# Pierpont Community & Technical College

Financial Statements
Years Ended June 30, 2016 and 2015

and

Independent Auditor's Reports

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

# PIERPONT COMMUNITY & TECHNICAL COLLEGE

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Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

Board of Governors
Pierpont Community & Technical College
Fairmont, West Virginia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Pierpont Community & Technical College (Pierpont), a component unit of the West Virginia Council for Community and Technical College Education, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Pierpont's financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Pierpont, as of June 30, 2016 and 2015, and the 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.

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***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 19, the schedule of proportionate share of the net pension liability and schedule of contributions, and related footnote on pages 68 through 70 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Pierpont's basic financial statements. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017, on our consideration of Pierpont'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 Pierpont's internal control over financial reporting and compliance.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
January 31, 2017

# Management's Discussion and Analysis (Unaudited)
## Fiscal Year Ended June 30, 2016

### About Pierpont Community & Technical College

Pierpont Community & Technical College (Pierpont), headquartered in Fairmont, WV, is a comprehensive community college serving 13 counties in north central West Virginia. Pierpont shares a 120-acre main campus with its partner institution Fairmont State University (Fairmont State). With an enrollment of approximately 2,000 academic credit students, Pierpont offers more than 40 Associate of Arts, Associate of Applied Science, and Certificate of Applied Science degree programs, Advanced Skill Sets, and Skill Sets throughout our 13-county service region. In addition to the shared campus in Fairmont, Pierpont delivers courses at the Pierpont Center at Braxton County, the Pierpont Center at Lewis County, and the Pierpont Center at Monongalia County Technical Education Center (MTEC). Through its Center for Workforce Education, Pierpont provides workforce training and community education opportunities to approximately 1,200 non-credit continuing education students. Through the Robert C. Byrd National Aerospace Education Center in Bridgeport, WV, Pierpont offers programs in aviation maintenance.

The mission of Pierpont is to provide opportunities for learning, training, and further education that enrich the lives of individuals and promote the economic growth of our region and state.

Pierpont Community & Technical College was founded in 1974 as Fairmont State Community & Technical College (FSC&TC), a component of Fairmont State College (now known as Fairmont State University). The State Legislature enacted legislation effective July 1, 2008 that provided for independent accreditation and a separate governing board for Pierpont. This legislation defines a statewide network of independently-accredited community and technical colleges. The Board of Governors of Pierpont and the Board of Governors of Fairmont State jointly agreed to a division of assets and liabilities. The agreement was executed on December 15, 2009 and was effective retroactively to July 1, 2009. Therefore, Pierpont's independent audited financial statements began with fiscal year 2010.

Although Pierpont and Fairmont State are separate institutions with separate governing boards and separate missions, they continue to share a main campus and various satellite campuses and to provide select services to each other for continued operating effectiveness.

Pierpont is governed by a 12-member Board of Governors consisting of nine lay members, appointed by the Governor, and three constituent members elected by the faculty, classified staff, and student body, respectively. This Board determines, controls, supervises, and manages the financial, business, and educational polices and affairs of the institution.

**Overview**

This section of the annual financial report focuses on an overview of Pierpont's financial performance during the fiscal year ended June 30, 2016 with comparisons to the previous year.

As the financial statements are reviewed, it is important to understand how the reporting structure changed beginning in fiscal year 2010 with the Separation of Assets and Liabilities Agreement. As the separate entities were created by the Legislature, it was realized that due to the bond debt responsibilities, shared campus facilities and infrastructure, and shared administrative and technical support, a Separation of Assets and Liabilities Agreement would be required. The agreement was effective as of July 1, 2009, and fiscal year 2016 is the seventh year of operating and reporting based on the agreement. The agreement establishes general principles to apply to the division of assets and liabilities and allocation of revenues and expenditures between Pierpont and Fairmont State. The Agreement also provides specific language in relation to outstanding bond indebtedness, including the responsibilities of both Pierpont and Fairmont State. Financial statement note 16, Separation of Assets and Liabilities Agreement, provides additional information about this Agreement and the defining legislation. The fiscal year 2016 audited financial statements are presented in comparative format and reflect the reporting structure defined in the agreement.

Pierpont's audited financial report includes additional information for Unrestricted, Restricted and Other Funds, and Pierpont's ownership in Board of Governors Support (BOG Support). The BOG Support component reports capital funds that support both academic institutions as a separate reporting component. BOG Support consists primarily of Educational and General (E&G) Capital, Infrastructure, and Bond funds for the repair and replacement of shared buildings and other capital assets. This component accounts for capital assets, depreciation, and debt obligations of the shared campus. These funds are allocated based on the average of the past ten (10) years of credit hour enrollments. The supplemental schedules were developed to show the component parts of Pierpont and may be found in the additional information section of this report.

The Fairmont State Foundation (the Foundation) financial information will not be presented. This presentation is no longer required to comply with GASB Statement No. 39 due to the fact that the Foundation supports both Pierpont and Fairmont State for fiscal years 2016 and 2015.

Pierpont's annual report consists of three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These statements focus on Pierpont's financial condition, results of operations, and cash flows as a whole. Each of these statements is discussed below.

**Financial Highlights**

Financial highlights of fiscal year 2016 include decreases in revenue due to an enrollment decline, commitments to the construction of the Advanced Technology Center (ATC), major renovations supported by EAST bonds to shared campus facilities, an increase in other postemployment benefits (OPEB) liability, and changes in net position.

- For fiscal year 2016, Pierpont experienced enrollment declines. Their full-time equivalent (FTE) decreased from 1,613 for Fall 2014 to 1,512 for Fall of 2015. The headcount decreased from 2,311 for Fall 2014 to 2,181 for Fall of 2015.

- Construction of the ATC began in October 2013. During fiscal year 2016, Pierpont expended $1,133,825 on construction costs. The ATC was nearly completed as of June 30, 2016.

- During fiscal year 2016, Pierpont received payment of $500,000 in E&G Capital and Infrastructure funds to support construction of the ATC.

- Pierpont has adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* This statement provides standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities. The compensated absences liability for sick leave calculated as of June 30, 2007 following GASB Statement No. 16 for approximately $850,000 was removed from the financial statements. This accrual was replaced by the OPEB liability accrual. The historical activity dealing with the OPEB liability in the past is as follows:

    - The OPEB liability has been accrued annually since fiscal year 2008 for a total unfunded liability of $3,495,913 at June 30, 2015.

    - The additional OPEB liability for fiscal year 2016 was recorded in the amount of $178,326 for a total unfunded liability of $3,674,239 as of June 30, 2016.

The OPEB liability is recorded based on records maintained by the West Virginia Public Employee Insurance Agency (PEIA). The State of West Virginia has instituted several measures to reduce the OPEB liability including: changes in eligibility criteria, retiree benefit changes, reduction in future retiree premium subsidy costs borne by the State, and passed legislation during fiscal year 2013 committing funds to pay down the liability. With the plan and design changes, an additional annual allocation plus the current funds designated for payment of OPEB costs, the liability is projected to be eliminated by fiscal year 2037. Reductions in the OPEB liability are expected to begin in fiscal year 2017.

- Total net position increased by $1,293,225 or 5.04%. The increase can be attributed to the following:

    - Net Investment in Capital Assets increased by $1,589,142.

    - Restricted for Scholarships decreased by $8,128.

    - Restricted for Capital Projects decreased by $990,952. As approved by the BOG in fiscal year 2014, funding of $2.8 million was transferred from E&G Reserves to Capital funds for operating additions to the design of the ATC. During fiscal year 2016, funds were expended in the amount of $1,133,825. Also, E&G capital and Infrastructure Funds were transferred from shared resources to Pierpont in the amount of $500,000 to cover construction costs of the ATC.

    - Unrestricted fund manager funds of Pierpont increased by $513,155.

    - Unrestricted primary operating funds of Pierpont increased by $192,834 after the increase in OPEB liability of $178,326.

**Statement of Net Position**

The Statement of Net Position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets plus deferred outflows of resources minus liabilities and deferred inflows of resources) of Pierpont as of the fiscal year end. Assets denote the resources available to continue the operations of Pierpont. Deferred outflows of resources represent the consumption of net position that is applicable to a future fiscal year. Liabilities indicate how much Pierpont owes its vendors, employees, and lenders. Deferred inflows of resources represent an acquisition of net position that is applicable to a future fiscal year. Net position provides a way to measure the financial position of Pierpont.

Net position is divided into three major categories:

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

2. ***Restricted net position***. This category includes net position whose use is restricted either due to externally imposed constraints or restrictions imposed by law. It is further divided into two additional components -- expendable and nonexpendable. **Expendable restricted net position** includes resources for which Pierpont is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. **Nonexpendable restricted net position** includes endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instruments, 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. Pierpont has no nonexpendable net position.

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

**Condensed Schedules of Net Position**

| | JUNE 30, 2016 | 2015 | 2014 |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | $ 7,917,510 | $ 8,032,326 | $ 10,627,626 |
| Noncurrent Assets | 30,529,108 | 29,399,699 | 27,382,768 |
| **Total Assets** | 38,446,618 | 37,432,025 | 38,010,394 |
| **Deferred Outflows of Resources** | 11,610 | 7,477 | - |
| **Total** | $ 38,458,228 | $ 37,439,502 | $ 38,010,394 |
| **Liabilities** | | | |
| Current Liabilities | $ 3,601,773 | $ 3,688,962 | $ 4,661,244 |
| Noncurrent Liabilities | 7,922,918 | 8,108,315 | 8,191,547 |
| **Total Liabilities** | 11,524,691 | 11,797,277 | 12,852,791 |
| **Deferred Inflows of Resources** | 5,524 | 7,437 | - |
| **Net Position** | | | |
| Net Investment in Capital Assets | 25,850,760 | 24,261,618 | 22,432,971 |
| Restricted for: | | | |
| Expendable: | | | |
| Scholarships | 11,715 | 19,843 | 1,373 |
| Capital Projects | 2,279,962 | 3,270,914 | 4,446,960 |
| Debt Service | 80 | 53 | 49 |
| Total Restricted | 2,291,757 | 3,290,810 | 4,448,382 |
| Unrestricted | (1,214,504) | (1,917,640) | (1,723,750) |
| **Total Net Position** | 26,928,013 | 25,634,788 | 25,157,603 |
| **Total** | $ 38,458,228 | $ 37,439,502 | $ 38,010,394 |

- Total current assets decreased by $114,816 or 1.43% to $7,917,510, resulting primarily from a decrease in accounts receivable of $193,745.

- Total noncurrent assets, comprised primarily of capital assets including buildings and equipment, increased by $1,129,409 or 3.84% to $30,529,108.

  - The increase in noncurrent assets is due to an increase in capital assets, net of accumulated depreciation, in the amount of $1,301,000.

- Deferred outflows were recorded in the amount of $11,610 related to the implementation of GASB Statement Nos. 68 and 71.

- Total current liabilities decreased by $87,189 or 2.36% to $3,601,773 due primarily to a decrease in unearned revenue of $440,464. These decreases were offset by increases in accounts payable of $191,664, amounts due to Fairmont State of $104,519, and accrued payroll of $86,577.

- Total noncurrent liabilities decreased by $185,397 or 2.29% to $7,922,918. The noncurrent portion of the debt obligation due to Fairmont State decreased by $264,873, the noncurrent portion of the debt obligation due to the Commission decreased by $69,822, and the OPEB liability increased by $178,326.

- Deferred inflows of resources were recorded in the amount of $5,524 related to the implementation of GASB Statement Nos. 68 and 71.

- The total assets of Pierpont exceeded its liabilities at the close of the most recent fiscal year by $26,928,013 (net position). Of this amount, $(1,214,504) (unrestricted net deficit) may be used to meet the educational and general operations of Pierpont. Unrestricted net deficit was in the Unrestricted, Restricted and Other funds component at June 30, 2016.

- Pierpont's unrestricted net deficit balance of $(1,214,504) includes fund manager and auxiliary funds of $1,118,377. Also, Pierpont's unrestricted President's control net position amount decreased by $192,834 to a net deficit of $(2,332,881) at June 30, 2016.

- Investment in capital assets increased by $1,589,142 to $25,850,760 due primarily to the increase in capital assets related to construction in progress for the Advanced Technology Center (ATC).

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

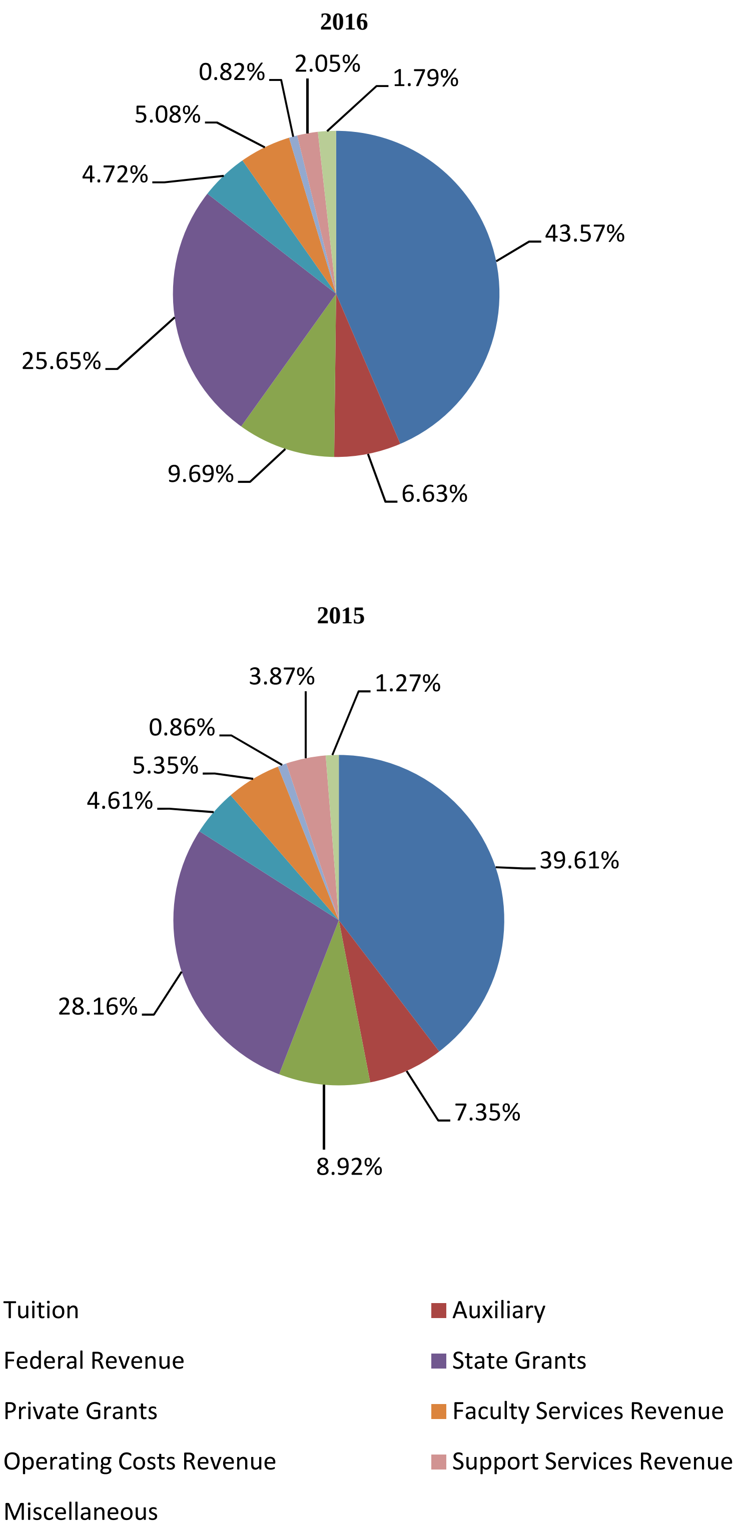
The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of Pierpont for the fiscal year. The purpose of the statement is to present Pierpont's revenues (operating and nonoperating), expenses (operating and nonoperating), and any other revenues, expenses, gains, losses, and transfers. State appropriations, while budgeted for operations, are considered and reported as nonoperating revenues. This is because State appropriations are provided by the Legislature to Pierpont without providing specific services in exchange. Likewise, Pell grants are reported as nonoperating because of specific guidance in the AICPA industry audit guide. Student tuition and fees are reported net of scholarship discounts and allowances. Financial aid to students is reported using the alternative method. Under this method, certain aid, such as loans and Federal Direct Lending, is accounted for as third party payment, while all other aid is reflected either as operating expenses or scholarship allowances, which reduce revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

**Condensed Schedules of Revenues, Expenses, and Changes in Net Position**
**For the Fiscal Year Ended June 30:**

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Operating Revenue | $ 10,234,967 | $ 10,125,230 | $ 10,785,248 |
| Operating Expenses | 19,567,795 | 21,565,283 | 25,172,230 |
| Operating Loss | (9,332,828) | (11,440,053) | (14,386,982) |
| Total Net Nonoperating Revenues | 10,736,697 | 11,597,500 | 13,562,913 |
| Increase (Decrease) in Net Position before Other Revenues, Expenses, Gains or Losses, and Transfer | 1,403,869 | 157,447 | (824,069) |
| Payments Made and Expenses Incurred by the State on Behalf of Pierpont | 9,226 | 7,395 | - |
| Capital Projects Proceeds from the Commission | - | 9,266 | 100,650 |
| Capital Bond Proceeds from the State | - | - | 1,303,925 |
| Increase in Net Position before Transfer | 1,413,095 | 174,108 | 580,506 |
| Transfer of Net Position from (to) Fairmont State | (119,870) | 362,925 | (263,711) |
| Increase in Net Position | 1,293,225 | 537,033 | 316,795 |
| Net Position – Beginning of Year | 25,634,788 | 25,157,603 | 24,840,808 |
| Net Effect of Change in Accounting Policy | - | (59,848) | - |
| Net Position – Beginning of Year (Restated) | 25,634,788 | 25,097,755 | 24,840,808 |
| Net Position – End of Year | $ 26,928,013 | $ 25,634,788 | $ 25,157,603 |

*Operating Revenues:*

The following are graphic illustrations of Pierpont's operating revenues by source.



Highlights of the information presented on the statements of revenues, expenses, and changes in net position are as follows:

- Tuition and fees revenue, after adjustment for scholarship allowance, increased by $448,988 or 11.19% to $4,459,783.

    - Tuition and fees increased prior to scholarship allowance by $172,627 or 2.30%. The scholarship allowance decreased by $276,361 for a total increase in tuition and fees of $448,988. The increase in tuition and fees is due to an increase in program fees.

- Federal contracts and grants revenue increased by $88,822 or 9.84% to $991,845.

    - Pierpont received a Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant through the U.S. Department of Labor as a partner in the WV Bridging the Gap Consortium. The total grant award was $2.3 million. Fiscal year 2016 TAACCCT grant revenues totaled $821,571.

- State contracts and grants revenue decreased by $226,384 or 7.94% to $2,625,239. State contracts and grants include institutional grants from other state agencies. State grants and contracts also include state-funded student financial aid.

- Private contracts and grants revenue increased by $15,960 or 3.42% to $482,862.

- Auxiliary enterprise revenue decreased by $66,280 or 8.90% to $678,121.

- Miscellaneous revenues increased by $55,311 or 43.16% to $183,467.

- State appropriations decreased by $354,895 or 4.68% to $7,229,531.

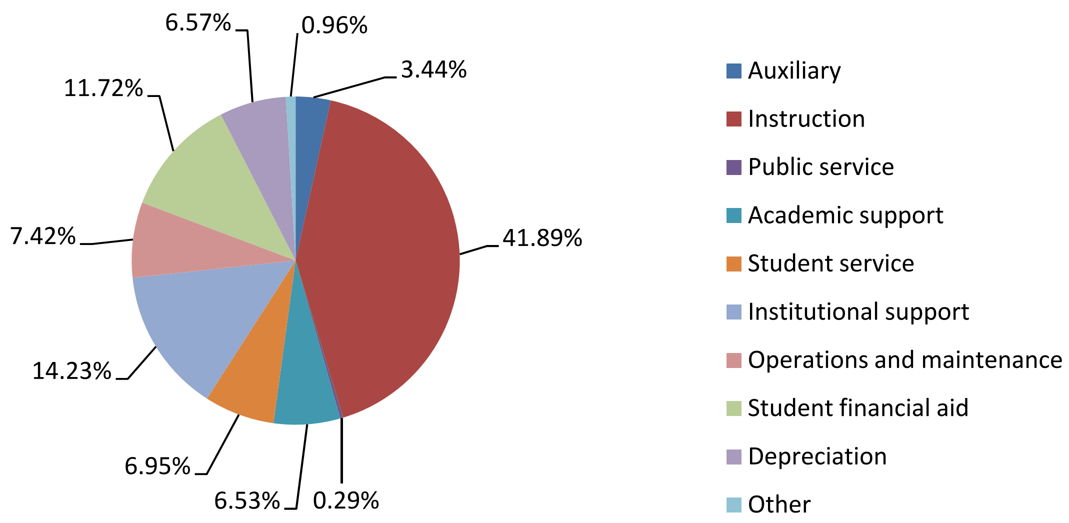
- As noted above, Pell grants are reported as nonoperating revenues because of specific guidance in the AICPA industry audit guide. Pell grants decreased by $757,121 or 17.97% to $3,456,881.

***FUNCTIONAL CLASSIFICATION CHART***

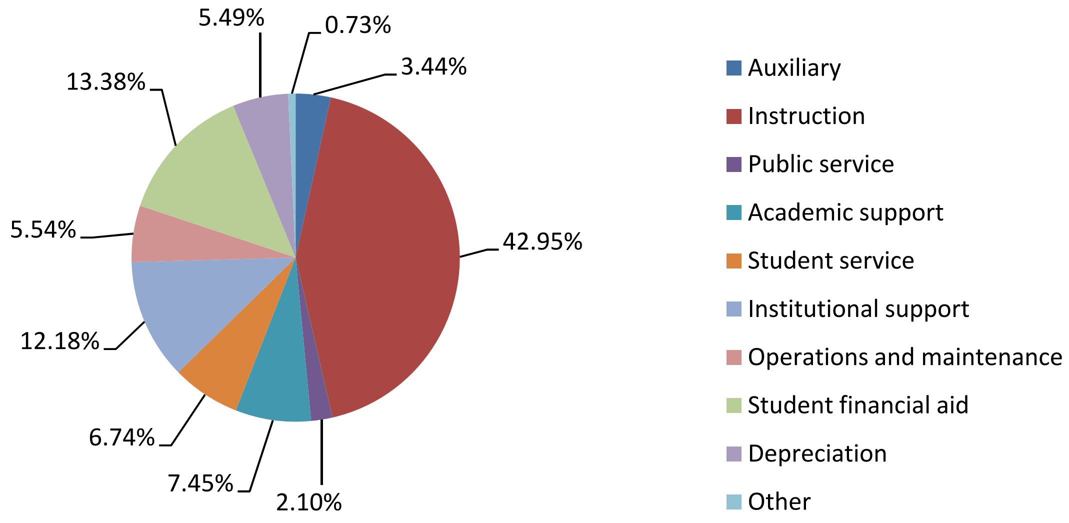
*Operating Expenses:*

The following is a graphic illustration of operating expenses by function.

**2016**




**2015**



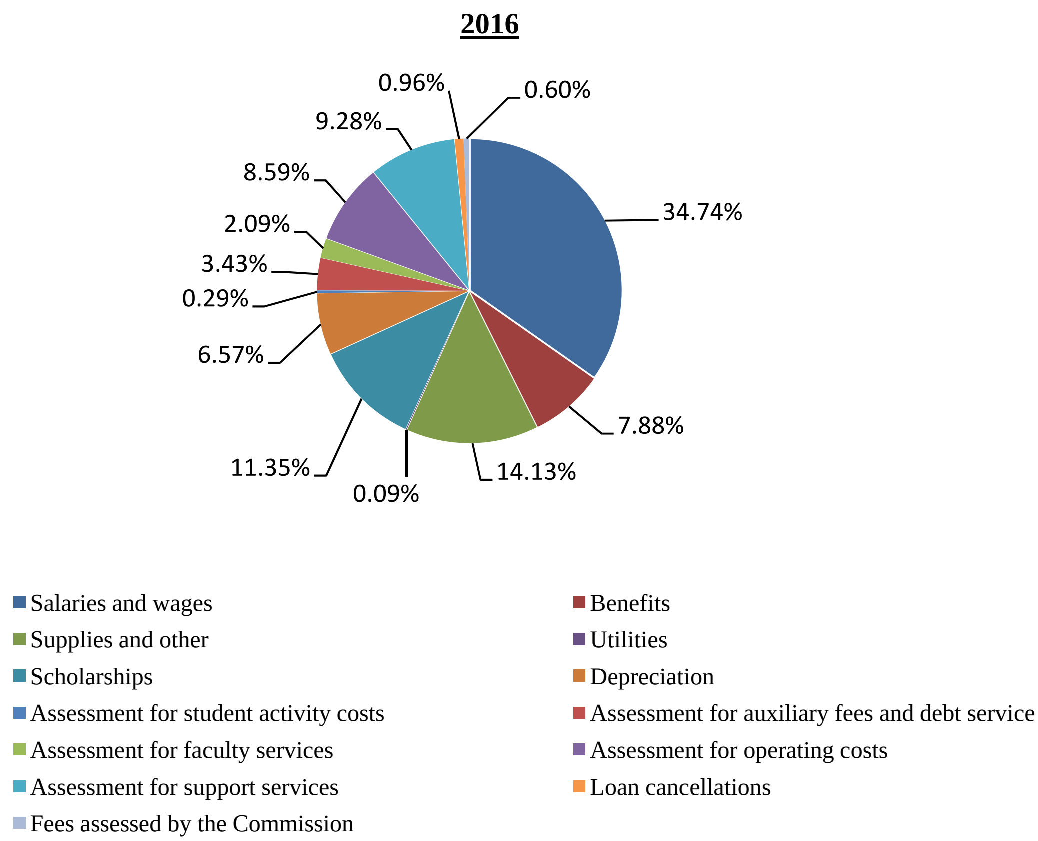
*Breakdown of Expense by Functional Classification:*

For fiscal year 2016, Pierpont's total operating expenses were $19,567,795. Instruction expenses totaled $8,197,690 or 41.89% of the total operating budget. The following reflects the amounts and percentages for these expenses:

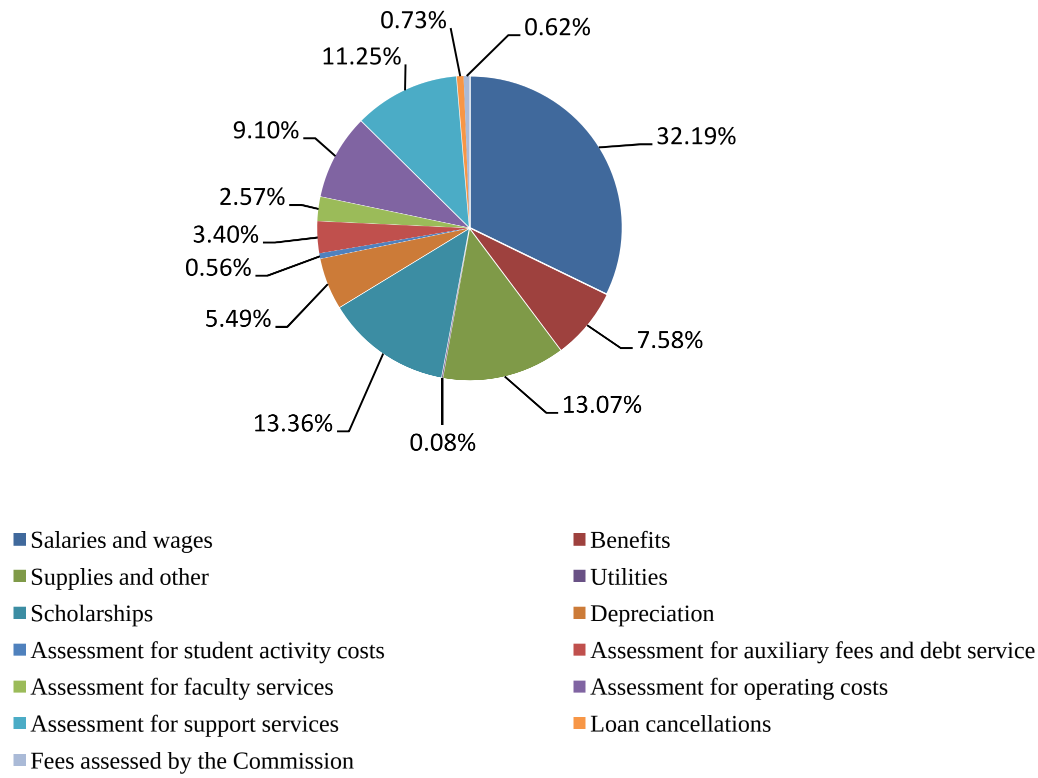
| | 2016 | % | 2015 | % | 2014 | % |
|---|---|---|---|---|---|---|
| Auxiliary | $ 672,088 | 3.44% | $ 741,166 | 3.44% | $ 990,689 | 3.94% |
| Instruction | 8,197,690 | 41.89% | 9,262,827 | 42.95% | 8,785,639 | 34.90% |
| Public service | 57,418 | 0.29% | 451,893 | 2.10% | 448,796 | 1.78% |
| Academic support | 1,277,600 | 6.53% | 1,606,703 | 7.45% | 2,172,203 | 8.63% |
| Student services | 1,359,540 | 6.95% | 1,452,902 | 6.74% | 1,666,811 | 6.62% |
| General institutional support | 2,784,749 | 14.23% | 2,628,383 | 12.18% | 3,113,025 | 12.37% |
| Operation and maintenance | 1,451,804 | 7.42% | 1,195,426 | 5.54% | 2,425,879 | 9.64% |
| Student financial aid | 2,292,454 | 11.72% | 2,885,145 | 13.38% | 4,189,831 | 16.64% |
| Depreciation | 1,285,828 | 6.57% | 1,183,627 | 5.49% | 1,119,640 | 4.45% |
| Other | 188,624 | 0.96% | 157,211 | 0.73% | 259,717 | 1.03% |
| Total | $ 19,567,795 | 100.00% | $ 21,565,283 | 100.00% | $ 25,172,230 | 100.00% |

***NATURAL CLASSIFICATION CHARTS***

The following is a graphic illustration of operating expenses by natural classification:



**2015**




*Breakdown of Expenses by Natural Classification:*

For fiscal year 2016, Pierpont's total operating expenses were $19,567,795. A major portion of the total operating expenses is for direct salaries, wages, and benefits amounting to $8,340,612 or 42.62%. In addition, indirect salaries, wages, and benefits paid to Fairmont State through the chargeback services agreement for assessment for support services totaled $1,815,814 or 9.28% and for assessment for faculty services totaled $409,893 or 2.09%. The combined cost of direct and indirect salaries, wages, and benefits was $10,566,319 or 54.00% of Pierpont's total operating expenses. The following reflects the amounts and percentages for these expenses:

| | 2016 | % | 2015 | % | 2014 | % |
|---|---|---|---|---|---|---|
| Salaries and wages | $ 6,798,227 | 34.74% | $ 6,942,928 | 32.19% | $ 7,369,662 | 29.28% |
| Benefits | 1,542,385 | 7.88% | 1,634,916 | 7.58% | 1,562,822 | 6.21% |
| Supplies and other services | 2,762,891 | 14.13% | 2,819,118 | 13.07% | 3,575,263 | 14.20% |
| Utilities | 16,163 | 0.09% | 17,215 | 0.08% | 16,934 | 0.07% |
| Scholarships and fellowships | 2,220,671 | 11.35% | 2,880,565 | 13.36% | 4,186,831 | 16.63% |
| Depreciation | 1,285,828 | 6.57% | 1,183,627 | 5.49% | 1,119,640 | 4.45% |
| Assessment for student activity costs | 57,386 | 0.29% | 120,383 | 0.56% | 145,834 | 0.58% |
| Assessment for auxiliary fees and debt service | 671,754 | 3.43% | 732,807 | 3.40% | 932,948 | 3.71% |
| Assessment for faculty services | 409,893 | 2.09% | 554,985 | 2.57% | 819,354 | 3.25% |
| Assessment for operating costs | 1,681,195 | 8.59% | 1,961,657 | 9.10% | 2,183,569 | 8.67% |
| Assessment for support services | 1,815,814 | 9.28% | 2,426,549 | 11.25% | 2,860,746 | 11.36% |
| Loan cancellations and write-offs | 188,624 | 0.96% | 157,211 | 0.73% | 259,717 | 1.03% |
| Fees assessed by the Commission | 116,964 | 0.60% | 133,322 | 0.62% | 138,910 | 0.56% |
| Total | $ 19,567,795 | 100.00% | $ 21,565,283 | 100.00% | $ 25,172,230 | 100.00% |

- Salaries and wages decreased by $144,701 or 2.08% to $6,798,227.

- Benefits decreased by $92,531 or 5.66% to $1,542,385. OPEB expenses for fiscal year 2016 decreased by $25,819. The OPEB expense for fiscal year 2016 was $417,563. Financial statement note 8 provides additional information on the OPEB liability and expenses.

- Supplies and other services expense decreased by $56,227 or 1.99% to $2,762,891.

    - Supplies and other services within the Unrestricted, Restricted and Other funds decreased by $19,560.

    - Supplies and other services within the BOG Support funds decreased by $36,667 to $93,711. The decrease is due primarily to a decrease in expenditures within the capital repairs and replacement fund.

- Utilities expense decreased by $1,052 or 6.11% to $16,163. The majority of utilities expenses for Pierpont are included in the assessment for operating costs per the chargeback agreement.

- Scholarships expense decreased by $659,894 or 22.91% to $2,220,671. Scholarships and fellowships decreased by $936,255. This decrease is primarily due to a decrease in Federal Pell awards of $757,121.

- Depreciation expense for fiscal year 2016 was $1,285,828 and was 6.57% of total operating expenses.

**Statement of Cash Flows**

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

The Statement of Cash Flows is divided into five parts:

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

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

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

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

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

**Condensed Schedules of Cash Flows**
**For the Fiscal Year Ended June 30:**

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Cash Provided By (Used In): | | | |
| Operating Activities | $ (8,231,732) | $ (11,113,708) | $ (12,306,815) |
| Noncapital Financing Activities | 11,075,616 | 12,235,627 | 13,306,413 |
| Capital Financing Activities | (2,783,810) | (3,458,368) | (1,857,381) |
| Investing Activities | 20,023 | 11,733 | 14,475 |
| Net Change in Cash and Cash Equivalents | 80,097 | (2,324,716) | (843,308) |
| Cash – Beginning of Year | 7,436,408 | 9,761,124 | 10,604,432 |
| Cash – End of Year | $ 7,516,505 | $ 7,436,408 | $ 9,761,124 |

Major sources of funds included in operating activities consist of tuition and fees of $4,045,069, contracts and grants of $3,695,318, and auxiliary enterprise charges of $667,157. Major uses of funds under this category were payments made to and on behalf of employees for salaries and benefits amounting to $8,129,562, to suppliers amounting to $2,864,212, and for scholarships and fellowships $1,980,725.

Major sources of cash flow provided from noncapital financing activities consist of State appropriations amounting to $7,229,531 and Federal Pell grant revenues of $3,456,881.

The major cash flow used in capital financing activity was for purchases of capital assets of $1,382,365 and purchases of equipment of $1,037,971.

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

As described in the financial highlights for fiscal year 2016, Fairmont State issued significant outstanding debt when the two institutions were still one. It has been agreed that Fairmont State and Pierpont will share the outstanding bond debt proportionately based on the 10-year average of enrollments. The 2002B Series bonds were issued to acquire improvements to infrastructure, and the 2006 Series bonds were issued to improve facilities of the main campus including the addition of a technology wing, elevator, and HVAC improvements. The 2002 B Series bonds were refinanced in fiscal year 2012 by Fairmont State in conjunction with Pierpont.

The refinanced bonds are payable over twenty years and the 2006 bonds are payable over twenty years from the time of issuance. The remaining debt obligation assigned to Pierpont as of June 30, 2016 was $3,443,691. Principal repayment made during the year by Pierpont amounted to $240,346. The current portion of debt payable due in fiscal year 2016 is $242,227 and the long-term portion of bonds payable is $3,201,464.

The 2012 Series bonds do not require a separate audit on the modified cash basis of accounting as previously required. The audited financial statements of Fairmont State include the bond segment reporting, which is used to calculate the debt service coverage ratio. Fairmont State and Pierpont have complied with all debt service coverage ratio requirements for bonds.

During 2012, the Commission was paid for debt incurred from bonds sold in previous years for the State's colleges and universities. The remaining debt obligation assigned to Pierpont as of June 30, 2016 was $859,177. As of June 30, 2016, the current portion due to the Commission is $63,643, and the long-term portion is $795,534.

The separation of assets and liabilities agreement also documents Pierpont's obligation to continue to collect certain auxiliary fees from students and transfer 100% of these fees to Fairmont State in support of auxiliary operations and bonds indebtedness incurred when the institutions were still one. These original bonds were issued in 2003 and were included in refinancing. This obligation is now part of the Series 2012 bonds. This obligation is discussed in detail in note 16.

**Economic Outlook**

The construction of the North Central Advanced Technology Center (ATC), which began in October 2013, will open for use with the beginning of the Fall 2016 academic term. This 65,000 square foot facility will focus primarily on the delivery of industry-focused technical programs, including Pierpont's Electric Utility Technician Program (Power Systems Institute Program) in partnership with First Energy, Applied Process Technology Program with specializations in Advanced Manufacturing, Energy Systems Operation, and Instrumentation, Petroleum Technology Program, Petroleum Downstream Technologies, Advanced Welding Program, and Information Systems, with additional focus on flexibility to address specific industry training needs as they are identified. The facility will also house allied health programs, including the Medical Laboratory Technology Assistant Program, Health Information Technology Program, and Respiratory Therapy Program, as well as a student services center and administrative offices.

For fiscal year 2016, the West Virginia Legislature implemented a reduction in state appropriations for all West Virginia Community and Technical Colleges. This reduction decreased Pierpont's state appropriations by $354,895 from the amount appropriated in fiscal year 2015. To offset a portion of this reduction in state appropriations, Pierpont implemented cost reduction measures.

Pierpont's unofficial enrollment for the Fall 2016 semester shows a decrease in revenue-generating students. This represents the fourth year of declining enrollments, and Pierpont's Budget Planning Committee believes that Pierpont continues to experience an enrollment corrective period that is moving the institution back to more traditional enrollment levels prior to the significant enrollment growth experienced in 2009, 2010, and 2011. This is reinforced by enrollment trends occurring throughout the State of West Virginia as well as reflective of the changes in the West Virginia high school graduates. Given these facts, the Budget Planning Committee is taking the necessary steps to adjust Pierpont's financial resources to reflect this new reality and is restructuring financial resources to align with those areas of the institution experiencing growth and to support strategic initiatives.

Longer term, Pierpont has developed a strategic marketing and recruitment plan and believes its investments in the ATC scheduled for opening in Fall 2016 are positioning the institution for future stability and will produce dividends in the coming years.

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**STATEMENTS OF NET POSITION**
**JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 7,516,425 | $ 7,436,355 |
| Accounts receivable — net | 381,586 | 575,331 |
| Inventories | 19,499 | 20,640 |
| Total current assets | 7,917,510 | 8,032,326 |
| NONCURRENT ASSETS: | | |
| Cash and cash equivalents | 80 | 53 |
| Other noncurrent assets | 109,107 | 280,725 |
| Capital assets — net | 30,419,921 | 29,118,921 |
| Total noncurrent assets | 30,529,108 | 29,399,699 |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Changes in proportion and differences in pension contributions | 4,231 | - |
| Employer pension contributions | 7,379 | 7,477 |
| Total deferred outflows of resources | 11,610 | 7,477 |
| TOTAL | $ 38,458,228 | $ 37,439,502 |

(Continued)

**STATEMENTS OF NET POSITION**
**JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|---|---|
| **LIABILITIES, DEFERRED INFLOWS, AND NET POSITION** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 558,931 | $ 367,267 |
| Due to Commission | - | 8,085 |
| Due to Fairmont State — current portion | 214,070 | 109,551 |
| Accrued liabilities — payroll | 886,650 | 800,073 |
| Retainages payable | 238,470 | 247,014 |
| Unearned revenue and deposits | 1,108,844 | 1,549,308 |
| Compensated absences — current portion | 288,938 | 329,069 |
| Debt obligation due to Commission — current portion | 63,643 | 60,895 |
| Debt obligation due to Fairmont State — current portion | 242,227 | 217,700 |
| Total current liabilities | 3,601,773 | 3,688,962 |
| NONCURRENT LIABILITIES: | | |
| Other postemployment benefits liability | 3,674,239 | 3,495,913 |
| Due to Fairmont State | 36,806 | 39,272 |
| Compensated absences | 157,906 | 186,042 |
| Debt obligation due to Commission | 795,534 | 865,356 |
| Debt obligation due to Fairmont State | 3,201,464 | 3,466,337 |
| Net pension liability | 56,969 | 55,395 |
| Total noncurrent liabilities | 7,922,918 | 8,108,315 |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Differences between expected and actual experience | 493 | - |
| Changes in proportion and differences in pension contributions | 2,626 | 114 |
| Net difference between projected and actual earnings on pension plan investments | 2,405 | 7,323 |
| Total deferred inflows of resources | 5,524 | 7,437 |
| NET POSITION: | | |
| Net investment in capital assets | 25,850,760 | 24,261,618 |
| Restricted for — expendable: | | |
| Scholarships | 11,715 | 19,843 |
| Capital projects | 2,279,962 | 3,270,914 |
| Debt service | 80 | 53 |
| Total restricted | 2,291,757 | 3,290,810 |
| Unrestricted | (1,214,504) | (1,917,640) |
| Total net position | 26,928,013 | 25,634,788 |
| TOTAL | $ 38,458,228 | $ 37,439,502 |

The Accompanying Notes Are An Integral Part Of These Financial Statements (Concluded)

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**YEARS ENDED JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|---|---|
| OPERATING REVENUES: | | |
| Student tuition and fees — net of scholarship allowance of $3,232,978 and $3,509,339 in 2016 and 2015, respectively | $ 4,459,783 | $ 4,010,795 |
| Auxiliary enterprise revenue | 678,121 | 744,401 |
| Contracts and grants: | | |
| Federal | 991,845 | 903,023 |
| State/local | 2,625,239 | 2,851,623 |
| Private | 482,862 | 466,902 |
| Faculty services revenue | 520,245 | 541,325 |
| Operating costs revenue | 83,636 | 87,466 |
| Support services revenue | 209,769 | 391,539 |
| Miscellaneous — net | 183,467 | 128,156 |
| Total operating revenues | 10,234,967 | 10,125,230 |
| OPERATING EXPENSES: | | |
| Salaries and wages | 6,798,227 | 6,942,928 |
| Benefits | 1,542,385 | 1,634,916 |
| Supplies and other services | 2,762,891 | 2,819,118 |
| Utilities | 16,163 | 17,215 |
| Student financial aid — scholarships and fellowships | 2,220,671 | 2,880,565 |
| Depreciation | 1,285,828 | 1,183,627 |
| Assessment for student activity costs | 57,386 | 120,383 |
| Assessment for auxiliary fees and debt service | 671,754 | 732,807 |
| Assessment for faculty services | 409,893 | 554,985 |
| Assessment for operating costs | 1,681,195 | 1,961,657 |
| Assessment for support services | 1,815,814 | 2,426,549 |
| Loan cancellations and write-offs | 188,624 | 157,211 |
| Fees assessed by the Commission for operations | 116,964 | 133,322 |
| Total operating expenses | 19,567,795 | 21,565,283 |
| OPERATING LOSS | (9,332,828) | (11,440,053) |
| NONOPERATING REVENUES (EXPENSES): | | |
| State appropriations | 7,229,531 | 7,584,426 |
| Federal Pell grant revenue | 3,456,881 | 4,214,002 |
| Gifts | 123,503 | 29,380 |
| E&G capital and debt service support revenue | 686,627 | 700,034 |
| Investment income | 22,239 | 11,526 |
| Gain (loss) on disposal of fixed assets | 11,489 | (21,306) |
| Assessment for E&G capital and debt service costs | (619,008) | (718,643) |
| Fees assessed by the Commission for debt service | (56,586) | (59,333) |
| Fees assessed by the Fairmont State for debt service | (117,979) | (142,586) |
| Net nonoperating revenues | 10,736,697 | 11,597,500 |
| INCREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES, AND TRANSFER | 1,403,869 | 157,447 |
| PAYMENTS MADE AND EXPENSES INCURRED BY THE STATE ON BEHALF OF PIERPONT | 9,226 | 7,395 |
| CAPITAL PROJECTS PROCEEDS FROM THE COMMISSION | - | 9,266 |
| INCREASE IN NET POSITION BEFORE TRANSFER | 1,413,095 | 174,108 |
| TRANSFER OF NET POSITION (TO) FROM FAIRMONT STATE | (119,870) | 362,925 |
| NET INCREASE IN NET POSITION | 1,293,225 | 537,033 |
| NET POSITION — Beginning of year | 25,634,788 | 25,157,603 |
| NET EFFECT OF CHANGE IN ACCOUNTING POLICY | - | (59,848) |
| NET POSITION — Beginning of year (Restated) | 25,634,788 | 25,097,755 |
| NET POSITION — End of year | $ 26,928,013 | $ 25,634,788 |

The Accompanying Notes Are An Integral Part Of These Financial Statements

**STATEMENTS OF CASH FLOWS**
**YEARS ENDED JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Student tuition and fees | $ 4,045,069 | $ 3,594,808 |
| Contracts and grants | 3,695,318 | 3,390,099 |
| Payments to and on behalf of employees | (8,129,562) | (8,416,350) |
| Payments to suppliers | (2,864,212) | (2,834,320) |
| Payments to utilities | (15,262) | (16,873) |
| Payments for scholarships and fellowships | (1,980,725) | (2,690,868) |
| Auxiliary enterprise charges | 667,157 | 739,522 |
| Fees assessed by Commission | (116,964) | (133,322) |
| Other receipts — net | 183,455 | 128,685 |
| Assessment support services | (1,683,372) | (2,426,507) |
| Support services revenue | 197,459 | 391,539 |
| Assessment for student activity costs | (110,845) | (132,974) |
| Student activity support revenue | 53,459 | - |
| Assessment for auxiliary fees and debt service | (671,754) | (813,437) |
| Faculty services revenue | 520,245 | 541,325 |
| Assessment for faculty services | (409,893) | (554,985) |
| Operating support services revenue | 82,907 | 95,290 |
| Assessment for operating cost | (1,694,212) | (1,975,340) |
| Net cash used in operating activities | (8,231,732) | (11,113,708) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| State appropriations | 7,229,531 | 7,660,642 |
| Federal Pell grant revenues | 3,456,881 | 4,214,002 |
| Gift receipt | 52,352 | 24,672 |
| William D. Ford direct lending receipts | 5,406,148 | 6,271,022 |
| William D. Ford direct lending payments | (5,417,952) | (6,260,733) |
| Transfers to Fairmont State | (16,588) | (23,666) |
| Transfers from Fairmont State | 365,244 | 349,688 |
| Net cash provided by noncapital financing activities | 11,075,616 | 12,235,627 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | |
| Capital bond proceeds from State | - | 400,536 |
| Cash proceeds from sale of equipment | 39,955 | - |
| E&G capital and debt service support revenue | 686,627 | 981,835 |
| Fees assessed by the Commission | (56,586) | (59,333) |
| Purchases of capital assets | (1,382,365) | (2,079,858) |
| Purchases of equipment | (1,037,971) | (728,923) |
| Assessment for E&G capital and debt service costs | (619,007) | (1,557,087) |
| Payments to the Commission on debt obligation | (60,460) | (58,492) |
| Payments to Fairmont State on debt obligation | (209,693) | (203,248) |
| Fees assessed by Fairmont State | (144,310) | (153,798) |
| Net cash used in capital financing activities | (2,783,810) | (3,458,368) |
| CASH FLOWS FROM INVESTING ACTIVITY — Investment income | 20,023 | 11,733 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 80,097 | (2,324,716) |
| CASH AND CASH EQUIVALENTS — Beginning of year | 7,436,408 | 9,761,124 |
| CASH AND CASH EQUIVALENTS — End of year | $ 7,516,505 | $ 7,436,408 |

(Continued)

**STATEMENTS OF CASH FLOWS**
**YEARS ENDED JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|---|---|
| RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Operating loss | $ (9,332,828) | $ (11,440,053) |
| Adjustments to reconcile net operating loss to net cash used in operating activities: | | |
| Depreciation expense | 1,285,828 | 1,183,627 |
| Pension expense — special funding situation | 9,226 | 7,395 |
| Net effect of change in accounting policy | - | (59,848) |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | |
| Receivables — net | 29,144 | 78,419 |
| Inventories | 1,140 | 6,358 |
| Deferred outflows of resources | (4,133) | (7,477) |
| Accounts payable | 26,523 | (355,049) |
| Accrued liabilities — payroll | 84,110 | 79,752 |
| Compensated absences | (68,267) | (23,790) |
| Other postemployment benefits liability | 178,326 | 172,385 |
| Net pension liability | 1,574 | 55,395 |
| Deferred inflows of resources | (1,913) | 7,437 |
| Unearned revenue | (651,995) | (817,890) |
| Undistributed receipts — deposits | 211,533 | (369) |
| NET CASH USED IN OPERATING ACTIVITIES | $ (8,231,732) | $ (11,113,708) |
| NONCASH TRANSACTIONS: | | |
| Property additions in accounts payable | $ 356,176 | $ 134,634 |
| Property additions in retainage | $ 238,470 | $ 247,014 |
| Transfer from Fairmont State (exclusive of $16,587 and $273,247 of cash in 2016 and 2015, respectively) | $ (135,369) | $ (21,800) |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION: | | |
| Cash and cash equivalents classified at current | $ 7,516,425 | $ 7,436,355 |
| Cash and cash equivalents classified at noncurrent | 80 | 53 |
| | $ 7,516,505 | $ 7,436,408 |

The Accompanying Notes Are An Integral Part Of These Financial Statements (Concluded)

## 1. ORGANIZATION

Pierpont Community & Technical College (Pierpont) is governed by the Pierpont Community & Technical College Board of Governors (the Board). The Board was established by House Bill 3215, which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges.

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 Pierpont under its jurisdiction; the duty to develop a master plan for Pierpont; the power to prescribe the specific functions and Pierpont's budget request; the duty to review, at least every five years, all academic programs offered at Pierpont; and the power to fix tuition and other fees for the different classes or categories of students enrolled at Pierpont.

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

**Reporting Entity -** Pierpont 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. Pierpont is a separate entity, which, along with all State institutions of higher education, the Council, and the West Virginia Higher Education Policy Commission (the Commission, which includes the West Virginia Network for Educational Telecomputing), forms 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 Pierpont. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from Pierpont's ability to significantly influence operations and accountability for fiscal matters of related entities. Fairmont State Foundation, Inc., doing business as the Pierpont Foundation (the Foundation) and the Fairmont State Alumni Association (the Association) are not part of Pierpont's reporting entity and are not included in the accompanying financial statements since Pierpont has no ability to designate management, cannot significantly influence operations, and is not accountable for the fiscal matters of the Foundation or the Association under GASB.

**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 Pierpont as a whole. Net position is classified into four categories according to external donor restrictions or availability of assets for satisfaction of Pierpont's obligations. Pierpont's net position is classified as follows:

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

*Restricted net position* - *nonexpendable* - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. Pierpont does not have any restricted nonexpendable net position at June 30, 2016 and 2015.

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

**Basis of Accounting** - For financial reporting purposes, Pierpont is considered a special-purpose government engaged only in business-type activities. Accordingly, Pierpont'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 are incurred when materials or services are received.

**Cash and Cash Equivalents** - For purposes of the statements of net position, Pierpont 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 trust agreements when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the West Virginia State Legislature and is subject to oversight by the West Virginia State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short Term Bond Pool and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual audited financial report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd. East, Room E-122, Charleston, West Virginia 25305 or http://www.wvbti.com.

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

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

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

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

**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, and (3) permanently restricted net position are classified as noncurrent assets in the accompanying statements of net position.

**Capital Assets -** Capital assets include plant and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or at fair value at the date of donation in the case of gifts. Interest on related borrowings, net of interest earnings on invested proceeds, is capitalized during the period of construction and was $164,663 and $9,491 for the years ended June 30, 2016 and 2015, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 15 years for land improvements, 7 years for library books, and 3 to 10 years for furniture and equipment.

**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 classified as deposits.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Compensated Absences and Other Postemployment Benefits -** GASB provides standards for the measurement, recognition, and display of other postemployment benefit (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. Pierpont 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 Street SE, Charleston, WV 25304 or http://www.wvpeia.com.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable. Pierpont'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 one-and-a-half 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 on 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 Pierpont. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Net Pension Liability -** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (STRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the STRS fiduciary net position have been determined on the same basis as they are reported in the STRS financial statements, which can be found at https://www.wvretirement.com/Publications.html#CAFR. The plan schedules of STRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and when the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the STRS financial statements. Management of STRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ (see note 12).

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

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

**Risk Management -** The State's Board of Risk and Insurance Management (BRIM) provides general, property and casualty, and liability coverage to Pierpont and its employees. Such coverage may be provided to Pierpont 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 Pierpont or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums Pierpont is currently charged by BRIM and the ultimate cost of that insurance based on Pierpont's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to Pierpont and Pierpont'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, Pierpont has obtained health insurance, life insurance, prescription drug coverage, and coverage for job-related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurers, Pierpont has transferred its risks related to health insurance, life insurance, prescription drug coverage, and job-related injuries.

**Classification of Revenues -** Pierpont 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).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

**Federal Financial Assistance Programs** - Pierpont 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 schools like Pierpont. Direct student loan receivables are not included in Pierpont's statements of net position as the loans are repayable directly to the U.S. Department of Education. In 2016 and 2015, Pierpont received and disbursed approximately $5.4 million and $6.3 million, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense in the statements of revenues, expenses, and changes in net position.

Pierpont also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2016 and 2015, Pierpont was awarded approximately $3.6 million and $4.4 million, respectively, under these federal student aid programs. The distribution of these awards was made on their behalf by Fairmont State.

**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 Pierpont 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 allowance, which reduces 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. Pierpont 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** - Pierpont 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Governmental Accounting Standards Board has also issued Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of GASB Statement No. 82 had no impact on the June 30, 2016 financial statements.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Governmental Accounting Standards Board has also issued Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The College has not yet determined the effect that the adoption of GASB Statement No. 80 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for fiscal years beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The College has not yet determined the effect that the adoption of GASB Statement No. 81 may have on its financial statements.

## 3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2016 and 2015, is as follows:

| | 2016 | | |
|---|---|---|---|
| | Current | Noncurrent | Total |
| State Treasurer | $ 7,514,562 | $ - | $ 7,514,562 |
| Trustee | - | 80 | 80 |
| In bank | 663 | - | 663 |
| On hand | 1,200 | - | 1,200 |
| | $ 7,516,425 | $ 80 | $ 7,516,505 |

| | 2015 | | |
|---|---|---|---|
| | Current | Noncurrent | Total |
| State Treasurer | $ 7,432,905 | $ - | $ 7,432,905 |
| Trustee | - | 53 | 53 |
| In bank | 2,250 | - | 2,250 |
| On hand | 1,200 | - | 1,200 |
| | $ 7,436,355 | $ 53 | $ 7,436,408 |

Cash held by the Treasurer includes no restricted cash at June 30, 2016 and 2015.

The combined carrying amount of cash in the bank at June 30, 2016 and 2015 was $0 and $2,250, respectively, as compared with the combined bank balance of $332,324 and $194,724, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.

Amounts with the State Treasurer as of June 30, 2016 and 2015, are comprised of three investment pools, the WV Money Market Pool, the WV Government Money Market Pool, and the WV Short Term Bond Pool.

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

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

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

## 3. CASH AND CASH EQUIVALENTS (continued)

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

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

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

| | 2016 | | 2015 | |
|---|---|---|---|---|
| External Pool | Carrying Value (in Thousands) | Effective Duration (Days) | Carrying Value (in Thousands) | Effective Duration (Days) |
| WV Short Term Bond Pool | $ 790,750 | 462 | $ 761,526 | 410 |

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

*Custodial Credit Risk* - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, Pierpont 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. Pierpont’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. Pierpont has no securities with foreign currency risk.

## 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 and 2015, are as follows:

| | 2016 | 2015 |
|---|---|---|
| Student tuition and fees — net of allowance for doubtful accounts of $1,818,971 and $1,630,347, respectively | $ 244,250 | $ 235,489 |
| Due from Council | 101,313 | 85,781 |
| Due from Commission | 3,773 | 10,551 |
| Due from other State agencies | 1,403 | 19,089 |
| Due from Fairmont State | 13,827 | 167,052 |
| Grants and contracts receivable | 17,020 | 57,369 |
| | $ 381,586 | $ 575,331 |

**NOTES TO FINANCIAL STATEMENTS**
**YEARS ENDED JUNE 30, 2016 AND 2015**

## 5. CAPITAL ASSETS

A summary of capital assets transactions for Pierpont for the years ended June 30, 2016 and 2015 is as follows:

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Transfers | Additions | Reductions | Ending Balance |
| Capital assets not being depreciated: | | | | | |
| Land | $ 376,000 | $ - | $ - | $ - | $ 376,000 |
| Construction in progress | 3,122,584 | (421) | 1,904,122 | (784,361) | 4,241,924 |
| Total capital assets not being depreciated | $ 3,498,584 | $ (421) | $ 1,904,122 | $ (784,361) | $ 4,617,924 |
| Other capital assets: | | | | | |
| Land improvements | $ 699,542 | $ (4,995) | $ 133,371 | $ - | $ 827,918 |
| Infrastructure | 5,257,251 | (37,541) | - | - | 5,219,710 |
| Buildings | 30,888,065 | (217,707) | 415,768 | - | 31,086,126 |
| Equipment | 2,998,304 | (2,374) | 1,113,774 | (44,000) | 4,065,704 |
| Computer software | 223,000 | - | - | (223,000) | - |
| Library books | 1,858,208 | (13,269) | 2,567 | (132,320) | 1,715,186 |
| Total other capital assets | 41,924,370 | (275,886) | 1,665,480 | (399,320) | 42,914,644 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | 282,304 | (2,015) | 46,946 | - | 327,235 |
| Infrastructure | 3,421,470 | (24,432) | 299,807 | - | 3,696,845 |
| Buildings | 9,202,548 | (65,603) | 590,991 | - | 9,727,936 |
| Equipment | 1,396,303 | (1,337) | 320,460 | (38,867) | 1,676,559 |
| Computer software | 184,668 | - | 14,999 | (199,667) | - |
| Library books | 1,816,740 | (12,973) | 12,625 | (132,320) | 1,684,072 |
| Total accumulated depreciation | 16,304,033 | (106,360) | 1,285,828 | (370,854) | 17,112,647 |
| Other capital assets — net | $25,620,337 | $ (169,526) | $ 379,652 | $ (28,466) | $25,801,997 |
| Capital asset summary: | | | | | |
| Capital assets not being depreciated | $ 3,498,584 | $ (421) | $ 1,904,122 | $ (784,361) | $ 4,617,924 |
| Other capital assets | 41,924,370 | (275,886) | 1,665,480 | (399,320) | 42,914,644 |
| Total cost of capital assets | 45,422,954 | (276,307) | 3,569,602 | (1,183,681) | 47,532,568 |
| Less accumulated depreciation | 16,304,033 | (106,360) | 1,285,828 | (370,854) | 17,112,647 |
| Capital assets — net | $29,118,921 | $ (169,947) | $ 2,283,774 | $ (812,827) | $30,419,921 |

## 5. CAPITAL ASSETS (CONTINUED)

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Transfers | Additions | Reductions | Ending Balance |
| Capital assets not being depreciated: | | | | | |
| Land | $ 376,000 | $ - | $ - | $ - | $ 376,000 |
| Construction in progress | 958,498 | (2,170) | 2,531,866 | (365,610) | 3,122,584 |
| Total capital assets not being depreciated | $ 1,334,498 | $ (2,170) | $ 2,531,866 | $ (365,610) | $ 3,498,584 |
| Other capital assets: | | | | | |
| Land improvements | $ 500,043 | $ (7,185) | $ 206,684 | $ - | $ 699,542 |
| Infrastructure | 5,333,896 | (76,645) | - | - | 5,257,251 |
| Buildings | 31,207,473 | (442,688) | 158,925 | (35,645) | 30,888,065 |
| Equipment | 2,254,227 | (4,720) | 748,797 | - | 2,998,304 |
| Computer software | 223,000 | - | - | - | 223,000 |
| Library books | 2,032,604 | (29,208) | 17,738 | (162,926) | 1,858,208 |
| Total other capital assets | 41,551,243 | (560,446) | 1,132,144 | (198,571) | 41,924,370 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | 248,562 | (3,572) | 37,314 | - | 282,304 |
| Infrastructure | 3,152,615 | (45,302) | 314,157 | - | 3,421,470 |
| Buildings | 8,747,664 | (125,594) | 594,817 | (14,339) | 9,202,548 |
| Equipment | 1,197,483 | (2,258) | 201,078 | - | 1,396,303 |
| Computer software | 164,668 | - | 20,000 | - | 184,668 |
| Library books | 1,992,030 | (28,625) | 16,261 | (162,926) | 1,816,740 |
| Total accumulated depreciation | 15,503,022 | (205,351) | 1,183,627 | (177,265) | 16,304,033 |
| Other capital assets — net | $ 26,048,221 | $ (355,095) | $ (51,483) | $ (21,306) | $25,620,337 |
| Capital asset summary: | | | | | |
| Capital assets not being depreciated | $ 1,334,498 | $ (2,170) | $ 2,531,866 | $ (365,610) | $ 3,498,584 |
| Other capital assets | 41,551,243 | (560,446) | 1,132,144 | (198,571) | 41,924,370 |
| Total cost of capital assets | 42,885,741 | (562,616) | 3,664,010 | (564,181) | 45,422,954 |
| Less accumulated depreciation | 15,503,022 | (205,351) | 1,183,627 | (177,265) | 16,304,033 |
| Capital assets — net | $ 27,382,719 | $ (357,265) | $ 2,480,383 | $ (386,916) | $29,118,921 |

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

## 5. CAPITAL ASSETS (CONTINUED)

During December 2010, Fairmont State was approved to receive $18,700,000 of Education, Arts, Science, and Tourism (EAST) bond proceeds to be specifically used for four major renovation projects. During fiscal year 2015, additional funds in the amount of $27,569 were approved for Pierpont. These bond proceeds were accounted for as prescribed in the Separation of Assets and Liabilities Agreement between Fairmont State and Pierpont. As of June 30, 2015, $18,727,569 had been incurred for HEPC bond projects. No additional funds were approved or incurred during fiscal year 2016. The West Virginia Development Office is responsible for repayment of this debt.

Pierpont has construction commitments of $563,950 as of June 30, 2016.

Title for certain assets recorded above remains with Fairmont State.

## 6. LONG-TERM LIABILITIES

Long-term obligation activities for the years ended June 30, 2016 and 2015 are as follows:

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning Balance | Transfers* | Additions | Reductions | Ending Balance | Current Portion |
| Other postemployment benefits liability | $ 3,495,913 | $ - | $ 417,563 | $ (239,237) | $ 3,674,239 | $ - |
| Due to Fairmont State | 148,823 | - | 102,053 | - | 250,876 | 214,070 |
| Accrued compensated absences | 515,111 | - | 160,853 | (229,120) | 446,844 | 288,938 |
| Debt obligation due to the Commission | 926,251 | (6,614) | - | (60,460) | 859,177 | 63,643 |
| Debt obligation due to Fairmont State | 3,684,037 | (8,842) | - | (231,504) | 3,443,691 | 242,227 |
| Net pension liability | 55,395 | - | 13,040 | (11,466) | 56,969 | - |
| Total long-term liabilities | $ 8,825,530 | $ (15,456) | $ 693,509 | $ (771,787) | $ 8,731,796 | $ 808,878 |

*Transfers represent the ownership change from FY15 to FY16

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning Balance | Transfers* | Additions | Reductions | Ending Balance | Current Portion |
| Other postemployment benefits liability | $ 3,323,527 | $ - | $ 443,382 | $ (270,996) | $ 3,495,913 | $ - |
| Due to Fairmont State | 767,641 | - | - | (618,818) | 148,823 | 109,551 |
| Accrued compensated absences | 538,901 | - | 285,691 | (309,481) | 515,111 | 329,069 |
| Debt obligation due to the Commission | 999,100 | (14,357) | - | (58,492) | 926,251 | 60,895 |
| Debt obligation due to Fairmont State | 3,948,398 | (57,292) | - | (207,069) | 3,684,037 | 217,700 |
| Net pension liability | - | - | 55,395 | - | 55,395 | - |
| Total long-term liabilities | $ 9,577,567 | $ (71,649) | $ 784,468 | $ (1,464,856) | $ 8,825,530 | $ 717,215 |

*Transfers represent the ownership change from FY14 to FY15

## 7. LEASES

**Operating Leases -** Pierpont leases office and storage spaces and various equipment. These obligations are accounted for as operating leases.

Future annual minimum lease payments on operating leases for the year ending June 30, 2017 total $36,827.

Total lease expense for the years ended June 30, 2016 and 2015, was $419,695 and $407,083, respectively. Pierpont does not have any noncancelable leases.

**Capital Leases -** Pierpont currently has no leases classified as capital leases.

## 8. OTHER POSTEMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2016, 2015, and 2014, the noncurrent liability related to OPEB costs was $3,674,239, $3,495,913, and $3,323,527, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $417,563 and $43,362 respectively, during 2016, or 10%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $443,382 and $45,249 respectively, during 2015, or 10%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $357,781 and $39,399, respectively, during 2014, or 11%. As of June 30, 2016, 2015, and 2014, there were 56, 61, and 63, respectively, retirees receiving these benefits. During the 2013 legislative session, the State took proactive measures to address this unfunded liability, which will take effect in future fiscal years and fully fund the liability by 2037.

## 9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

Pierpont is a State institution of higher education, and Pierpont 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 Pierpont’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 Pierpont. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of Pierpont and College Systems (the Boards). These obligations administered by the Municipal Bond Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

## 9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

The Municipal Bond 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. During 2016 and 2015, Pierpont reduced its debt to the Commission against the debt obligation by $67,074 and $72,849, respectively. The amount due to Commission at June 30, 2016 and 2015 is $859,177 and $926,251, respectively.

## 10. FAIRMONT STATE UNIVERSITY INDEBTEDNESS

Due to HB 3215, which mandated a separation between Fairmont State and Pierpont, an agreement was made with regards to outstanding bond debt that was issued to Fairmont State while the two institutions were still as one. It was agreed that Fairmont State and Pierpont would share the outstanding bond debt proportionately based on a 10-year average of enrollments, due to the fact that the two institutions maintain a shared campus where the shared facilities funded by the bonds are located. On June 12, 2012, Fairmont State, in conjunction with Pierpont, issued Revenue Refunding Bonds, Series 2012 A in the principal amount of $20,165,000 and Revenue Refunding Bonds, Series 2012 B in the principal amount of $30,160,000. Pierpont Board of Governors signed the bond indenture to evidence its agreement to certain covenants contained in the indenture, which are applicable to Pierpont and to the pledge of fees imposed by it. Although the bonds remain as a capital obligation of Fairmont State, an estimate of the obligation of Pierpont is reported as a long-term payable to Fairmont State on Pierpont's financial statements and as a receivable on Fairmont State's financial statements. During 2016 and 2015, Pierpont's liability was reduced by $240,346 and $264,361, respectively. The amount due to Fairmont State at June 30, 2016 and 2015 is $3,443,691 and $3,684,037, respectively.

## 11. NET POSITION

Pierpont's net position at June 30, 2016 and 2015 includes certain designated net position, as follows:

| | 2016 | | |
|---|---|---|---|
| | **Net Position Before OPEB Liability** | **OPEB Liability** | **Total Net Position** |
| Net investment in capital assets | $ 25,850,760 | $ - | $ 25,850,760 |
| Restricted for — expendable: | | | |
| Scholarships | 11,715 | - | 11,715 |
| Capital projects | 2,279,962 | - | 2,279,962 |
| Debt service | 80 | - | 80 |
| Total restricted | 2,291,757 | - | 2,291,757 |
| Unrestricted: | | | |
| Designated for auxiliaries | 10,773 | - | 10,773 |
| Designated for Fund managers | 1,107,604 | - | 1,107,604 |
| Undesignated | 1,341,358 | 3,674,239 | (2,332,881) |
| Total unrestricted | 2,459,735 | 3,674,239 | (1,214,504) |
| Total net position | $ 30,602,252 | $ 3,674,239 | $ 26,928,013 |

## 11. NET POSITION (CONTINUED)

| | 2015 | | |
|---|---|---|---|
| | Net Position Before OPEB Liability | OPEB Liability | Total Net Position |
| Net investment in capital assets | $ 24,261,618 | $ - | $ 24,261,618 |
| Restricted for — expendable: | | | |
| Scholarships | 19,843 | - | 19,843 |
| Capital projects | 3,270,914 | - | 3,270,914 |
| Debt service | 53 | - | 53 |
| Total restricted | 3,290,810 | - | 3,290,810 |
| Unrestricted: | | | |
| Designated for auxiliaries | 13,626 | - | 13,626 |
| Designated for Fund managers | 594,449 | - | 594,449 |
| Undesignated | 970,198 | 3,495,913 | (2,525,715) |
| Total unrestricted | 1,578,273 | 3,495,913 | (1,917,640) |
| Total net position | $ 29,130,701 | $ 3,495,913 | $ 25,634,788 |

## 12. RETIREMENT PLANS

Substantially all full-time employees of Pierpont participate in either the West Virginia Teachers' Retirement System (STRS) or the Teachers' Insurance and Annuities Association - College Retirement Equities Fund (TIAA-CREF). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants. Current participants in the STRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan. Contributions to and participation in the West Virginia Teachers' Defined Contribution Plan by Pierpont 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 Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan.

## 12. RETIREMENT PLANS (CONTINUED)

### DEFINED BENEFIT PENSION PLAN

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

As related to the implementation of GASB 68, following are Pierpont's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal years ended June 30, 2016 and 2015:

| STRS | 2016 | 2015 |
|---|---|---|
| Net pension liability | $ 56,969 | $ 55,395 |
| Deferred outflows of resources | 11,610 | 7,477 |
| Deferred inflows of resources | 5,524 | 7,437 |
| Revenues | 9,226 | 7,395 |
| Pension expense | 13,117 | 10,379 |
| Contributions made by Pierpont | 7,379 | 7,477 |

***Plan Description***

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

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

***Benefits Provided***

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

## 12. RETIREMENT PLANS (CONTINUED)

***Contributions***

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

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

**Employer Contributions**: Employers make the following contributions:

The State (including institutions of higher education) contributes:

- 15% of gross salary of their State-employed members hired prior to July 1, 1991;
- 15% of School Aid Formula (SAF) covered payroll of county-employed members for entities other than institutions of higher education;
- 7.5% of SAF covered payroll of members of the Teachers' Defined Contribution Retirement System for entities other than institutions of higher education;
- a certain percentage of fire insurance premiums paid by State residents; and
- under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the STRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2016 and 2015, Pierpont's proportionate share attributable to this special funding subsidy was $9,226 and $7,395, respectively.

Pierpont's contributions to STRS for the years ended June 30, 2016, 2015, and 2014, were $7,379, $7,477, and $7,397, respectively.

***Assumptions***

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2014 and 2013 and rolled forward to June 30, 2015 and 2014, respectively. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return: 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: 1.9%.
- Discount rate: 7.5%.
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 1.2-30% and non-teachers 1.4-22.5%.
- Disability rates: 0-0.88%.

## 12. RETIREMENT PLANS (CONTINUED)

- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%.
- Ad hoc cost-of-living increases in pensions are periodically granted by the Legislature. However, the retirement system makes no automatic provision for such increases.

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

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

| Asset Class | Long-term Expected Real Rate of Return | Target Allocation |
|---|---|---|
| Domestic equity | 7.0% | 27.5% |
| International equity | 7.7% | 27.5% |
| Core fixed income | 2.7% | 7.5% |
| High-yield fixed income | 5.5% | 7.5% |
| Real estate | 5.6% | 10.0% |
| Private equity | 9.4% | 10.0% |
| Hedge funds | 4.7% | 10.0% |

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

## 12. RETIREMENT PLANS (CONTINUED)

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| Net pension liability | $ 73,855 | $ 56,969 | $ 42,469 |

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

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

At June 30, 2016, Pierpont's proportionate share of the STRS net pension liability was $186,981. Of this amount, Pierpont recognized $56,969 as its proportionate share on the statement of net position. The remainder of $130,012 denotes Pierpont's proportionate share of net pension liability attributable to the special funding.

At June 30, 2015, Pierpont's proportionate share of the STRS net pension liability was $180,564. Of this amount, Pierpont recognized $55,395 as its proportionate share on the statement of net position. The remainder of $125,169 denotes Pierpont's proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to STRS for each of the fiscal years ended June 30, 2015 and 2014. Employer contributions are recognized when due. At the June 30, 2015 measurement date, Pierpont's proportion was 0.001644%, an increase of 0.000038% from its proportion of 0.001606% calculated as of June 30, 2014.

For the year ended June 30, 2016, Pierpont recognized STRS pension expense of $13,117. Of this amount, $3,891 was recognized as Pierpont's proportionate share of the STRS expense and $9,226 as the amount of pension expense attributable to special funding from a non-employer contributing entity. Pierpont also recognized revenue of $9,226 for support provided by the State.

For the year ended June 30, 2015, Pierpont recognized STRS pension expense of $10,379. Of this amount, $2,984 was recognized as Pierpont's proportionate share of the STRS expense and $7,395 as the amount of pension expense attributable to special funding from a non-employer contributing entity. Pierpont also recognized revenue of $7,395 for support provided by the State.

## 12. RETIREMENT PLANS (CONTINUED)

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

| June 30, 2016 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes in proportion and difference between employer contributions and proportionate share of contributions | $ 4,231 | $ 2,626 |
| Net difference between projected and actual investment earnings | - | 2,405 |
| Differences between expected and actual experience | - | 493 |
| Contributions after the measurement date | 7,379 | - |
| Total | $ 11,610 | $ 5,524 |

| June 30, 2015 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes in proportion and difference between employer contributions and proportionate share of contributions | $ - | $ 114 |
| Net difference between projected and actual investment earnings | - | 7,323 |
| Contributions after the measurement date | 7,477 | - |
| Total | $ 7,477 | $ 7,437 |

Pierpont will recognize the $7,379 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the STRS net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in STRS pension expense as follows:

| Fiscal Year Ended June 30, | Amortization |
|---|---|
| 2017 | $ (296) |
| 2018 | (296) |
| 2019 | (296) |
| 2020 | (296) |
| 2021 | (296) |
| Thereafter | 187 |
| | $ (1,293) |

## 12. RETIREMENT PLANS (CONTINUED)

***Payables to the Pension Plan***

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

**DEFINED CONTRIBUTION BENEFIT PLANS**

The TIAA-CREF and Educators Money are defined contribution benefit plans in which benefits are based solely upon amounts contributed, plus investment earnings. Employees who elect to participate in these plans are required to make a contribution equal to 6% of total annual compensation for the years ended June 30, 2016, 2015, and 2014. Pierpont 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 Pierpont.

Total contributions to the TIAA-CREF for the years ended June 30, 2016, 2015, and 2014, were $648,214, $657,114, and $670,586, respectively, which consisted of equal contributions from Pierpont and covered employees of $324,107, $328,557, and $335,293, respectively.

Total contributions to Educators Money for the years ended June 30, 2016, 2015, and 2014, were $42,478, $56,088, and $48,572, respectively, which consisted of $21,239, $28,044, and $24,286, from both Pierpont and from covered employees, respectively.

Pierpont's total payroll for the year ended June 30, 2016, was $6,694,983, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were $49,195, $5,393,449, and $353,980, respectively.

Pierpont's total payroll for the year ended June 30, 2015, was $6,950,961, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were $49,845, $5,475,952, and $467,399, respectively.

Pierpont's total payroll for the year ended June 30, 2014, was $7,267,965, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were $49,311, $5,588,219, and $403,329, respectively.

## 13. FAIRMONT STATE FOUNDATION, INC.

The Fairmont State Foundation, Inc. (the Foundation) is a separate nonprofit organization incorporated in the State whose purpose is to benefit the work and services of Fairmont State and Pierpont and their affiliated nonprofit organizations. The Foundation has a board of directors authorized to have 40 members selected by its Board members. At present, there are 26 members. In carrying out its responsibilities, the board of directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. The economic resources of the Foundation do not entirely benefit Pierpont. Since Pierpont was part of Fairmont State for many years, the Foundation has obtained resources designated for Pierpont's programs and/or students. The Foundation currently supports both Fairmont State and Pierpont, and there is no specific allocation plan at this time. Endowments designated to benefit Pierpont are under the control and management of the Foundation. Accordingly, the financial statements of the Foundation are not included in the accompanying financial statements because it is not entirely or almost entirely for the benefit of Pierpont.

## 13. FAIRMONT STATE FOUNDATION, INC. (CONTINUED)

The Foundation's assets totaled $24,126,579 and $23,704,636 at June 30, 2016 and 2015, with net assets of $24,059,529 and $23,549,718, respectively. Gifts, grants, and bequests to the Foundation totaled $2,673,509 and $2,135,385 in fiscal years 2016 and 2015, respectively.

Total funds expended by the Foundation in support of Pierpont activities totaled $169,322 and $64,671 during 2016 and 2015, respectively.

## 14. AFFILIATED ORGANIZATION

Pierpont has a separately incorporated affiliated organization, the Fairmont State Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with Pierpont. Accordingly, the financial statements of this organization are not included in Pierpont's accompanying financial statements under the blended component unit requirements. It is not included in Pierpont's accompanying financial statements under the discretely presented component unit requirements as (1) it is not material, and (2) it has dual-purposes (i.e. not entirely or almost entirely for the benefit of Pierpont).

## 15. RELATED-PARTY TRANSACTIONS

Pierpont and Fairmont State enter into an annual contractual agreement to establish the contractual services that will be provided by both institutions. These contract services are referred to as chargeback services and occur from each institution to the other. The definition of a chargeback service is a service provided from teaching, administrative, academic support, student services, and physical plant support areas of Pierpont to Fairmont State or vice versa. Chargeback services costs range from teaching services to everyday upkeep of the facilities. The chargeback agreement also provides for the transfer of auxiliary, capital, and student activity fee revenues from the institution in which the student is enrolled to the fund from which the operating, capital, and debt service expenditures will be paid. These transfers are primarily pledged revenues to bond funds and are required by bond covenants. A contractual agreement may be negotiated for services to be provided until the governing boards of both institutions mutually agree to end the contract agreement. Currently, a chargeback agreement for fiscal year 2016 has been negotiated and approved by the Boards of Governors of both Pierpont and Fairmont State. Additional information regarding these transactions may be found in the Component Parts Financial Data section of the Note to Schedules.

## 15. RELATED-PARTY TRANSACTIONS (CONTINUED)

Fiscal year 2016 and 2015 transactions associated with the chargeback agreement are as follows:

| | 2016 | 2015 |
|---|---|---|
| Revenues: | | |
| Faculty services revenue | $ 520,245 | $ 541,325 |
| Operating costs revenue | 83,636 | 87,466 |
| Support services revenue | 209,769 | 391,539 |
| E&G capital and debt service support revenue | 686,627 | 700,034 |
| Expenses: | | |
| Assessment for student activity costs | 57,386 | 120,383 |
| Assessment for auxiliary fees and debt service | 671,754 | 732,807 |
| Assessment for faculty services | 409,893 | 554,985 |
| Assessment for operating costs | 1,681,195 | 1,961,657 |
| Assessment for support services | 1,815,814 | 2,426,549 |
| Assessment for E&G capital and debt service costs | 619,008 | 718,643 |

Pierpont does not show any revenue for auxiliary support services due to Fairmont State's ownership of the auxiliaries.

## 16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT

House Bill 3215, effective July 1, 2008, provided for a separate governing board for Pierpont Community & Technical College. This new legislation defines a statewide network of independently-accredited community and technical colleges and required the newly established Pierpont Board of Governors and Fairmont State University Board of Governors to jointly agree on a division of assets and liabilities. This agreement was executed on December 15, 2009, and was effective retroactively to July 1, 2009. The legislation requires a separate financial statement audit for Pierpont effective for fiscal year 2010 and all years thereafter.

The Board of Governors of Pierpont Community & Technical College and the Board of Governors of Fairmont State University recognize the historical association between the two institutions and the benefit of collaboration to the students. The preamble to the Separation of Assets and Liabilities Agreement that supports these statements reads as follows:

*"The Board of Governors of Fairmont State University (BOG-FSU) and the Board of Governors of Pierpont Community and Technical College (BOG-PCTC) jointly endeavor to separate assets and liabilities in accordance with the provisions of HB3215, 2008. Despite the legal separation of the two institutions, the BOG-FSU and the BOG-PCTC wish to maintain the collaborative and cooperative spirit that has characterized the historical relationship between Pierpont and Pierpont.*

## 16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

*The BOG-FSU and the BOG-PCTC recognize the historical association between the two institutions. The institution that is today Pierpont Community and Technical College grew from and was sponsored by Fairmont State University. Both institutions have been and, for the foreseeable future, will be co-located on a single campus in Fairmont, West Virginia. Both institutions have proportionally coordinated, shared, and paid for instructional services, course schedules, facilities, information systems, admissions processes, auxiliary functions, housing, debt service, development and advancement services, student activities and programs, and all the other resources necessary to deliver a high-quality postsecondary education experience.*

*Students have benefited and will continue to benefit from the relationship between Fairmont State University (FSU) and Pierpont Community and Technical College (PCTC). Those benefits include a wider range of instructional programs than would be available through an individual institution's offerings; a lower cost of attendance realized from shared institutional infrastructure and reduced duplication of facilities, personnel, and services; and a more diverse mix of student backgrounds, interests, experiences, abilities, and ambitions.*

*Although the BOG-FSU and the BOG-PCTC recognize the necessity of separation of assets and liabilities, both pledge themselves to continuing, fostering, and promoting collaborative and cooperative relationships between the two institutions. Such relations respect the historical association that has existed between FSU and PCTC. Such relations are to the benefit and best interest of the students at both institutions. Such relations recognize the proportional participation in institutional operations. Such relations recognize that the two institutions have been, are, and will be co-located on one site. Such relations demonstrate responsible stewardship of public resources by achieving efficiencies and synergies that would otherwise not be possible. Therefore, the Board of Governors of Fairmont State University and the Board of Governors of Pierpont Community and Technical College incorporate into their agreement to separate assets and liabilities this pledge of perpetual cooperation and collaboration."*

With both Pierpont and Fairmont State Boards of Governors promoting collaboration, the Separation of Assets and Liabilities Agreement was executed to comply with the guidelines established through West Virginia Legislation as stated in the agreement as follows:

*"**WHEREAS**, West Virginia Code - §18B-2A-7a(e)(2008 supp.) states "For purposes of generating audited financial statements for inclusion in the higher education fund and state single audits, the division of all assets and liabilities shall be effective retroactively to the first day of July, two thousand nine."*

*and*

***WHEREAS**, West Virginia Code - §18B-2A-7a(2008 supp.) states as follows:*

*(g) Each former sponsoring institution and community and technical college shall enter into a comprehensive agreement to address the division of assets and liabilities and the allocation of revenues and expenditures between former sponsoring institutions and newly independent community and technical colleges.*

## 16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

*(h) Absent manifest injustice as determined jointly by the Council and Commission, the following general principles apply to the division of assets and liabilities and allocation of revenues and expenditures between former sponsoring institutions and the newly independent community and technical colleges:*

*(1) For accounting purposes, the institution that assumes responsibility for any asset also shall assume responsibility for any associated liabilities.*

*(2) Although one institution may assume responsibility for an asset and associated liabilities for accounting purposes, both institutions shall agree on their respective responsibilities for reducing and ultimately eliminating the liability over time if the asset was originally acquired and/or is being used for the benefit of both institutions.*

*(A) Any agreement to allocate system and institutional educational and general and auxiliary debt service payments shall be consistent with the provisions of all applicable bond covenants.*

*(B) Absent a controlling bond covenant or other agreement, debt service payments associated with bond indebtedness presumptively shall be allocated based on the relative full-time equivalent student enrollment of the two institutions either as a whole or on the campus where the asset is located and may be adjusted annually to reflect enrollment changes at the two institutions.*

*(3) The institutions shall agree to allocate educational and auxiliary capital fees in excess of those needed to cover bonded indebtedness to ensure that assets of both institutions are maintained in proper repair and that the institutions assume responsibility for a reasonable share of the total costs of maintaining the facilities.*

*(4) The institutions shall develop a plan that ensures the financial stability of auxiliary enterprises, including but not limited to, student housing, student centers, dining services, parking, and athletics through fiscal year two thousand twelve.*

*(A) If community and technical college students pay a mandatory athletics fee for the benefit of a sponsoring institution, but receive no direct benefit from that fee, the community and technical college may phase out that fee over a five-year period.*

*(B) If certain community and technical college students were required to live in institution housing consistent with rules or policies in effect on the effective date of this section, the former sponsoring institution may continue to require these students to live in institution housing for at least one year."*

The Agreement also provides specific language in relation to outstanding bond indebtedness.

On June 12, 2012, Fairmont State, in conjunction with Pierpont, issued Revenue Refunding Bonds, Series 2012A in the principal amount of $20,165,000 and Revenue Refunding Bonds, Series 2012B in the principal amount of $30,160,000. Pierpont Board of Governors signed the Bond Indenture to evidence its agreement to certain covenants contained in the Indenture, which are applicable to Pierpont and to the pledge of fees imposed by it. The Official Statement for the bonds states, "*Pierpont is obligated to pay a portion of the debt service on the Series 2012 Bonds pursuant to a Separation of Assets and Liabilities Agreement, dated December 15, 2009, by and between the Issuer and Pierpont.*"

## 16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

The Official Statement provides information to further explain the Separation of Assets Agreement and the application of it to all existing and future bond covenants.

Therefore, the Agreement pertains to the following current outstanding bond indebtedness:

(A) *Revenue Refunding Bonds 2012, Series A and Revenue Refunding Bonds 2012, Series B* — On June 12, 2012, Fairmont State, in conjunction with Pierpont, issued Revenue Refunding Bonds Series A and Revenue Refunding Bonds Series B (the 2012 Bonds) amounting to $20,165,000 and $30,160,000, respectively. The 2012A Bonds were issued to (1) currently refund in full the outstanding 2002A and 2002B Bonds, and (2) pay the costs of issuance of the Series 2012A Bonds and related costs. The 2012 Bonds were issued to (1) advance refund in full the outstanding 2003A and 2003B Bonds, and (2) pay the costs of issuance of the Series 2012B Bonds and related costs.

(B) Fairmont State Board of Governors Subordinate Facilities Improvement Revenue Bonds, Series 2006 (the Series 2006 Bonds; the Series 2002A Bonds, the Series 2002B Bonds, the Series 2003A Bonds, the Series 2003B Bonds, and the Series 2006 Bonds are hereinafter referred to together as the Bonds), issued in the principal amount of $8,500,000 pursuant to a Bond Authorizing Resolution adopted on May 3, 2006 (as supplemented and amended, the 2006 Resolution; the 2002A Indenture, the 2002B Indenture, the 2003A Indenture, the 2003B Indenture, and the 2006 Resolution, together with the other documents authorizing, securing, or otherwise relating to the Bonds, are hereinafter referred to together as the Bond Documents), and currently outstanding in the principal amount of $5,113,038 and $5,517,429 updated as of June 30, 2016 and 2015, respectively.

The Agreement further states the following in regard to bond indebtedness:

***"WHEREAS****, in addition to the statutory requirements described above, the Bond Documents define Pierpont or University to include any successor thereto and, as such, bind both FSU and PCTC, and both FSU and PCTC have copies of the Bond Documents.*

*and*

***WHEREAS****, the Bond Documents set forth controlling bond covenants and require pledged revenues, and the intent of this document is to adhere to all existing and future bond covenants."*

The Boards of Governors of Pierpont and Fairmont State agreed to the following terms for Separation of Assets and Liabilities to comply with the above stated West Virginia State Code and bond covenants:

*"Education and General Equipment Assets:*

1. *Equipment assets regardless of whether they are charged back, whether they be presently owned or purchased in the future by either the FSU or the PCTC will be owned by the institution that the equipment was intended for and reflected on the appropriate institution's equipment schedule.*

*Education and General Buildings and Infrastructure:*

1. *All capital and infrastructure fees assessed to both FSU and PCTC students for the purpose of paying E&G building and infrastructure bonds, and provide for repair and renovation of same, continue to be collected under the terms outlined in the bond covenants.*

## 16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

2. *All E&G Capital Fee Revenue and Infrastructure Capital Fee Revenue in excess of bond payments will be used for repair and renovation projects. When sufficient E&G and Infrastructure Capital excess revenues are available to bond for additional new capital project improvements, the E&G, and Infrastructure Capital Fees will be utilized and/or retained for that specific purpose. Both the FSU and the PCTC assume a shared responsibility proportionate to the full-time equivalent (FTE) enrollment of each institution for the total cost of maintaining the facilities.*

3. *Joint ownership of the E&G and Infrastructure Capital Assets and Liabilities shall be reflected on each Institution's Financial Statements at the end of each year. The percentage of ownership of assets and liabilities will be assigned and based on the average fall term census date credit hour enrollments (FTE) over the most recent ten (10) years.*

4. *All land assets will be owned by FSU and land deeds will stay in the name of FSU Board of Governors.*

5. *Should either institution, after paying off all E&G and Auxiliary bond debt, upon proper acknowledgement of its ongoing obligations under existing bond covenants, decide to build and move its own campus, that institution agrees to sell its ownership rights to the E&G building assets to the other institution at an agreed upon price.*

6. *All new capital projects that are provided to FSU and PCTC through state appropriations, bonding and/or student capital fee initiatives, that add to the joint ownership of assets and liabilities on a shared campus, will be assigned proportionately based on the average fall term census date credit hour enrollments (FTE) over the most recent ten (10) years. Any capital project designated to only FSU or only to PCTC and not located on a shared campus will be added to the assets and liabilities of the institution to which the capital project is specified.*

*Auxiliary Enterprises:*

1. *Assets and related liabilities of the Auxiliary Enterprises (Athletics, Bookstore, Conference Center, Convenience Store, Copy Center, Facilities [Parking & Security], Housing, and Recreation Center) are owned by FSU and all students of both FSU and PCTC who attend class on the main campus and/or pay user fees will have access to these facilities and activities.*

2. *All auxiliary-related student fees approved by the FSU BOG and the PCTC BOG and the Higher Education Policy Commission and the Community and Technical College Council, for the operation, debt service, and repair and maintenance of auxiliary enterprise facilities will be dedicated and provided to those specific Auxiliary Funds for appropriate indicated purposes. All Auxiliary net revenues annually are designated to support future costs of the auxiliary enterprise fund(s) and are managed by FSU for the benefit of each auxiliary enterprise.*

3. *Auxiliary Enterprise Bond Covenant obligations of FSU and PCTC will be met by continuing to honor the requirements stipulated in those covenants, and both FSU and PCTC students will be required to pay the fees stipulated in all Bond Document covenants.*

4. *FSU is responsible for managing the operation of the Auxiliary Enterprises, and maintaining the Auxiliary facilities in good repair.*

## 16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

5. *All capital projects for the Auxiliary Enterprises will be approved by the FSU BOG.*

6. *Scholarship dollars provided from the non-athletic auxiliary enterprise funds will be allocated proportionately to FSU and PCTC students based on the percentage (%) of student fee contributions made to these funds from the respective FSU and PCTC students."*

The Agreement further specifies the methodology for the assignment of bond debt as follows:

*"The Bond Debt assigned to each institution's balance sheet for E&G facilities is allocated based on the average of the past ten (10) years of credit hour enrollments. This average allocated 65.66% of the debt to FSU and 34.34% to the PCTC as of July 1, 2009. The assignment of debt for the Auxiliary facilities will be with the FSU since the FSU will own the assets. However, the PCTC students will continue to pay all Auxiliary fees based on the requirements of those bonds. The allocation of Bond Debt by this Agreement does not affect the obligation of both FSU and PCTC to the bondholders to pay the principal of and interest on the Bonds as the same come due."*

As of June 30, 2016, the average allocated 33.37% of the debt to Pierpont and 66.63% of the debt to Fairmont State. As of June 30, 2015, the average allocated 33.61% of the debt to Pierpont and 66.39% of the debt to Fairmont State.

The Series 2012 A and Series 2012 B Continuing Disclosure Agreement provides for disclosure of Annual Financial Information to the Trustee and bond rating agencies. This information includes the Audited Financial Statements of Fairmont State and the Audited Financial Statements of Pierpont. The fees imposed by Pierpont do not secure the 2015A Bonds issued by Fairmont State.

The financial statements have been prepared to comply with the Separation of Assets and Liabilities Agreement.

## 17. CONTINGENCIES

The nature of the educational industry is such that, from time-to-time, claims will be presented against Pierpont 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 Pierpont would not have a significant financial impact on the financial position of Pierpont.

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. Pierpont's management believes disallowances, if any, will not have a significant financial impact on Pierpont's financial position.

## 18. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2016 and 2015, the following tables represent operating expenses within both natural and functional classifications:

**2016**

| Function | Salaries and Wages | Benefits | Supplies and Others | Utilities | Scholarships | Depreciation | Assessment for Student Activity Costs | Assessment for Auxiliary Fees and Debt Service | Assessment for Faculty Services | Assessment for Operating Costs | Assessment for Support Services | Loan Cancellations | Fees Assessed by the Commission | Function Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Auxiliary enterprises | $ - | $ - | $ - | $ - | $ 334 | $ - | $ - | $ 671,754 | $ - | $ - | $ - | $ - | $ - | $ 672,088 |
| Instruction | 4,833,862 | 1,103,677 | 1,830,251 | 16,163 | - | - | - | - | 409,893 | 1,601 | 2,243 | - | - | 8,197,690 |
| Public service | 32,178 | 15,657 | 9,583 | - | - | - | - | - | - | - | - | - | - | 57,418 |
| Academic support | 414,091 | 106,543 | 81,993 | - | 11,500 | - | - | - | - | 327,687 | 335,786 | - | - | 1,277,600 |
| Student services | 480,641 | 119,877 | 187,482 | - | - | - | 57,386 | - | - | 110,976 | 403,178 | - | - | 1,359,540 |
| General institutional support | 960,841 | 183,061 | 559,710 | - | - | - | - | - | - | 369,347 | 594,826 | - | 116,964 | 2,784,749 |
| Operation and maintenance | 2,952 | 3,615 | 93,872 | - | - | - | - | - | - | 871,584 | 479,781 | - | - | 1,451,804 |
| Student financial aid | 73,662 | 9,955 | - | - | 2,208,837 | - | - | - | - | - | - | - | - | 2,292,454 |
| Depreciation | - | - | - | - | - | 1,285,828 | - | - | - | - | - | - | - | 1,285,828 |
| Loan cancellations and write-offs | - | - | - | - | - | - | - | - | - | - | - | 188,624 | - | 188,624 |
| TOTAL | $ 6,798,227 | $ 1,542,385 | $ 2,762,891 | $ 16,163 | $ 2,220,671 | $ 1,285,828 | $ 57,386 | $ 671,754 | $ 409,893 | $ 1,681,195 | $ 1,815,814 | $ 188,624 | $ 116,964 | $ 19,567,795 |

**2015**

| Function | Salaries and Wages | Benefits | Supplies and Others | Utilities | Scholarships | Depreciation | Assessment for Student Activity Costs | Assessment for Auxiliary Fees and Debt Service | Assessment for Faculty Services | Assessment for Operating Costs | Assessment for Support Services | Loan Cancellations | Fees Assessed by the Commission | Function Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Auxiliary enterprises | $ 8,303 | $ 56 | $ - | $ - | $ - | $ - | $ - | $ 732,807 | $ - | $ - | $ - | $ - | $ - | $ 741,166 |
| Instruction | 4,574,924 | 1,030,353 | 1,724,705 | 16,589 | - | - | - | - | 554,985 | 587,276 | 773,995 | - | - | 9,262,827 |
| Public service | 232,232 | 62,086 | 156,949 | 626 | - | - | - | - | - | - | - | - | - | 451,893 |
| Academic support | 671,215 | 138,815 | 84,146 | - | - | - | - | - | - | 335,039 | 377,488 | - | - | 1,606,703 |
| Student services | 313,286 | 95,836 | 158,421 | - | - | - | 120,383 | - | - | 233,086 | 531,890 | - | - | 1,452,902 |
| General institutional support | 1,142,968 | 295,011 | 556,911 | - | - | - | - | - | - | 168,802 | 331,369 | - | 133,322 | 2,628,383 |
| Operation and maintenance | - | 8,179 | 137,986 | - | - | - | - | - | - | 637,454 | 411,807 | - | - | 1,195,426 |
| Student financial aid | - | 4,580 | - | - | 2,880,565 | - | - | - | - | - | - | - | - | 2,885,145 |
| Depreciation | - | - | - | - | - | 1,183,627 | - | - | - | - | - | - | - | 1,183,627 |
| Loan cancellations and write-offs | - | - | - | - | - | - | - | - | - | - | - | 157,211 | - | 157,211 |
| TOTAL | $ 6,942,928 | $ 1,634,916 | $ 2,819,118 | $ 17,215 | $ 2,880,565 | $ 1,183,627 | $ 120,383 | $ 732,807 | $ 554,985 | $ 1,961,657 | $ 2,426,549 | $ 157,211 | $ 133,322 | $ 21,565,283 |

## ADDITIONAL INFORMATION

**SCHEDULE OF NET POSITION INFORMATION**
**YEAR ENDED JUNE 30, 2016**

| All Funds | Board of Governors Support Fund | Unrestricted, Restricted and Other Funds | Internal Fund Eliminations | Total Institution |
|---|---|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS** | | | | |
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | $ 2,128,157 | $ 5,388,268 | $ - | $ 7,516,425 |
| Accounts receivable — net | - | 433,725 | (52,139) | 381,586 |
| Inventories | - | 19,499 | - | 19,499 |
| Total current assets | 2,128,157 | 5,841,492 | (52,139) | 7,917,510 |
| NONCURRENT ASSETS: | | | | |
| Cash and cash equivalents | 80 | - | - | 80 |
| Other noncurrent assets | - | 109,107 | - | 109,107 |
| Capital assets — net | 23,459,155 | 6,960,766 | - | 30,419,921 |
| Total noncurrent assets | 23,459,235 | 7,069,873 | - | 30,529,108 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| Changes in proportion and differences in pension contributions | - | 4,231 | - | 4,231 |
| Employer pension contributions | - | 7,379 | - | 7,379 |
| Total deferred outflows of resources | - | 11,610 | - | 11,610 |
| TOTAL | $ 25,587,392 | $ 12,922,975 | $ (52,139) | $ 38,458,228 |
| **LIABILITIES, DEFERRED INFLOWS, AND NET POSITION** | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable | $ 257,811 | $ 353,259 | $ (52,139) | $ 558,931 |
| Due to Commission | - | - | - | - |
| Due to Fairmont State — current portion | 10,438 | 203,632 | - | 214,070 |
| Accrued liabilities — payroll | - | 886,650 | - | 886,650 |
| Retainages payable | 22,889 | 215,581 | - | 238,470 |
| Unearned revenue and deposits | - | 1,108,844 | - | 1,108,844 |
| Compensated absences — current portion | - | 288,938 | - | 288,938 |
| Debt obligation due to Commission — current portion | 63,643 | - | - | 63,643 |
| Debt obligation due to Fairmont State — current portion | 242,227 | - | - | 242,227 |
| Total current liabilities | 597,008 | 3,056,904 | (52,139) | 3,601,773 |
| NONCURRENT LIABILITIES: | | | | |
| Other postemployment benefits liability | - | 3,674,239 | - | 3,674,239 |
| Due to Fairmont State | - | 36,806 | - | 36,806 |
| Compensated absences | - | 157,906 | - | 157,906 |
| Debt obligation due to Commission | 795,534 | - | - | 795,534 |
| Debt obligation due to Fairmont State | 3,201,464 | - | - | 3,201,464 |
| Net pension liability | - | 56,969 | - | 56,969 |
| Total noncurrent liabilities | 3,996,998 | 3,925,920 | - | 7,922,918 |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Differences between expected and actual experience | - | 493 | - | 493 |
| Changes in proportion and differences in pension contributions | - | 2,626 | - | 2,626 |
| Net difference between projected and actual earnings on pension plan investments | - | 2,405 | - | 2,405 |
| Total deferred inflows of resources | - | 5,524 | - | 5,524 |
| NET POSITION: | | | | |
| Net investment capital assets | 19,133,398 | 6,717,362 | - | 25,850,760 |
| Restricted for — expendable: | | | | |
| Scholarships | 662 | 11,053 | - | 11,715 |
| Capital projects | 1,859,246 | 420,716 | - | 2,279,962 |
| Debt service | 80 | - | - | 80 |
| Total restricted | 1,859,988 | 431,769 | - | 2,291,757 |
| Unrestricted E&G Plant and President's Control | - | (2,332,881) | - | (2,332,881) |
| Unrestricted Auxiliary and Fund Manager Funds | - | 1,118,377 | - | 1,118,377 |
| Total unrestricted | - | (1,214,504) | - | (1,214,504) |
| Total net position | 20,993,386 | 5,934,627 | - | 26,928,013 |
| TOTAL | $ 25,587,392 | $ 12,922,975 | $ (52,139) | $ 38,458,228 |

See note to schedules.

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INFORMATION**
**YEAR ENDED JUNE 30, 2016**

| All Funds | Board of Governors Support Fund | Unrestricted, Restricted and Other Funds | Internal Fund Eliminations | Total Institution |
|---|---|---|---|---|
| OPERATING REVENUES: | | | | |
| Student tuition and fees — net | $ - | $ 4,459,783 | $ - | $ 4,459,783 |
| Auxiliary enterprise revenue | - | 678,121 | - | 678,121 |
| Contracts and grants: | | | | |
| Federal | - | 991,845 | - | 991,845 |
| State/local | - | 2,625,239 | - | 2,625,239 |
| Private | - | 482,862 | - | 482,862 |
| Faculty services revenue | - | 520,245 | - | 520,245 |
| Operating costs revenue | - | 83,636 | - | 83,636 |
| Support services revenue | - | 209,769 | - | 209,769 |
| Miscellaneous — net | 3,890 | 179,577 | - | 183,467 |
| Total operating revenues | 3,890 | 10,231,077 | - | 10,234,967 |
| OPERATING EXPENSES: | | | | |
| Salaries and wages | - | 6,798,227 | - | 6,798,227 |
| Benefits | - | 1,542,385 | - | 1,542,385 |
| Supplies and other services | 93,711 | 2,669,180 | - | 2,762,891 |
| Utilities | - | 16,163 | - | 16,163 |
| Student financial aid — scholarships and fellowships | 334 | 2,220,337 | - | 2,220,671 |
| Depreciation | 965,302 | 320,526 | - | 1,285,828 |
| Assessment for student activity costs | - | 57,386 | - | 57,386 |
| Assessment for auxiliary fees and debt service | - | 671,754 | - | 671,754 |
| Assessment for faculty services | - | 409,893 | - | 409,893 |
| Assessment for operating costs | - | 1,681,195 | - | 1,681,195 |
| Assessment for support services | - | 1,815,814 | - | 1,815,814 |
| Loan cancellations and write-offs | - | 188,624 | - | 188,624 |
| Fees assessed by the Commission for operations | - | 116,964 | - | 116,964 |
| Total operating expenses | 1,059,347 | 18,508,448 | - | 19,567,795 |
| OPERATING LOSS | (1,055,457) | (8,277,371) | - | (9,332,828) |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| State appropriations | - | 7,229,531 | - | 7,229,531 |
| Federal Pell grant revenue | - | 3,456,881 | - | 3,456,881 |
| Gifts | 2,267 | 121,236 | - | 123,503 |
| E&G capital and debt service support revenue | 1,067,968 | - | (381,341) | 686,627 |
| Investment income | 7,418 | 14,821 | - | 22,239 |
| Gain (Loss) on disposal of fixed assets | - | 11,489 | - | 11,489 |
| Assessment for E&G capital and debt service costs | - | (1,000,349) | 381,341 | (619,008) |
| Fees assessed by the Commission for debt service | (56,586) | - | - | (56,586) |
| Fees assessed by the Fairmont State for debt service | (117,979) | - | - | (117,979) |
| Net nonoperating revenues | 903,088 | 9,833,609 | - | 10,736,697 |
| (DECREASE) INCREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES, AND TRANSFER | (152,369) | 1,556,238 | - | 1,403,869 |
| PAYMENTS MADE AND EXPENSES INCURRED BY THE STATE ON BEHALF OF PIERPONT | - | 9,226 | - | 9,226 |
| CAPITAL PROJECTS PROCEEDS FROM THE COMMISSION | - | - | - | - |
| (DECREASE) INCREASE IN NET POSITION BEFORE TRANSFER | (152,369) | 1,565,464 | - | 1,413,095 |
| TRANSFER OF NET POSITION (TO) FROM FAIRMONT STATE | (135,369) | 15,499 | - | (119,870) |
| NET INCREASE (DECREASE) IN NET POSITION | (287,738) | 1,580,963 | - | 1,293,225 |
| NET POSITION — Beginning of year | 21,281,124 | 4,353,664 | - | 25,634,788 |
| NET POSITION — End of year | $ 20,993,386 | $ 5,934,627 | $ - | $ 26,928,013 |

See note to schedules.

**SCHEDULE OF CASH FLOW INFORMATION**
**YEAR ENDED JUNE 30, 2016**

| | Board of Governors Support Fund | Unrestricted, Restricted and Other Funds | Internal Fund Eliminations | Total Institution |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Student tuition and fees | $ - | $ 4,045,069 | $ - | $ 4,045,069 |
| Contracts and grants | - | 3,695,318 | - | 3,695,318 |
| Payments to and on behalf of employees | - | (8,129,562) | - | (8,129,562) |
| Payments to suppliers | (97,425) | (2,766,787) | - | (2,864,212) |
| Payments to utilities | - | (15,262) | - | (15,262) |
| Payments for scholarships and fellowships | (334) | (1,980,391) | - | (1,980,725) |
| Auxiliary enterprise charges | - | 667,157 | - | 667,157 |
| Fees assessed by the Commission | - | (116,964) | - | (116,964) |
| Other receipts — net | 3,890 | 179,565 | - | 183,455 |
| Assessment support services | - | (1,683,372) | - | (1,683,372) |
| Support services revenue | - | 197,459 | - | 197,459 |
| Assessment for student activity costs | - | (110,845) | - | (110,845) |
| Student activity support revenue | - | 53,459 | - | 53,459 |
| Assessment for auxiliary fees and debt service | - | (671,754) | - | (671,754) |
| Faculty services revenue | - | 520,245 | - | 520,245 |
| Assessment for faculty services | - | (409,893) | - | (409,893) |
| Operating support services revenue | - | 82,907 | - | 82,907 |
| Assessment for operating cost | - | (1,694,212) | - | (1,694,212) |
| Net cash used in operating activities | (93,869) | (8,137,863) | - | (8,231,732) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| State appropriations | - | 7,229,531 | - | 7,229,531 |
| Federal Pell grant revenues | - | 3,456,881 | - | 3,456,881 |
| Gift receipts | 2,267 | 50,085 | - | 52,352 |
| William D. Ford direct lending receipts | - | 5,406,148 | - | 5,406,148 |
| William D. Ford direct lending payments | - | (5,417,952) | - | (5,417,952) |
| Transfer to Fairmont State | (16,588) | - | - | (16,588) |
| Transfers (to) from Fairmont State | (150,256) | 515,500 | - | 365,244 |
| Net cash provided by (used in) noncapital financing activities | (164,577) | 11,240,193 | - | 11,075,616 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | | | |
| Capital bond proceeds from State | - | - | - | - |
| Cash proceeds from sale of equipment | - | 39,955 | - | 39,955 |
| E&G capital and debt service support revenue | 1,067,968 | - | (381,341) | 686,627 |
| Fees assessed by the Commission | (56,586) | - | - | (56,586) |
| Purchases of capital assets | (523,919) | (858,446) | - | (1,382,365) |
| Purchases of equipment | (16,594) | (1,021,377) | - | (1,037,971) |
| Assessment for E&G capital and debt service costs | - | (1,000,348) | 381,341 | (619,007) |
| Payments to the Commission on debt obligation | (60,460) | - | - | (60,460) |
| Payments to Fairmont State on debt obligation | (209,693) | - | - | (209,693) |
| Fees assessed by Fairmont State | (144,310) | - | - | (144,310) |
| Net cash provided by (used in) capital financing activities | 56,406 | (2,840,216) | - | (2,783,810) |
| CASH FLOW FROM INVESTING ACTIVITY — Investment income | 7,301 | 12,722 | - | 20,023 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (194,739) | 274,836 | - | 80,097 |
| CASH AND CASH EQUIVALENTS — Beginning of year | 2,322,976 | 5,113,432 | - | 7,436,408 |
| CASH AND CASH EQUIVALENTS — End of year | $ 2,128,237 | $ 5,388,268 | $ - | $ 7,516,505 |

(Continued)

**SCHEDULE OF CASH FLOW INFORMATION**
**YEAR ENDED JUNE 30, 2015**

| | Board of Governors Support Fund | Unrestricted, Restricted and Other Funds | Internal Fund Eliminations | Total Institution |
|---|---|---|---|---|
| RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | | | |
| Operating loss | $ (1,055,457) | $ (8,277,371) | $ - | $ (9,332,828) |
| Adjustments to reconcile net operating loss to net cash used in operating activities: | | | | |
| Depreciation expense | 965,302 | 320,526 | - | 1,285,828 |
| Pension expense — special funding situation | - | 9,226 | - | 9,226 |
| Net effect of change in accounting policy | - | - | - | - |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | | | |
| Receivables — net | - | 29,144 | - | 29,144 |
| Inventories | - | 1,140 | - | 1,140 |
| Deferred outflows of resources | - | (4,133) | - | (4,133) |
| Accounts payable | (3,714) | 30,237 | - | 26,523 |
| Accrued liabilities — payroll | - | 84,110 | - | 84,110 |
| Compensated absences | - | (68,267) | - | (68,267) |
| Other postemployment benefits liability | - | 178,326 | - | 178,326 |
| Net pension liability | - | 1,574 | - | 1,574 |
| Deferred inflows of resources | - | (1,913) | - | (1,913) |
| Unearned revenue | - | (651,995) | - | (651,995) |
| Undistributed receipts — deposits | - | 211,533 | - | 211,533 |
| NET CASH USED IN OPERATING ACTIVITIES | $ (93,869) | $ (8,137,863) | $ - | $ (8,231,732) |
| NONCASH TRANSACTIONS: | | | | |
| Property additions in accounts payable | $ 193,436 | $ 162,740 | $ - | $ 356,176 |
| Property additions in retainage | $ 22,889 | $ 215,581 | $ - | $ 238,470 |
| Transfer from Fairmont State (exclusive of $16,587 of cash) | $ (135,369) | $ - | $ - | $ (135,369) |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION: | | | | |
| Cash and cash equivalents classified as current | | | | $ 7,516,425 |
| Cash and cash equivalents classified as noncurrent | | | | 80 |
| | | | | $ 7,516,505 |

See note to schedules.

(Concluded)

**PIERPONT COMMUNITY & TECHNICAL COLLEGE**

**SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION**
**YEAR ENDED JUNE 30, 2016**

**INTERNAL FUND: BOG SUPPORT**

| Function | Salaries and Wages | Benefits | Supplies and Others | Utilities | Scholarships | Depreciation | Loan Cancellations | Function Total |
|---|---|---|---|---|---|---|---|---|
| Auxiliary enterprises | $ - | $ - | $ - | $ - | $ 334 | $ - | $ - | $ 334 |
| Instruction | - | - | - | - | - | - | - | - |
| Public service | - | - | - | - | - | - | - | - |
| Academic support | - | - | - | - | - | - | - | - |
| Student services | - | - | - | - | - | - | - | - |
| General institutional support | - | - | 1,121 | - | - | - | - | 1,121 |
| Operation and maintenance | - | - | 92,590 | - | - | - | - | 92,590 |
| Student financial aid | - | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | 965,302 | - | 965,302 |
| Loan cancellations and write-offs | - | - | - | - | - | - | - | - |
| TOTAL | $ - | $ - | $ 93,711 | $ - | $ 334 | $ 965,302 | $ - | $ 1,059,347 |



See note to schedules.

(Continued)

PIERPONT COMMUNITY & TECHNICAL COLLEGE

**SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION**
**YEAR ENDED JUNE 30, 2016**

**INTERNAL FUND: PIERPONT COMMUNITY AND TECHNICAL COLLEGE**

| Function | Salaries and Wages | Benefits | Supplies and Others | Utilities | Scholarships | Depreciation | Assessment for Student Activity Costs | Assessment for Auxiliary Fees and Debt Service | Assessment for Faculty Services | Assessment for Operating Costs | Assessment for Support Services | Loan Cancellations | Fees Assessed by the Commission | Function Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Auxiliary enterprises | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 671,754 | $ - | $ - | $ - | $ - | $ - | $ 671,754 |
| Instruction | 4,833,862 | 1,103,677 | 1,830,251 | 16,163 | - | - | - | - | 409,893 | 1,601 | 2,243 | - | - | 8,197,690 |
| Public service | 32,178 | 15,657 | 9,583 | - | - | - | - | - | - | - | - | - | - | 57,418 |
| Academic support | 414,091 | 106,543 | 81,993 | - | 11,500 | - | - | - | - | 327,687 | 335,786 | - | - | 1,277,600 |
| Student services | 480,641 | 119,877 | 187,482 | - | - | - | 57,386 | - | - | 110,976 | 403,178 | - | - | 1,359,540 |
| General institutional support | 960,841 | 183,061 | 558,589 | - | - | - | - | - | - | 369,347 | 594,826 | - | 116,964 | 2,783,628 |
| Operation and maintenance | 2,952 | 3,615 | 1,282 | - | - | - | - | - | - | 871,584 | 479,781 | - | - | 1,359,214 |
| Student financial aid | 73,662 | 9,955 | - | - | 2,208,837 | - | - | - | - | - | - | - | - | 2,292,454 |
| Depreciation | - | - | - | - | - | 320,526 | - | - | - | - | - | - | - | 320,526 |
| Loan cancellations and write-offs | - | - | - | - | - | - | - | - | - | - | - | 188,624 | - | 188,624 |
| TOTAL | $ 6,798,227 | $ 1,542,385 | $ 2,669,180 | $ 16,163 | $ 2,220,337 | $ 320,526 | $ 57,386 | $ 671,754 | $ 409,893 | $ 1,681,195 | $ 1,815,814 | $ 188,624 | $ 116,964 | $ 18,508,448 |



See note to schedules.

(Concluded)

**PIERPONT COMMUNITY & TECHNICAL COLLEGE**

**NOTE TO SCHEDULES**
**YEAR ENDED JUNE 30, 2016**

## 1. INTERNAL FUND FINANCIAL DATA

The additional information schedules are included to comply with the requirements of the Council to provide financial information for all internal funds of Pierpont. This presentation provides financial information for Pierpont and BOG Support. The BOG Support fund comprises Pierpont's ownership based on the Separation of Assets and Liabilities Agreement, which was 33.37% as of June 30, 2016. The BOG Support fund consists of capital funds for all E&G shared bonding and plant repairs and replacements, plant and other capitalized assets, and grants in support of capital projects.

**Financial Schedules** - The financial schedules for Pierpont and BOG Support are driven by rollup of funds to fund type. Separate fund types for each internal fund established in each net position category (unrestricted, restricted, etc.). This setup has allowed Fairmont State and Pierpont to produce separate financial statements (statements of net position, statements of revenues, expenses, and changes in net position, and natural versus functional classification reports) from a shared financial accounting system. These supplemental schedules are produced as a by-product of the financial reporting system.

The following represents additional footnotes outlining faculty teaching services shared between Pierpont and Fairmont State, services that are charged to both Pierpont and Fairmont State, and student fee distributions. These representations are based on the approved chargeback agreement between Pierpont and Fairmont State and legislative actions:

a. *Revenues* — State appropriations are allocated by the Legislature each year. Appropriations decreased by 4.68% for the two-year college.

   Student fee revenues are directly credited to the appropriate two- and four-year college funds based on the students' program major. Student enrollment in each college drives the fee revenue dollars available to each internal fund as follows:

   1. Required auxiliary, capital, and student activity fee revenues are recorded as revenues to the institution in which the student is enrolled. Under the contract agreement, all (100%) of these revenues will be transferred as an expense to the capital, auxiliary, and student activity funds from which the operating, capital, and debt service expenditures are paid (primarily Fairmont State funds). Most of these fees are pledged on revenue bonds and must be transferred to maintain compliance with bond covenants.

   2. User fees collected from students of either institution are deposited directly to the appropriate auxiliary revenue account and are not recorded as revenues by separate institutions. Examples of this type of revenue are parking, books, meals, and rent.

   3. Grant revenues are deposited in the institution's fund to which the grant was awarded.

   4. Student payments made via lockbox, web, etc., are deposited to the four-year clearing fund and are moved daily to the appropriate operating state fund for each institution.

5. Interest income is allocated by the Commission to both institutions based on current allocation methods.

*b.* *Expenses —*

Direct expenditures:

1. Direct expenditures will be assigned directly to either Fairmont State or Pierpont.

2. Full- and part-time faculty personnel services and fringe benefit expenditures are paid from the institution where the personnel are employed.

Chargeback expenditures:

1. Teaching service expenses are charged back from one institution to the other based on the number of credit hours taught. This chargeback process includes instructional salary and benefit costs. The calculation includes the faculty member's salary and benefit costs, courses taught, the students being taught, and the number of student credit hours being taught. The teaching chargeback services calculations are performed once each semester. The teaching chargeback calculation results in a value allocated for each institution for the credit hours taught to both Pierpont and Fairmont State students.

2. Support service chargebacks are for salary and benefit costs from one institution to the other and/or services provided from the administrative, student service, and physical plant support areas of Fairmont State to Pierpont and vice versa. The salary and benefit chargeback services from each institution to the other for support services are based on the agreed-upon percentage in the chargeback agreement.

   Support service chargebacks for adjunct and/or supplemental pay contracts:

   Chargebacks at 100% of cost occur when one institution's employee is hired to teach or work part-time by the other institution. This action of chargeback allows the employee to maintain one payroll account and ensures that one W-2 is issued to this employee.

   Support services salary and benefit chargebacks are performed each pay cycle and are supported with detailed reports showing employee costs being charged by Pierpont to Fairmont State and vice versa.

3. Operating (nonlabor) expenses for all support offices are charged back based on state code requirements. The organization manager of those offices has budget authority to expend against these budgets during the fiscal year. All unspent budgets at the end of each fiscal year are not carried forward to future fiscal years. Therefore, unspent budget increases the fund balance of both institutions. These fund balances are under the direct control of the respective Presidents of each institution.

4. Support staff actual liability costs:

   The liability costs incurred annually from employee benefits provided to support staff, such as retiree health premiums, are allocated to the institutions based on the agreed-upon percentage in the chargeback agreement.

5. Support staff accrued liabilities:

   Accrued liabilities (OPEB liability, annual leave, etc.) required to be recorded in the financial statements annually for all support staff are allocated to the institutions based on the agreed-upon percentage in the chargeback agreement.

6. PEIA retiree payable in the current year:

   *Compensated absences* — As of June 30, 2016, PEIA retiree costs and liabilities are distributed to the component units based on funding source. However, the chargeback agreement for fiscal year 2016 between the institutions reads as follows: Payout of PEIA retiree costs incurred during the year will be allocated to the institutions based on the percentage defined in the chargeback agreement. For fiscal year 2016, the percentages are 30.56% for the two-year institution and 69.44% for the four-year institution.

# REQUIRED SUPPLEMENTARY INFORMATION

**PIERPONT COMMUNITY & TECHNICAL COLLEGE**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**
**JUNE 30, 2016**

**State Teachers' Retirement System**
Last 10 Fiscal Years*

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Pierpont's proportion of the net pension liability (asset) (percentage) | 0.001644% | 0.001606% | | | | | | | | |
| Pierpont's proportionate share of the net pension liability (asset) | $ 56,969 | $ 55,395 | | | | | | | | |
| State's proportionate share of the net pension liability (asset) | 130,012 | 125,169 | | | | | | | | |
| Total proportionate share of the net pension liability (asset) | $ 186,981 | $ 180,564 | | | | | | | | |
| Pierpont's covered-employee payroll | $ 49,845 | $ 49,311 | | | | | | | | |
| Pierpont's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 114.29% | 112.34% | | | | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 66.25% | 65.95% | | | | | | | | |

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

**PIERPONT COMMUNITY & TECHNICAL COLLEGE**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF CONTRIBUTIONS**
**JUNE 30, 2016**

**State Teachers' Retirement System**

Last 10 Fiscal Years

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 7,379 | $ 7,477 | | | | | | | | |
| Contributions in relation to the contractually required contribution | (7,379) | (7,477) | | | | | | | | |
| Contribution deficiency (excess) | $ - | $ - | | | | | | | | |
| Pierpont's covered-employee payroll | $ 49,195 | $ 49,845 | | | | | | | | |
| Contributions as a percentage of covered-employee payroll | 15.00% | 15.00% | | | | | | | | |

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**
**YEARS ENDED JUNE 30, 2016 AND 2015**

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

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Governors
Pierpont Community & Technical College
Fairmont, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Pierpont Community & Technical College (Pierpont), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Pierpont's basic financial statements, and have issued our report thereon dated January 31, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pierpont'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 Pierpont's internal control. Accordingly, we do not express an opinion on the effectiveness of Pierpont'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.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pierpont'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.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
January 31, 2017