectively	$ 351,819	$ 226,876
Grants and contracts receivable	768,391	273,002
Other accounts receivable	4,045,071	2,208
Other accounts receivable - noncurrent	85,194	-
	$ 5,250,475	$ 502,086

5. CAPITAL ASSETS

Summaries of capital assets transactions for the College for the years ended June 30, 2015 and 2014 are as follows:

	2015				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 1,878,768	$ -	$ -	$ -	$ 1,878,768
Total capital assets not being depreciated	$ 1,878,768	$ -	$ -	$ -	$ 1,878,768
Other capital assets:					
Building and leasehold improvements	$ 20,202,835	$ -	$ -	$ 439,823	$ 20,642,658
Building - leased	439,823	-	-	(439,823)	-
Land improvements	258,186	-	-	-	258,186
Telecommunications - leased	586,900	-	-	-	586,900
Equipment	1,458,133	131,120	(55,600)	-	1,533,653
Total other capital assets	22,945,877	131,120	(55,600)	-	23,021,397
Less accumulated depreciation for:					
Building and leasehold improvements	1,249,839	410,611	-	35,186	1,695,636
Building - leased	35,186	-	-	(35,186)	0
Land improvements	71,718	17,212	-	-	88,930
Telecommunication - leased	74,993	39,127	-	-	114,120
Equipment	917,261	170,434	(35,681)	-	1,052,014
Total accumulated depreciation	2,348,997	637,384	(35,681)	-	2,950,700
Other capital assets — net	$ 20,596,880	$ (506,264)	$ (19,919)	$ -	$ 20,070,697
Capital asset summary:					
Capital assets not being depreciated	$ 1,878,768	$ -	$ -	$ -	$ 1,878,768
Other capital assets	22,945,877	131,120	(55,600)	-	23,021,397
Total cost of capital assets	24,824,645	131,120	(55,600)	-	24,900,165
Less accumulated depreciation	2,348,997	637,384	(35,681)	-	2,950,700
Capital assets — net	$ 22,475,648	$ (506,264)	$ (19,919)	$ -	$ 21,949,465

	2014				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 1,878,768	$ -	$ -	$ -	$ 1,878,768
Total capital assets not being depreciated	$ 1,878,768	$ -	$ -	$ -	$ 1,878,768
Other capital assets:					
Building and leasehold improvements	$ 19,821,230	$ 381,605	$ -	$ -	$ 20,202,835
Building - leased	439,823	-	-	-	439,823
Land improvements	258,186	-	-	-	258,186
Telecommunications - leased	586,900	-	-	-	586,900
Equipment	1,442,008	25,722	(9,597)	-	1,458,133
Total other capital assets	22,548,147	407,327	(9,597)	-	22,945,877
Less accumulated depreciation for:					
Building and leasehold improvements	848,024	401,815	-	-	1,249,839
Building - leased	26,390	8,796	-	-	35,186
Land improvements	54,506	17,212	-	-	71,718
Telecommunications - leased	35,866	39,127	-	-	74,993
Equipment	774,258	148,202	(5,199)	-	917,261
Total accumulated depreciation	1,739,044	615,152	(5,199)	-	2,348,997
Other capital assets — net	$ 20,809,103	$ (207,825)	$ (4,398)	$ -	$ 20,596,880
Capital asset summary:					
Capital assets not being depreciated	$ 1,878,768	$ -	$ -	$ -	$ 1,878,768
Other capital assets	22,548,147	407,327	(9,597)	-	22,945,877
Total cost of capital assets	24,426,915	407,327	(9,597)	-	24,824,645
Less accumulated depreciation	1,739,044	615,152	(5,199)	-	2,348,997
Capital assets — net	$ 22,687,871	$ (207,825)	$ (4,398)	$ -	$ 22,475,648

6. NONCURRENT LIABILITIES

Summaries of noncurrent obligation transactions for the College for the years ended June 30, 2015 and 2014 are as follows:

	2015				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Noncurrent liabilities:					
OPEB liability	$ 2,058,445	$ 156,375	$ (36,498)	$ 2,178,322	
Net pension liability	-	198,553	-	198,553	
Bonds payable	3,002,209	-	(349,208)	2,653,001	$363,761
Capital lease obligations	463,879	-	(214,278)	249,601	122,240
Debt obligation due to Commission	1,068,986	-	(164,744)	904,242	172,745
Total noncurrent liabilities	$ 6,593,519	$ 354,928	$ (764,728)	$ 6,183,719	

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Noncurrent liabilities:					
OPEB liability	$ 2,026,634	$ 70,124	$ (38,313)	$2,058,445	
Bonds Payable	3,337,445	-	(335,236)	3,002,209	$349,208
Capital lease obligations	668,722	-	(204,843)	463,879	214,279
Debt obligation due to Commission	1,226,802	-	(157,816)	1,068,986	164,746
Total noncurrent liabilities	$ 7,259,603	$ 70,124	$(736,208)	$6,593,519	

BONDS

Bonds payable at June 30, 2015 and 2014, consist of the following:

	Interest Rate	Annual Principal Installment Due	Principal Amount Outstanding 2015	2014
College Revenue Bonds	4.125%	$162,555 - $446,147	$ 2,653,001	$3,002,209

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

A summary of the annual aggregate principal payments for years subsequent to June 30, 2015 is as follows:

Years Ending June 30:	Principal	Interest	Total
2016	$ 363,761	$ 105,723	$ 469,484
2017	378,921	90,563	469,484
2018	394,713	74,772	469,485
2019	411,163	58,322	469,485
2020	428,298	41,187	469,485
2021 - 2022	676,145	28,081	704,226
			3,051,649
Less interest			398,648
Total			$ 2,653,001

7. OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2015, 2014 and 2013, the noncurrent liability related to OPEB costs was $2,178,322, $2,058,445, and $2,026,634 respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $353,702 and $233,825, respectively during 2015 or 66%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $288,364 and $256,553, respectively, during 2014 or 89%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $257,973 and $222,494, respectively, during 2013 or 86%. As of and for the years ended June 30, 2015, 2014, and 2013, there were 10, 11, and 9, respectively, retirees receiving these benefits.

8. CAPITAL LEASE

The College leased a building through a capital lease for the College's Cooking and Culinary Arts Center. At June 30, 2015 and 2014, the leased building had a net book value of $395,840 and $404,637, respectively. During fiscal year 2013, the College leased telecommunication equipment for the Headquarters Building through a capital lease. At June 30, 2015 and 2014, the equipment had a net book value of $472,781 and $511,907, respectively.

Future annual minimum lease payments for years subsequent to June 30, 2015, are as follows:

Years Ending June 30:	Principal	Interest	Total
2016	$ 122,240	$ 8,421	$ 130,661
2017	127,361	3,300	130,661
			261,322
Less interest			11,721
Total			$ 249,601

9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

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

For the years ended June 30, 2015 and 2014, debt services assessed are as follows:

	2015	2014
Principal	$ 164,746	$ 157,815
Interest	48,059	55,470
Other	5,500	5,500
Total	$ 218,305	$ 218,785

During the year ended June 30, 2005, the Commission issued $167,000,000 of 2004 Series B 30-year Revenue Bonds to fund capital projects at various higher education institutions in the State. The College was approved to receive $4,253,559 of these funds plus interest earnings of $281,294. The College has recognized $4,253,559 plus the related interest earnings of $281,294 as of June 30, 2012. State lottery funds will be used to repay the debt, although, the College revenues are pledged if lottery funds prove insufficient.

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 will be 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 proposed bond funding of $13,500,000 for MCTC. As of June 30, 2013, $13,500,000 had been recognized as capital payments made on behalf of MCTC. State lottery funds will be used to repay the debt.

10. UNRESTRICTED COMPONENTS OF NET POSITION

During FY 2014, the Board designated certain unrestricted components of net position to be used for the costs involved in renovating the new college campus. The designated unrestricted resources include all rental income received from DirecTV and all payments received from Marshall University, for the property purchased from the College.

	2015	2014
Undesignated	$ 5,898,531	$ 4,544,317
Total unrestricted net position before OPEB and pension liability	5,898,531	4,544,317
Less: OPEB liability	2,178,322	2,058,445
Less: Pension liability	198,553	-
Total unrestricted net position	$ 3,521,656	$ 2,485,872

11. RETIREMENT PLANS

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

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

DEFINED BENEFIT PENSION PLAN

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

Following is the College's pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal year ended June 30, 2015:

	TRS
Net Pension Liability	$198,553
Deferred Outflows of Resources	$ 27,100
Deferred Inflows of Resources	$ 85,640
Revenues	$ 26,504
Pension Expense	$ 25,194
Contributions Made by MCTC	$ 27,100

TRS
Plan Description

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

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

Benefits Provided

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

Contributions

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

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

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:
1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll of members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by State residents; and
5. under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2014, the College's proportionate share attributable to this special funding subsidy was $26,504.

The College's contributions to TRS for the years ended June 30, 2015, 2014, and 2013, were approximately $27,100, $26,511, and $34,150, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2013 and rolled forward to June 30, 2014. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.75–5.25% and non-teachers 3.40–6.50%, based on age.
- Inflation rate of 2.2%.
- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 1.2-30% and non-teachers 1.4-22.5%.
- Disability rates: 0-0.8%
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%
- *Ad hoc* cost-of-living increases in pensions are periodically granted by the State Legislature. However, the retirement system makes no automatic provision for such increases.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term arithmetic real rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2014, are summarized below.

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	5.4%	27.5%
International equity	6.3%	27.5%
Core fixed income	0.7%	-
High-yield fixed income	2.6%	15% *
TIPS	0.7%	-
Real estate	4.6%	10.0%
Private equity	7.7%	10.0%
Hedge funds	2.8%	10.0%

* Core and high-yield fixed income securities have a combined target allocation of 15.0%

Discount rate. The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, TRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on TRS' investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the pension plan's fiduciary net position, a municipal bond rate of 3.66% is to be used to discount the benefit payments not covered by the plan's fiduciary net position. The rate equals the S&P Municipal Bond 20 Year High Grade Rate Index at June 30, 2014.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the College's proportionate share of the TRS net pension liability as of June 30, 2015 calculated using the discount rate of 7.50%, as well as what the College's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	$ 257,500	$ 198,553	$ 147,945

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

The TRS net pension liability was measured as of June 30, 2014. The total pension liability was determined by an actuarial valuation as of July 1, 2013 and rolled forward to the measurement date.

At June 30, 2015, the College's proportionate share of the TRS net pension liability was $647,163. Of this amount, the College recognized approximately $198,553 as its proportionate share on the Statement of Net Position. The remainder of $448,610 denotes the College's proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to TRS for each of the fiscal years ended June 30, 2014 and 2013. Employer contributions are recognized when due. At June 30, 2014, the College's proportion was 0.005755%, a decrease of 0.001711% from its proportion of 0.007466% calculated as of June 30, 2013.

For the year ended June 30, 2015, the College recognized TRS pension expense of $25,194. Of this amount, $(1,310) was recognized as the College's proportionate share of the TRS expense and $26,504 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of $26,504 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and difference between employer contributions and proportionate share of contributions	$ -	$ 59,395
Net difference between projected and actual investment earnings	-	26,245
Contributions after the measurement date	27,100	-
Total	$ 27,100	$ 85,640

The College will recognize the $27,100 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows.

Fiscal Year Ended	Amortization
June 30, 2016	$ 18,658
June 30, 2017	18,658
June 30, 2018	18,658
June 30, 2019	18,658
June 30, 2020	11,008
	$ 85,640

Payables to the pension plan

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

DEFINED CONTRIBUTION BENEFIT PLANS

The TIAA-CREF and Educators Money are defined contribution benefit plans in which benefits are based solely upon amounts contributed plus investment earnings. Employees who elect to participate in 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, 2015, 2014, and 2013, were approximately $709,400, $682,000, and $672,000, respectively, which consisted of equal contributions from the College and covered employees of approximately $354,700, $341,000, and $336,000, respectively.

Total contributions to the Educators Money for the years ended June 30, 2015, 2014, and 2013, were approximately $19,200, $19,500, and $23,000, respectively, which consisted of approximately $9,700, $9,750, and $11,500 from both the College and from covered employees, respectively.

The College's total payroll for the years ended June 30, 2015, 2014, and 2013 was approximately $7,289,597, $7,154,000, and $7,466,000, respectively. Total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were approximately $180,400, $177,000, and $228,000; $5,912,000, $5,686,000, and $5,598,000; and $157,000, $162,000, and $189,000 respectively, in 2015, 2014 and 2013.

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

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 at June 30, 2015 or 2014.

The College owns buildings that are known to contain asbestos. The College is not required by federal, state, or local law to remove the asbestos from its buildings. The College is required under federal environmental, health, and safety regulations to manage the presence of asbestos in its buildings in a safe manner. The College addresses its responsibility to manage the presence of asbestos in its buildings on a case-by-case basis. Significant problems of dangerous asbestos conditions are abated as the conditions become known. The College also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe manner.

13. MOUNTWEST FOUNDATION, INC.

With the change in State law to establish the College as a separate entity, a separate nonprofit Mountwest Foundation, Inc. ("Mountwest Foundation") was incorporated in the State, effective July 1, 2009, whose purpose is to benefit the work and services of the College. Mountwest Foundation has a fourteen-member Board. There was limited activity in the Mountwest Foundation in fiscal year 2015. Accordingly, the financial statements of the Mountwest Foundation are not included in the accompanying financial statements because they are not controlled by the College and they are not considered significant.

During the years ended June 30, 2015 and 2014 the Mountwest Foundation contributed approximately $40,800 and $36,000, respectively, to the College for scholarships and items purchased by the College.

14. SERVICE CONCESSION ARRANGEMENTS

The College has adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (SCA). The College has identified one contract for services that meets the four criteria of a SCA. SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided, and the government retains ownership of the assets at the end of the contract. The contract over the majority of the fiscal year was with College Bookstores of America, Inc. dba Neebo; however, effective during the last month of the fiscal year, the contract was included as certain sold assets in the Purchase Agreement executed on the 11th of June, 2015 by and between College Bookstores of America, Inc. dba Neebo and Follett Higher Education Group, Inc. The College consented to the transfer of contract ownership to Follett Higher Education Group, Inc.; and all terms and conditions of the existing contract remain in effect.

The College contracts with Neebo/Follett Higher Education Group, Inc. to operate its bookstore located within the College's facilities; a professional bookstore that yields the highest caliber of services to the College community. The annual contract began on the 18th of April, 2012 and may be extended upon mutual consent for an additional year, with a maximum of (5) five yearly renewals. In April 2015, the College renewed the contract for one additional year and will have the option to renew for one final additional year in April 2016. The College receives annual rents of $12,000 and commission payments calculated at a contractually agreed upon percentage of bookstore gross sales. In 2015 and 2014, the College received approximately $85,000 and $92,000 in commissions from Neebo. There were no significant renovations to the College facilities by Neebo in either 2015 or 2014.

15. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2015 and 2014, the following tables represent operating expenses within both natural and functional classifications:

2015

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 4,334,410	$ 969,270	$ 1,662,269	$ -	$ -	$ -	$ -	$ 6,965,949
Public service	-	-	-	-	-	-	-	-
Academic support	257,527	78,414	113,513	-	-	-	-	449,454
Student services	1,432,098	424,319	648,279	-	-	-	-	2,504,696
General institutional support	849,387	297,341	384,835	-	-	-	-	1,531,563
Operations and maintenance of plant	237,560	93,673	794,809	253,741	-	-	-	1,379,783
Student financial aid	-	-	-	-	1,965,339	-	-	1,965,339
Auxiliary enterprises	146,873	40,151	110,865	-	-	-	-	297,889
Depreciation	-	-	-	-	-	601,703	-	601,703
Other	-	-	-	-	-	-	98,832	98,832
	$ 7,257,855	$ 1,903,168	$ 3,714,570	$ 253,741	$ 1,965,339	$ 601,703	$ 98,832	$ 15,795,208

2014

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 4,048,194	$ 858,492	$ 1,717,867	$ 2,170	$ -	$ -	$ -	$ 6,626,723
Public service	12,600	-	-	-	-	-	-	12,600
Academic support	221,353	58,700	51,297	-	-	-	-	331,350
Student services	1,403,972	341,975	954,736	-	-	-	-	2,700,683
General institutional support	1,173,044	554,090	827,169	-	793,616	-	-	3,347,919
Operations and maintenance of plant	182,595	61,159	851,622	250,414	-	-	-	1,345,790
Student financial aid	-	-	-	-	2,251,610	-	-	2,251,610
Auxiliary enterprises	112,677	22,760	79,653	-	63,500	-	-	278,590
Depreciation	-	-	-	-	-	615,152	-	615,152
Other	-	-	-	-	-	-	52,238	52,238
	$ 7,154,435	$ 1,897,176	$ 4,482,344	$ 252,584	$ 3,108,726	$ 615,152	$ 52,238	$ 17,562,655

REQUIRED SUPPLEMENTARY SCHEDULE

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE

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

Schedule of Proportionate Share of TRS Net Pension Liability

Measurement Date	College's Proportionate Share as a Percentage of Net pension Liability	College's Proportionate Share	State's Proportionate Share	Total Proportionate Share	College's Covered Employee Payroll	College's Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.005755%	$ 198,533	$ 448,610	$ 647,143	$ 177,000	112.17%	65.95%

Schedule of Employer Contributions

Measurement Date	Actuarily Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 2014	$ 26,184	$ 26,511	$ (327)	$ 177,000	14.98%

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

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. With only one year reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report.

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

To the Governing Board of
Mountwest Community and Technical College
Huntington, WV

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 Mountwest Community and Technical College ("the College"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 4, 2016.

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.

Hayflich CPAs

Huntington, West Virginia
January 4, 2016