

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE

Financial Statements as of and for
the Years Ended June 30, 2017 and
2016, and Independent Auditors' Report

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of the business-type activities of Mountwest Community and Technical College ("the College") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Mountwest Community and Technical College, as of June 30, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–14, and the schedules of proportionate share of net pension liability and contribution on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Huntington, West Virginia
October 4, 2017

MOUNTWEST COMMUNITY & TECHNICAL COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR 2017
[Unaudited]

The History of the College

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

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

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

Prior to Fiscal Year 2009, MCTC as a separately accredited institution, was an administratively-linked component to Marshall University; and as such, reflected as a component in the financial statements of Marshall University. However, with the passage of House Bill 3215 during the 2008 session of the West Virginia Legislature, the College became a free-standing and independent institution no longer administratively-linked to Marshall University effective the 1st day of July, 2008. Subsequently, on the 13th of March 2010, legislation (Senate Bill 499) was passed changing the College’s name from Marshall Community and Technical College to Mountwest Community and Technical College. Then, during August of 2012, the College relocated from the Marshall University campus to its new campus located atop the hill overlooking the I-64 and US-152 interchange.

In conjunction with the passage of House Bill 3215, a twelve (12) member Board of Governors was established whose governance over the College became effective the 1st day of July, 2008. The powers and duties of the Board include, but are not limited to, the power to determine, control, supervise and manage the financial, business, and educational policies and affairs of the College.

Overview to the Financial Statements and Financial Analysis

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

Statement of Net Position

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

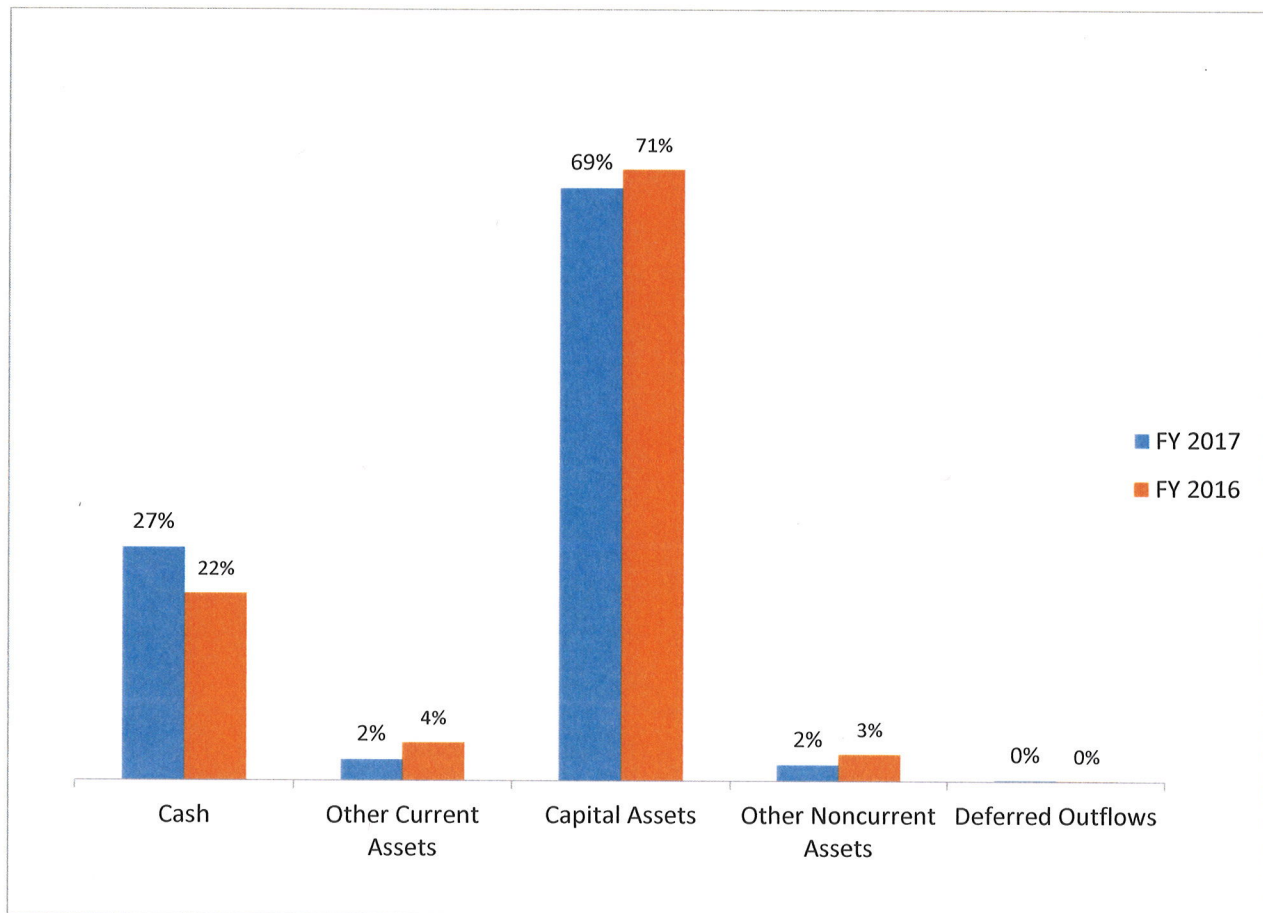
Net position is divided into three major categories. The first category, net investment in capital assets, provides the College's equity in or ownership of property, plant and equipment. The second category is restricted net position, which is divided into two sub-categories, nonexpendable and expendable - nonexpendable restricted net position includes endowments; and, as such, the corpus of nonexpendable restricted resources is only available for investment purposes. The College does not have any nonexpendable restricted net position at June 30, 2017 or June 30, 2016. Expendable restricted net position is available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of these resources. The third and last category is unrestricted net position. Unrestricted net position is available for general use by the College.

Condensed Schedules of Net Position
(in Thousands)

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Assets			
Current assets	\$ 9,124	\$ 7,890	\$ 11,379
Noncurrent assets	<u>21,873</u>	<u>22,346</u>	<u>23,247</u>
Total Assets	<u>30,997</u>	<u>30,236</u>	<u>34,626</u>
 Deferred Outflow of Resources	 45	 34	 27
TOTAL	<u><u>\$ 31,042</u></u>	<u><u>\$ 30,270</u></u>	<u><u>\$ 34,653</u></u>
 Liabilities			
Current liabilities	\$ 2,629	\$ 2,690	\$ 7,414
Noncurrent liabilities	<u>4,768</u>	<u>5,131</u>	<u>5,525</u>
Total Liabilities	<u>7,397</u>	<u>7,821</u>	<u>12,939</u>
 Deferred Inflow of Resources	 89	 67	 86
TOTAL	<u><u>\$ 7,486</u></u>	<u><u>\$ 7,888</u></u>	<u><u>\$ 13,025</u></u>
 Net Position			
Net investment in capital assets	\$ 18,182	\$ 17,753	\$ 17,637
Restricted for:			
Debt service	469	469	469
Unrestricted	<u>4,905</u>	<u>4,160</u>	<u>3,522</u>
Total Net Position	<u>23,556</u>	<u>22,382</u>	<u>21,628</u>
 Total	<u><u>\$ 31,042</u></u>	<u><u>\$ 30,270</u></u>	<u><u>\$ 34,653</u></u>

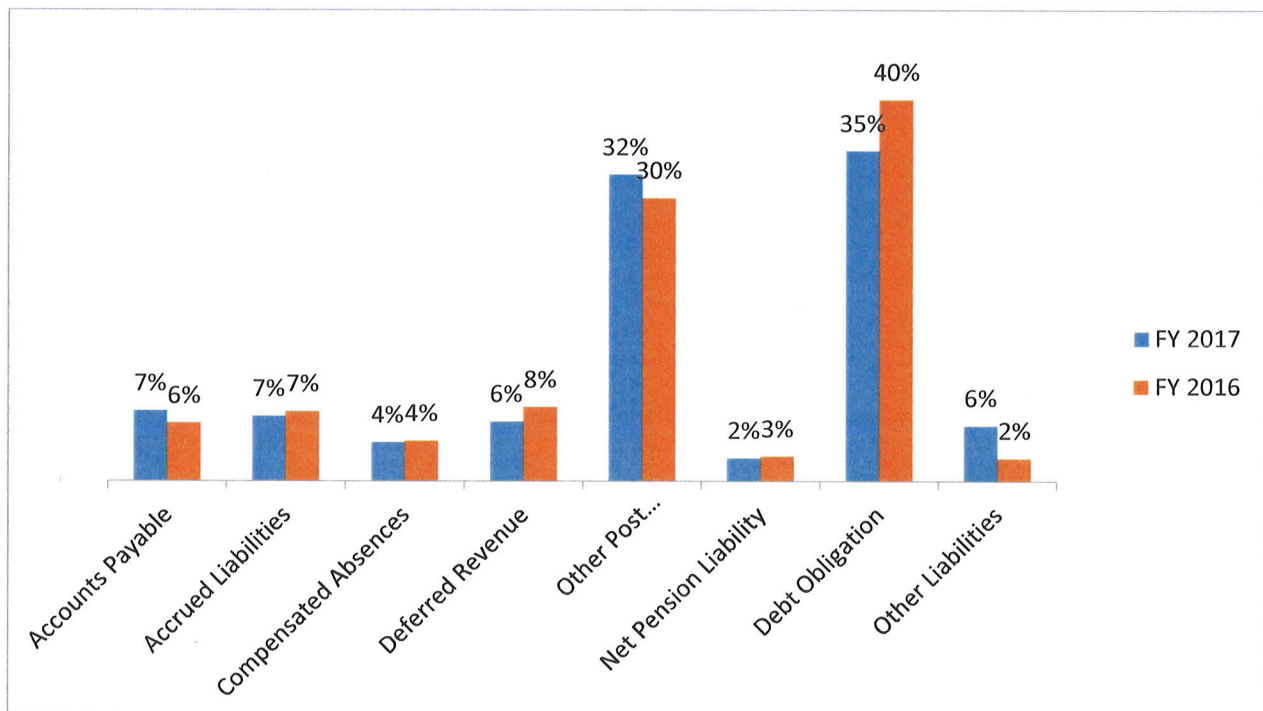
ASSET COMPOSITION
As of June 30, 2017 and 2016

	<u>FY 2017</u>	<u>FY 2016</u>
Cash	\$ 8,360,562	\$ 6,551,243
Other Current Assets	763,185	1,338,958
Capital Assets	21,287,052	21,401,340
Other Noncurrent Assets	585,847	944,736
Deferred Outflows	45,409	34,175
Total	<u>\$ 31,042,055</u>	<u>\$ 30,270,452</u>



LIABILITIES
As of June 30, 2017 and 2016

	<u>FY 2017</u>	<u>FY 2016</u>
Accounts Payable	\$ 553,351	\$ 481,897
Accrued Liabilities	548,667	577,140
Compensated Absences	306,488	335,165
Deferred Revenue	468,530	613,444
Other Post Employment Benefits (OPEB)	2,402,693	2,336,971
Net Pension Liability	182,167	206,148
Debt Obligation	2,587,967	3,148,098
Other Liabilities	435,744	189,245
Total	<u>\$ 7,485,607</u>	<u>\$ 7,888,108</u>



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

- Total current assets of \$9.1 million exceeded total current liabilities of \$2.6 million as of June 30, 2017 for net working capital of \$6.5 million as compared to net working capital of \$5.2 million as of June 30, 2016.
 - The major components of current assets include cash and cash equivalents of \$8.4 million and \$6.6 million, and net accounts receivable of \$0.4 million and \$0.7 million as of June 30, 2017 and 2016, respectively. The majority of cash and cash equivalents can be attributed to interest earning assets invested through the office of the West Virginia State Treasurer.

- The major components of current liabilities include accounts payable of \$0.6 million and \$0.5 million, unearned revenue of \$0.5 million and \$0.6 million, accrued liabilities of \$0.5 million and \$0.6 million, and compensated absences of \$0.3 million and \$0.3 million as of June 30, 2017 and 2016, respectively.
- Noncurrent assets total \$21.9 million and \$22.3 million and noncurrent liabilities total \$4.8 million and \$5.1 million as of June 30, 2017 and 2016, respectively.
 - Major components of noncurrent assets include capital assets of \$21.3 million and \$21.4 million as of June 30, 2017 and 2016, respectively. Refer to Note 5 to the Financial Statements for additional information regarding capital assets.
 - Major components of noncurrent liabilities include debt service obligations payable to the Commission of \$0.6 million and \$0.7 million, bonds payable of \$1.5 million and \$1.9 million, and other post-employment benefits (OPEB) liability of \$2.4 million and \$2.3 million, as of June 30, 2017 and 2016, respectively. During FY 2017, the OPEB liability continued to increase in the absence of any payments on behalf of the West Virginia Council for Community and Technical College Education; and decreased investment returns by the State's Multiple-Employer Trust Fund which resulted in an increase of the Annual Required Contribution (ARC) related to other post-employment benefits. Refer to Notes 7 and 8 to the Financial Statements for additional information regarding the OPEB liability and Bonds Payable.
 - The OPEB liability is expected to increase with the implementation of GASB 75 in FY18. The State Department of Administration is estimating up to a 24% increase across State agencies.
- The net position of the College totaled \$23.6 million as of June 30, 2017 as compared to \$22.4 million as of June 30, 2016.
 - Net position invested in capital assets total \$18.2 million and \$17.8 million as of June 30, 2017 and 2016, respectively.
 - Unrestricted net position totaled \$4.9 million and \$4.2 million as of June 30, 2017 and 2016, respectively; this represents the net position available to the College. Refer to Note 9 to the Financial Statements for additional information regarding the impact of other post-employment benefits (OPEB) liability on the unrestricted net position balance.

Statement of Revenues, Expenses and Changes in Net Position

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

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

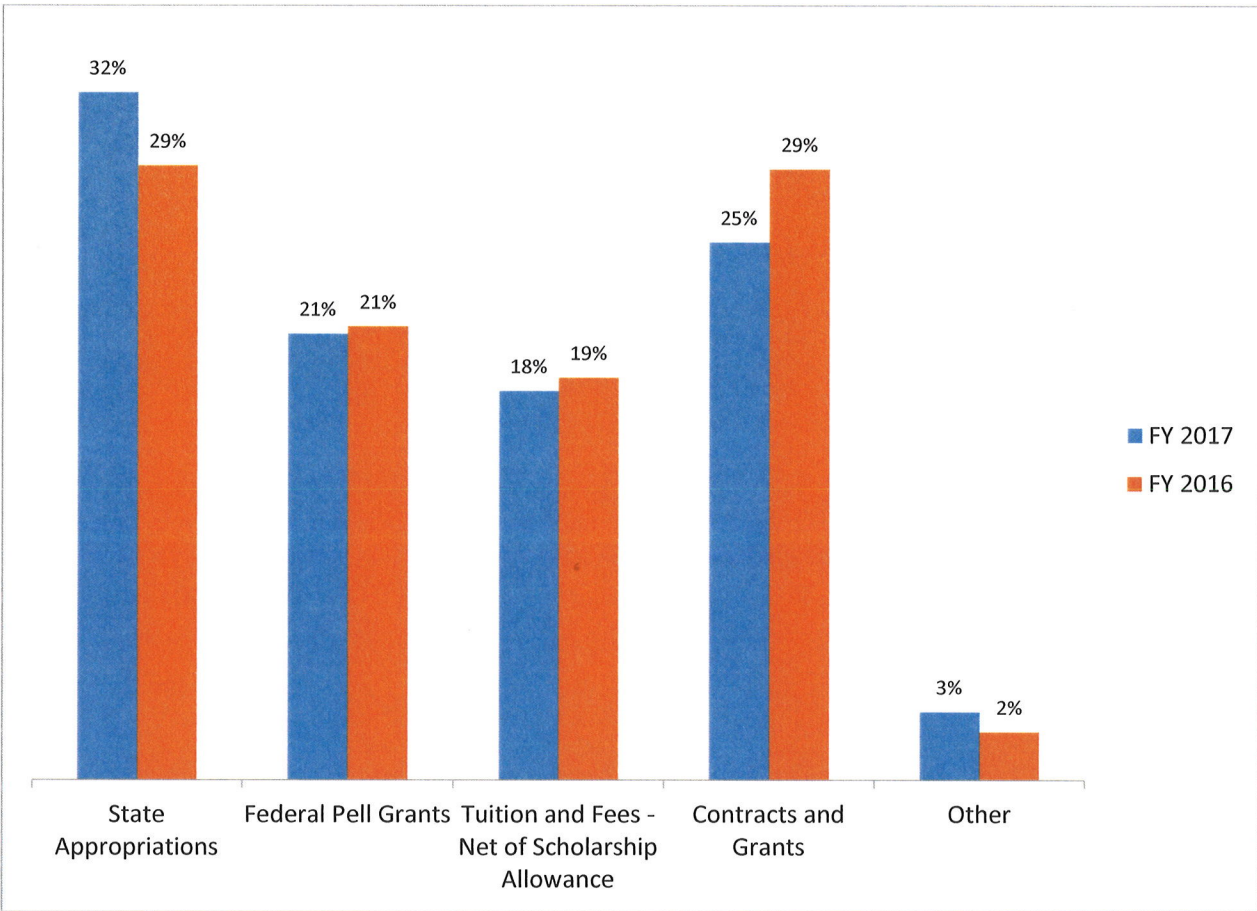
Condensed Schedules of Revenues, Expenses and Changes in Net Position
(in Thousands)

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Operating Revenues	\$ 7,817	\$ 9,379	\$ 7,226
Operating Expenses	<u>(15,612)</u>	<u>(18,017)</u>	<u>(15,795)</u>
Operating Loss	(7,795)	(8,638)	(8,569)
Nonoperating Revenues	9,092	9,548	10,282
Nonoperating Expenses	<u>(123)</u>	<u>(155)</u>	<u>(185)</u>
Income (Loss) before Other Revenues, Expenses, Gains or Losses	1,174	755	1,528
Capital Payments made on behalf of MCTC	-	-	-
Transfer of Net Assets from Marshall University	<u>-</u>	<u>-</u>	<u>-</u>
Net (Decrease) Increase in Net Position	1,174	755	1,528
Net Position - Beginning of Year	22,382	21,627	20,385
*Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(286)</u>
Net Position - End of Year	<u>\$ 23,556</u>	<u>\$ 22,382</u>	<u>\$ 21,627</u>

* GASB 68 PENSION FUNDING

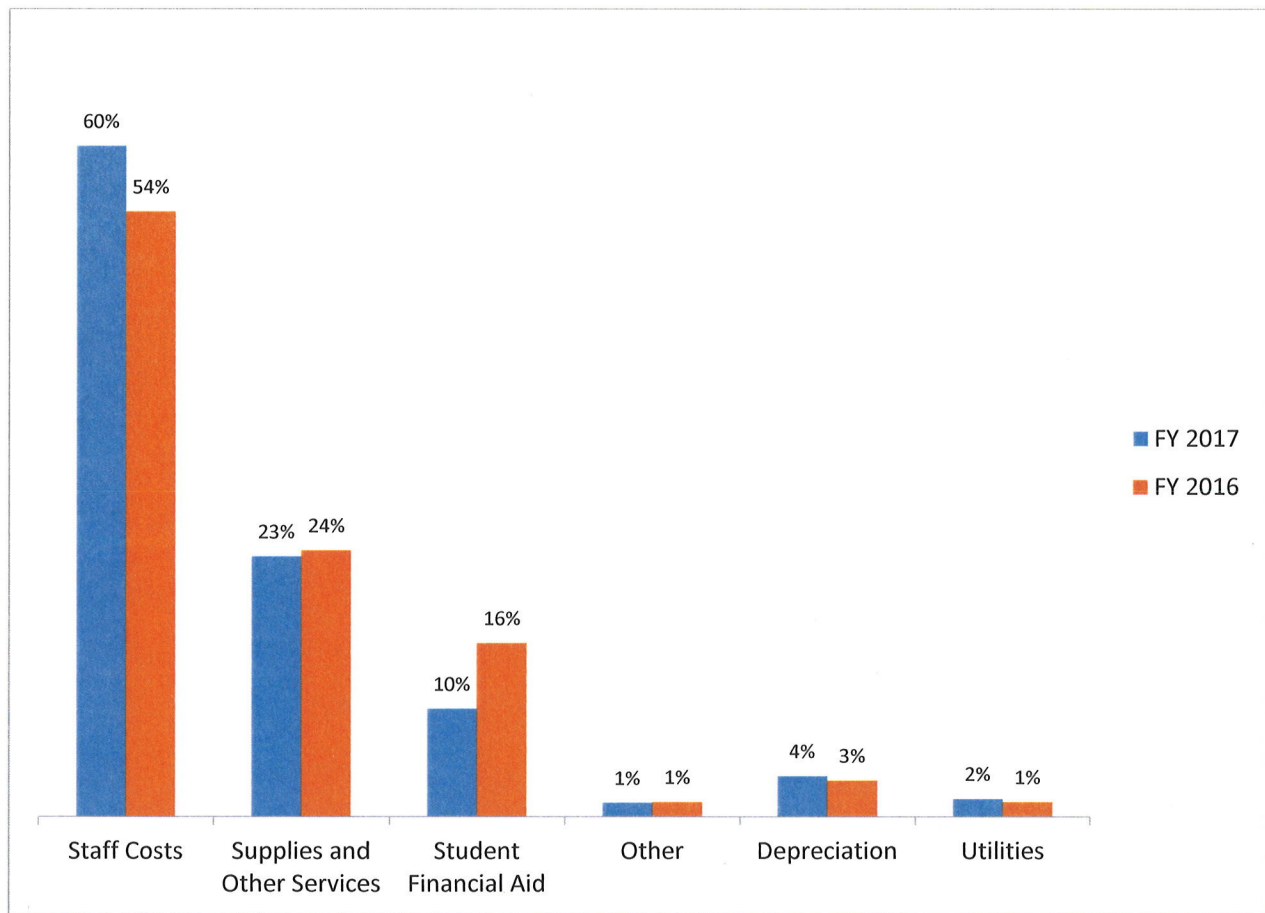
TOTAL REVENUES
For the Years ending June 30, 2017 and 2016

	<u>FY 2017</u>	<u>FY 2016</u>
State Appropriations	\$ 5,458,142	\$ 5,459,985
Federal Pell Grants	3,545,487	4,032,804
Tuition and Fees - Net of Scholarship Allowance	3,091,505	3,576,670
Contracts and Grants	4,270,324	5,428,495
Other	<u>543,214</u>	<u>428,499</u>
	<u>\$ 16,908,672</u>	<u>\$ 18,926,453</u>



TOTAL EXPENDITURES
For the Years ending June 30, 2017 and 2016

	<u>FY 2017</u>	<u>FY 2016</u>
Staff Costs	\$ 9,489,415	\$ 9,889,337
Supplies and Other Services	3,685,733	4,357,216
Student Financial Aid	1,529,753	2,842,917
Other	198,852	244,731
Depreciation	576,363	596,200
Utilities	254,452	241,708
	<u><u>\$ 15,734,568</u></u>	<u><u>\$ 18,172,109</u></u>



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

- Operating Revenues of the College totaled \$7.8 million for FY 2017 compared to \$9.4 million in FY 2016, a decrease of \$1.6 million.
 - Net student tuition and fees revenues totaled \$3.1 million in FY 2017 compared to \$3.6 million in FY 2016, a decrease of \$0.5 million. This decrease can be attributed to decreased enrollment and an increase in tuition waivers. Tuition is reported net of scholarship allowance which totaled \$4.3 million and \$4.0 million in FY 2017 and 2016, respectively. Gross student tuition and fees totaled \$7.3 million in FY 2017 compared to \$7.6 million in FY 2016.
 - Federal grants and contracts totaled \$2.4 million in FY 2017 compared to \$3.0 million in FY 2016. The decrease in funding is due to the completion of one of the major Federal grant initiatives during FY17.
 - State grants and contracts totaled \$1.5 million in FY 2017 compared to \$2.3 million in FY 2016; and, private grants and contracts totaled \$0.4 million in FY 2017 compared to \$0.1 million in FY 2016. Such fluctuations represent normal grant activity.
 - Other operating revenues totaled \$0.5 million in FY 2017 and \$0.4 million in FY 2016.

- Operating expenses totaled \$15.6 million in FY 2017 compared to \$18.0 million in FY 2016, a decrease of \$2.4 million. The decrease is attributed to a college wide effort to reduce expenses combined with the completion of a major grant initiative in FY 2017.
 - Personnel costs including salaries and benefits totaled \$9.5 million in FY 2017 and \$9.9 million in FY 2016, a decrease of \$0.4 million.
 - Supplies and other services totaled \$3.7 million in FY 2017 compared to \$4.4 million in FY 2016, a decrease of \$0.7 million.
 - Student Financial Aid totaled \$1.5 million in FY 2017 compared to \$2.8 million in FY 2016. This decrease is attributable to a decrease in student enrollment and a decrease in Title IV financial aid obtained by students.
 - Depreciation on capital assets totaled \$0.6 million in both FY 2017 and FY 2016.
- The result from operations was a net operating loss of \$7.8 million and \$8.6 million for the years ended June 30, 2017 and 2016, respectively. However, this does not include State appropriations or Federal Pell Grant revenue which are recorded as non-operating revenues. State appropriations for FY 2017 and FY 2016 were \$5.5 million and \$5.5 million, respectively. Federal Pell grant revenue for FY 2017 and FY 2016 was \$3.5 million and \$4.0 million, respectively; and, reported as non-operating due to specific guidance found in the AICPA industry audit guide.
- Net non-operating revenue totaled \$9.0 million and \$9.4 million for the years ended June 30, 2017 and 2016, respectively.
- There were no capital payments made on behalf of the College in either FY 2017 or FY 2016. Refer to Note 8 to the Financial Statements for additional information regarding capital payments.
- Payments made on behalf of the College for the special funding situation on the pension expense were \$30,800 in FY 2017 and \$33,380 in FY 2016. Refer to Note 10 to the Financial Statements for additional information regarding pension expense and special funding situation.
- The activities for FY 2017 resulted in an increase in net position of \$1.1 million compared to \$0.7 million in FY 2016. This resulted in an overall increase of \$0.4 million in net position from prior year.

Statement of Cash Flows

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

Condensed Schedules of Cash Flows
(in Thousands)

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Cash flows provided by (used in):			
Operating activities	\$ (6,717)	\$ (8,087)	\$ (9,214)
Noncapital financing activities	9,353	10,018	10,425
Capital and related financing activities	(885)	(867)	(1,035)
Investing activities	<u>58</u>	<u>21</u>	<u>6</u>
Net change in current cash	1,809	1,085	182
Current cash, beginning of year	<u>7,021</u>	<u>5,936</u>	<u>5,754</u>
Current cash, end of year	<u>\$ 8,830</u>	<u>\$ 7,021</u>	<u>\$ 5,936</u>

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

- Cash provided from operating activities was exceeded by cash expended for operating activities for a net of \$6.7 million and \$8.0 million for the years ended June 30, 2017 and 2016, primarily due to the guidance by GAAP that State appropriations and Federal Pell grant revenues are to be recorded as noncapital financing activities. Primary sources of cash from Operating Activities during FY 2017 and 2016 were cash collections for net Student tuition and fees of \$3.3 million and \$5.7 million, contracts and grants of \$4.0 million and \$5.4 million for FY 2017 and 2016, respectively. Primary use of cash for FY 2017 and 2016, respectively, included payments to and on behalf of employees of \$9.4 million and \$9.8 million, payments to suppliers of \$3.2 million and \$6.6 million, and payments for scholarships and fellowships of \$1.5 million and \$2.8 million.
- Net cash provided from noncapital financing activities for FY 2017 and FY 2016, respectively, totaled \$9.4 million and \$10.0 million; whereas, for FY 2017 and FY 2016, respectively, \$3.5 million and \$4.0 million were from revenues collected from Federal Pell grants.
- Net cash used in capital financing activities totaled \$0.9 million and \$0.9 million for FY 2017 and 2016, respectively; primarily resulting from payments on principal and interest on debt and purchases of capital assets and proceeds from sale of bonds.
- Net cash of the College at June 30, 2017 was \$8.8 million compared to \$7.0 million at June 30, 2016, which represents an increase of \$1.8 million.

Capital Asset and Long-Term Debt Activity

On May 20, 2010, the College purchased 28 acres of land and a 115,000 square foot facility which was purchased for \$7.7 million as part of the \$13.5 million bond proceeds awarded from the \$78.3 million Higher Education Policy Commission on behalf of the West Virginia Council for Community and Technical College bond issue; During FY 2011 and FY 2012, the property was renovated, and has become a state of the art campus for the College. Note 6 to the financial statements provides additional information regarding this debt. The College occupied the new campus in August of 2012.

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

Economic Outlook

Traditionally, there has been an inverse relationship between the strength of the nation's economy, unemployment rates, and community college enrollment. A higher unemployment rate results in higher community college enrollment as displaced workers return to college to learn new skills. The unemployment rate has been steadily declining since reaching 10% in October of 2009. As of June 30, 2017, the national unemployment rate was at 4.3%, the lowest since 2007. The trend of low unemployment is expected to continue in the coming years, which may result in downward pressure on tuition revenues due to declining enrollment.

In addition to declining enrollments, the economic environment in West Virginia is volatile. State tax revenue collections have not met revenue projections for several fiscal years. The loss of severance tax revenues due to the State's declining energy sector have forced the State legislature to make difficult decisions on allocating resources. Higher Education in the State has been hit particularly hard, with Mountwest having state aid reduced by over \$3 million since 2012. These cost reduction measures from the State are expected to continue.

Despite these negative economic trends, Mountwest feels the future is bright. There has been a renewed focus on enhancing student services, retention, and college completion. There are current plans to increase our workforce development efforts by collaborating with local businesses. The College is establishing a virtual campus for on-line learning, making college courses available to a broader customer demographic. The President has implemented a strong dual credit program with local high schools with plans to expand to surrounding counties in the coming fiscal year. In addition, community colleges are gaining more attention as students realize they are able to receive certifications and degrees in a shorter period for less money than traditional four-year universities. This trend in student awareness, combined with Mountwest's state of the art campus, first-class faculty, and customer-oriented culture will allow the College to continue to thrive.

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,360,562	\$ 6,551,243
Due from the Council/Commission	49,010	278,554
Due from Marshall University - current portion	350,000	350,000
Accounts receivable - net	364,175	710,404
Total current assets	<u>9,123,747</u>	<u>7,890,201</u>
NONCURRENT ASSETS:		
Cash and cash equivalents	469,484	469,484
Due from Marshall University - noncurrent	42,834	392,834
Other receivables non-current	73,529	82,418
Capital assets - net	21,287,052	21,401,340
Total noncurrent assets	<u>21,872,899</u>	<u>22,346,076</u>
Total assets	30,996,646	30,236,277
DEFERRED OUTFLOWS OF RESOURCES	45,409	34,175
TOTAL	<u>\$ 31,042,055</u>	<u>\$ 30,270,452</u>

See notes to financial statements.

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 553,351	\$ 481,897
Due to State agencies	247,929	89,777
Due to Council/Commission	-	1,300
Accrued liabilities	548,667	577,140
Compensated absences	306,488	335,165
Debt obligation due to Commission - current portion	55,982	53,849
Bonds payable - current portion	394,713	378,921
Bonds interest payable	26,123	31,305
Capital lease obligation - current portion	-	127,361
Debt obligation - vendor - current portion	27,252	-
Unearned revenue	468,530	613,444
Total current liabilities	<u>2,629,035</u>	<u>2,690,159</u>
NONCURRENT LIABILITIES:		
Other post employment benefits liability	2,402,693	2,336,971
Net pension liability	182,167	206,148
Bonds payable	1,515,606	1,910,319
Debt obligation due to Commission	621,666	677,648
Debt obligation - vendor	45,445	-
Total noncurrent liabilities	<u>4,767,577</u>	<u>5,131,086</u>
Total liabilities	7,396,612	7,821,245
DEFERRED INFLOWS OF RESOURCES	<u>88,995</u>	<u>66,863</u>
TOTAL	<u>7,485,607</u>	<u>7,888,108</u>
NET POSITION:		
Net investment in capital assets	18,181,866	17,752,453
Restricted - expendable - for debt service	469,484	469,484
Unrestricted	4,905,098	4,160,407
Total net position	<u>23,556,448</u>	<u>22,382,344</u>
TOTAL	<u>\$ 31,042,055</u>	<u>\$ 30,270,452</u>

See notes to financial statements.

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Gross student tuition and fees	\$ 7,346,724	\$ 7,609,907
Less - scholarship allowance	<u>(4,255,219)</u>	<u>(4,033,237)</u>
Student tuition and fees - net of scholarship allowance	3,091,505	3,576,670
Contracts and grants:		
Federal	2,390,137	2,961,864
State	1,466,382	2,325,068
Private	413,806	141,563
Sales and services of educational activities	280,906	100,350
Other operating revenues	<u>173,913</u>	<u>273,274</u>
Total operating revenues	<u>7,816,649</u>	<u>9,378,789</u>
OPERATING EXPENSES:		
Salaries and wages	7,618,432	7,953,615
Benefits	1,870,983	1,935,722
Supplies and other services	3,685,733	4,357,216
Utilities	254,452	241,708
Student financial aid - scholarships and fellowships	1,529,753	2,842,917
Depreciation	576,363	596,200
Fees assessed by the Commission for operations	<u>75,738</u>	<u>89,743</u>
Total operating expenses	<u>15,611,454</u>	<u>18,017,121</u>
OPERATING LOSS	<u>(7,794,805)</u>	<u>(8,638,332)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	5,458,142	5,459,985
Payments on behalf of the College	30,800	33,380
Federal Pell grants	3,545,487	4,032,804
Investment income	57,594	21,495
Interest on indebtedness	(88,681)	(109,170)
Fees assessed by the Commission	<u>(34,433)</u>	<u>(45,818)</u>
Net nonoperating revenues	<u>8,968,909</u>	<u>9,392,676</u>
NET INCREASE IN NET POSITION	1,174,104	754,344
NET POSITION - BEGINNING OF YEAR	<u>22,382,344</u>	<u>21,628,000</u>
NET POSITION - End of year	<u>\$ 23,556,448</u>	<u>\$ 22,382,344</u>

See notes to financial statements.

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 3,301,709	\$ 5,724,873
Contracts and grants	4,004,825	5,428,495
Payments to and on behalf of employees	(9,434,653)	(9,806,776)
Payments to suppliers	(3,183,659)	(6,619,692)
Payments to utilities	(254,452)	(241,708)
Payments for scholarships and fellowships	(1,529,753)	(2,842,917)
Sales and service of educational activities	280,906	100,350
Auxiliary enterprise charges	86,391	148,046
Fees assessed by Commission	(75,738)	(89,743)
Other receipts/expenses - net	87,522	111,584
Net cash used in operating activities	<u>(6,716,902)</u>	<u>(8,087,488)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	5,458,142	5,459,985
Federal Pell grants	3,545,487	4,032,804
Receipt of amount due from Marshall University	350,000	525,000
Federal student loan program - direct lending receipts	2,669,396	2,976,010
Federal student loan program - direct lending payments	<u>(2,669,396)</u>	<u>(2,976,010)</u>
Net cash provided by noncapital financing activities	<u>9,353,629</u>	<u>10,017,789</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(196,576)	(48,075)
Principal paid on debt	(560,131)	(658,746)
Interest paid on debt	(93,863)	(114,144)
Fees assessed by the Commission	<u>(34,433)</u>	<u>(45,818)</u>
Net cash used in capital financing activities	<u>(885,003)</u>	<u>(866,783)</u>
CASH FLOWS FROM INVESTING ACTIVITY:		
Investment income	<u>57,595</u>	<u>21,495</u>
INCREASE IN CASH AND CASH EQUIVALENTS	1,809,319	1,085,013
CASH AND CASH EQUIVALENTS - Beginning of year	<u>7,020,727</u>	<u>5,935,714</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 8,830,046</u>	<u>\$ 7,020,727</u>

See notes to financial statements.

(Continued)

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash at the end of the year consists of:		
Cash and cash equivalents	\$ 8,360,562	\$ 6,551,243
Restricted assets:		
Cash and cash equivalents	469,484	469,484
Total cash at end of year	<u>\$ 8,830,046</u>	<u>\$ 7,020,727</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (7,794,805)	\$ (8,638,332)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	576,363	596,200
Donated Land	(265,500)	-
Changes in assets and liabilities:		
Accounts receivables - net	584,662	4,401,045
Accounts payable and accrued expenses	42,981	(2,275,345)
Other liabilities	229,549	55,833
Defined benefit pension plan	17,717	15,123
Compensated absences	(28,677)	(91,211)
Accrued other post employment benefits liability	65,722	158,649
Unearned revenue	<u>(144,914)</u>	<u>(2,309,450)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (6,716,902)</u>	<u>\$ (8,087,488)</u>
NONCASH TRANSACTIONS		
Expenses paid on behalf of the College	\$ 30,800	\$ 33,380
Donated land	\$ 265,500	\$ -
See notes to financial statements.		(Concluded)

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

1. ORGANIZATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Newly Adopted Statements Issued by the GASB – The GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units*, which is effective for fiscal years beginning after June 15, 2016. This statement amends the blending requirements for the financial presentation of component units of all state and local governments established in Statement No. 14, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The College has determined that Statement No. 80 does not apply and has no effect on its financial statements.

The GASB has also issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which is effective for fiscal years beginning after December 15, 2016. This statement establishes recognition and measurement requirements for irrevocable split-interest agreements created through trusts – or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements – in which a donor irrevocably transfers resources to an intermediary. The intermediary administers these resources for the unconditional benefit of a government or at least one other beneficiary. The College has determined it has no irrevocable split-interest agreements.

The GASB has also issued Statement No. 86, *Certain Debt Extinguishment Issues*, which is effective for fiscal years beginning after June 15, 2017. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The adoption of this standard has no effect on the College’s financial statements.

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

The GASB has also issued Statement No. 83, *Certain Asset Retirement Obligations*, which is effective for fiscal years beginning after June 15, 2018. Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for legally enforceable liabilities associated with the retirement of tangible capital assets. Examples of asset retirements covered under this standard are the decommissioning of a nuclear reactor or the dismantling and removal of sewage treatment plants as required by law. The College has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

The GASB has also issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2018. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The College has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The GASB has also issued Statement No. 85, *Omnibus 2017*, which is effective for fiscal years beginning after June 15, 2017. Statement No. 85 addresses practice issues that have been identified during implementation of certain GASB statements. The College has not yet determined the effect that the adoption of GASB Statement No. 85 may have on its financial statements.

The GASB has also issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The College has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

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

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

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

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

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

Restricted— Nonexpendable — This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College did not have any restricted nonexpendable components of net position at June 30, 2017 and 2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net Pension Liability – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (TRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported in the TRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ. (See Note 10)

Deferred Outflows of Resources — Consumption of net position by the College that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position. As of June 30, 2017 and 2016, the College had deferred outflows related to pensions of \$45,409 and \$34,175.

Deferred Inflows of Resources — Acquisition of net position by the College that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position. As of June 30, 2017 and 2016, the College had deferred inflows related to pensions of \$88,995 and \$66,863.

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

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

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

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

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

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

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

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

Federal Financial Assistance Programs — The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through institutions such as the College. Direct student loan receivables are not included in the College's statements of net position as the loans are repayable directly to the U.S. Department of Education. In 2017 and 2016, the College received and disbursed \$2,669,396 and \$2,976,010, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2017 and 2016, the College received and disbursed approximately \$3,750,000 and \$4,100,000, respectively, under these federal student aid programs.

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

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

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

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

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

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

Reclassifications — Certain reclassifications have been made to the 2016 financial statements to conform to the current year's classifications.

3. CASH AND CASH EQUIVALENTS

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

	June 30, 2017		
	Current	Noncurrent	Total
State Treasurer	\$ 8,358,199	\$ 469,484	\$ 8,827,683
In Bank	1,013	-	1,013
On Hand	1,350	-	1,350
Total	<u>\$ 8,360,562</u>	<u>\$ 469,484</u>	<u>\$ 8,830,046</u>

	June 30, 2016		
	Current	Noncurrent	Total
State Treasurer	\$ 6,492,452	\$ 469,484	\$ 6,961,936
In Bank	57,441	-	57,441
On Hand	1,350	-	1,350
Total	<u>\$ 6,551,243</u>	<u>\$ 469,484</u>	<u>\$ 7,020,727</u>

Cash held by the State Treasurer at June 30, 2017 and 2016, includes \$469,484 of restricted cash reserved for debt payments on the College Revenue Bonds (see Note 6).

The carrying amount of cash in bank at June 30, 2017 and 2016, was \$1,013 and \$57,441 as compared with the combined bank balance of \$1,013 and \$58,791, respectively. The difference is primarily caused by the delay in the remission of funds, representative of student aid, due to the college. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Amounts with the State Treasurer as of June 30, 2017 and 2016, are comprised of two investment pools, the WV Money Market Pool and the WV Short Term Bond Pool.

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

External Pool	2017		2016	
	Carrying Value (in Thousands)	S&P Rating	Carrying Value (in Thousands)	S&P Rating
WV Money Market Pool	\$ 8,185	AAAm	\$ 6,504	AAAm
WV Short Term Bond Pool	188	Not Rated	153	Not Rated

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

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

External Pool	2017		2016	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 8,185	36	\$ 6,504	49

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

External Pool	2017		2016	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	\$ 188	426	\$ 153	462

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

Custodial Credit Risk

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

Interest Rate Risk

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

Foreign Currency Risk

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

4. ACCOUNTS RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
Student tuition and fees - net of allowance for doubtful accounts of \$550,834 and \$532,787 for 2017 and 2016, respectively	\$ 349,540	\$ 661,104
Grants and contracts receivable	14,635	49,300
Other accounts receivable - noncurrent	<u>73,529</u>	<u>82,418</u>
	<u>\$ 437,704</u>	<u>\$ 792,822</u>

5. CAPITAL ASSETS

Summaries of capital assets transactions for the College for the years ended June 30, 2017 and 2016 are as follows:

	2017				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 1,878,768	\$ 265,500	\$ -	\$ -	\$ 2,144,268
Total capital assets not being depreciated	<u>\$ 1,878,768</u>	<u>\$ 265,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,144,268</u>
Other capital assets:					
Building and leasehold improvements	\$ 20,684,658	\$ 109,989	\$ -	\$ -	\$ 20,794,647
Land improvements	258,186	-	-	-	258,186
Telecommunications - leased	586,900	-	-	-	586,900
Equipment	<u>1,539,728</u>	<u>86,586</u>	<u>-</u>	<u>-</u>	<u>1,626,314</u>
Total other capital assets	<u>23,069,472</u>	<u>196,575</u>	<u>-</u>	<u>-</u>	<u>23,266,047</u>
Less accumulated depreciation for:					
Building and leasehold improvements	2,116,330	420,719	-	-	2,537,049
Land improvements	106,142	17,212	-	-	123,354
Telecommunication - leased	153,247	39,127	-	-	192,374
Equipment	<u>1,171,181</u>	<u>99,305</u>	<u>-</u>	<u>-</u>	<u>1,270,486</u>
Total accumulated depreciation	<u>3,546,900</u>	<u>576,363</u>	<u>-</u>	<u>-</u>	<u>4,123,263</u>
Other capital assets — net	<u>\$ 19,522,572</u>	<u>\$ (379,788)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,142,784</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 1,878,768	\$ 265,500	\$ -	\$ -	\$ 2,144,268
Other capital assets	<u>23,069,472</u>	<u>196,575</u>	<u>-</u>	<u>-</u>	<u>23,266,047</u>
Total cost of capital assets	24,948,240	462,075	-	-	25,410,315
Less accumulated depreciation	<u>3,546,900</u>	<u>576,363</u>	<u>-</u>	<u>-</u>	<u>4,123,263</u>
Capital assets — net	<u>\$ 21,401,340</u>	<u>\$ (114,288)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,287,052</u>

2016					
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 1,878,768	\$ -	\$ -	\$ -	\$ 1,878,768
Total capital assets not being depreciated	<u>\$ 1,878,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,878,768</u>
Other capital assets:					
Building and leasehold improvements	\$ 20,642,658	\$ 42,000	\$ -	\$ -	\$ 20,684,658
Land improvements	258,186	-	-	-	258,186
Telecommunications - leased	586,900	-	-	-	586,900
Equipment	1,533,653	6,075	-	-	1,539,728
Total other capital assets	<u>23,021,397</u>	<u>48,075</u>	<u>-</u>	<u>-</u>	<u>23,069,472</u>
Less accumulated depreciation for:					
Building and leasehold improvements	1,695,636	420,694	-	-	2,116,330
Land improvements	88,930	17,212	-	-	106,142
Telecommunications - leased	114,120	39,127	-	-	153,247
Equipment	1,052,014	119,167	-	-	1,171,181
Total accumulated depreciation	<u>2,950,700</u>	<u>596,200</u>	<u>-</u>	<u>-</u>	<u>3,546,900</u>
Other capital assets — net	<u>\$ 20,070,697</u>	<u>\$ (548,125)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,522,572</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 1,878,768	\$ -	\$ -	\$ -	\$ 1,878,768
Other capital assets	<u>23,021,397</u>	<u>48,075</u>	<u>-</u>	<u>-</u>	<u>23,069,472</u>
Total cost of capital assets	24,900,165	48,075	-	-	24,948,240
Less accumulated depreciation	<u>2,950,700</u>	<u>596,200</u>	<u>-</u>	<u>-</u>	<u>3,546,900</u>
Capital assets — net	<u>\$ 21,949,465</u>	<u>\$ (548,125)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,401,340</u>

6. NONCURRENT LIABILITIES

Summaries of noncurrent obligation transactions for the College for the years ended June 30, 2017 and 2016 are as follows:

2017					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Noncurrent liabilities:					
OPEB liability	\$ 2,336,971	\$ 101,910	\$ (36,188)	\$ 2,402,693	
Net pension liability	206,148	-	(23,981)	182,167	
Bonds payable	2,289,240	-	(378,921)	1,910,319	\$ 394,713
Capital lease obligations	127,361	-	(127,361)	-	-
Debt obligation due to Commission	731,497	-	(53,849)	677,648	55,982
Debt obligation - vendor	<u>-</u>	<u>72,697</u>	<u>-</u>	<u>72,697</u>	<u>27,252</u>
Total noncurrent liabilities	<u>\$ 5,691,217</u>	<u>\$ 174,607</u>	<u>\$ (620,300)</u>	<u>\$ 5,245,524</u>	<u>\$ 477,947</u>

	2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Noncurrent liabilities:					
OPEB liability	\$ 2,178,322	\$ 180,316	\$ (21,667)	\$ 2,336,971	
Net pension liability	198,553	7,595	-	206,148	
Bonds payable	2,653,001	-	(363,761)	2,289,240	\$ 378,921
Capital lease obligations	249,601	-	(122,240)	127,361	127,361
Debt obligation due to Commission	904,242	-	(172,745)	731,497	53,849
Total noncurrent liabilities	<u>\$ 6,183,719</u>	<u>\$ 187,911</u>	<u>\$ (680,413)</u>	<u>\$ 5,691,217</u>	<u>\$ 560,131</u>

BONDS

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

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

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

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

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

7. OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2017, 2016 and 2015, the noncurrent liability related to OPEB costs was \$2,402,693, \$2,336,971, and \$2,178,322 respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$201,082 and \$136,080 respectively during 2017 or 67%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$387,234 and \$231,745, respectively, during 2016 or 60%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$353,702 and \$233,825, respectively, during 2015 or 66%. As of and for the years ended June 30, 2017, 2016 and 2015, there were 15, 10, and 10, respectively, retirees receiving these benefits.

8. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

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

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

	<u>2017</u>	<u>2016</u>
Principal	\$ 53,849	\$ 172,745
Interest	32,198	40,317
Other	<u>2,235</u>	<u>5,500</u>
Total	<u>\$ 88,282</u>	<u>\$ 218,562</u>

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

During December 2009, the Commission, on behalf of the Council, issued \$78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the “2009 Bonds”). The proceeds of the 2009 Bonds will be used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The College was authorized and received \$13,500,000 of these proceeds. State lottery funds will be used to repay the debt.

9. UNRESTRICTED COMPONENTS OF NET POSITION

The unrestricted component of the College’s net position is as follows:

	<u>2017</u>	<u>2016</u>
Undesignated	\$ 7,489,958	\$ 6,703,526
Total unrestricted net position before OPEB and pension liability	7,489,958	6,703,526
Less: OPEB liability	2,402,693	2,336,971
Less: Pension liability	182,167	206,148
Total unrestricted net position	<u>\$ 4,905,098</u>	<u>\$ 4,160,407</u>

10. RETIREMENT PLANS

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

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

DEFINED BENEFIT PENSION PLAN

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

Following is the College’s pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal year ended June 30, 2017 and 2016:

	2017	2016
Net Pension Liability	\$ 182,167	\$ 206,148
Deferred Outflows of Resources	45,409	34,175
Deferred Inflows of Resources	88,995	66,863
Revenues	30,800	33,380
Pension Expense	27,381	32,307
Contributions made by College	7,952	17,184

TRS

Plan Description

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

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

Benefits Provided

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

Contributions

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

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

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll of members of the Teachers' Defined Contribution Retirement System;
4. a certain percentage of fire insurance premiums paid by State residents; and
5. under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2016 and 2015, the College's proportionate share attributable to this special funding subsidy was \$30,800 and \$33,380, respectively.

The College's contributions to TRS for the years ended June 30, 2017, 2016, and 2015, were \$7,952, \$17,184, and \$27,100, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2015 and rolled forward to June 30, 2016, respectively. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.0 – 6.0% and non-teachers 3.0 – 6.5%, based on age.
- Inflation rate of 3.0%.
- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 1.2 - 35% and non-teachers 1.4 – 24.75%
- Disability rates: 0 - 0.704%
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 0-100%
- *Ad hoc* cost-of-living increases in pensions are periodically granted by the State Legislature. However, the retirement system makes no automatic provision for such increases.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2010 to June 30, 2015. These assumptions will remain in effect for valuation purposes until such time as the CPRB adopts revised assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term arithmetic real rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2016, are summarized below.

Asset Class	Long-Term Expected Real Rate	
	of Return	Target Allocation
Domestic Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High-yield Fixed Income	5.5%	7.5%
TIPS	2.7%	0.0%
Real Estate	7.0%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%

Discount rate. The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, TRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on TRS' investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the pension plan's fiduciary net position, a municipal bond rate of 2.71% 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, 2016.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the College's proportionate share of the TRS net pension liability as of June 30, 2017 and 2016 calculated using the discount rate of 7.50%, as well as what the College's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability 2017	\$ 230,432	\$ 182,148	\$ 140,876
Net Pension Liability 2016	\$ 267,254	\$ 206,148	\$ 153,679

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

The TRS net pension liability was measured as of June 30, 2016. The total pension liability was determined by an actuarial valuation as of July 1, 2015 and rolled forward to the measurement date.

At June 30, 2017, the College's proportionate share of the TRS net pension liability was \$529,147. Of this amount, the College recognized approximately \$182,167 as its proportionate share on the Statement of Net Position. The remainder of \$346,980 denotes the College's proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to TRS for each of the fiscal years ended June 30, 2016 and 2015. Employer contributions are recognized when due. At June 30, 2016, the College's proportion was 0.004432%, a decrease of 0.001517% from its proportion of 0.005949% calculated as of June 30, 2015.

For the years ended June 30, 2017 and 2016, the College recognized TRS pension expense of \$27,381 and \$32,307, respectively. Of these amounts, \$(4,993) and \$(3,210) were recognized as the College's proportionate share of the TRS expense, \$30,800 and \$33,380, respectively, as the amount of pension expense attributable to special funding from a non-employer contributing entity and \$1,574 and \$2,137, respectively, as the amount of pension expense from a non-employer contributing entity not attributable to a special funding situation. The College also recognized revenue of \$30,800 and \$33,380, respectively, for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	\$ 13,592	\$ 87,931
Net Difference between Projected and Actual Investment Earnings	14,991	
Difference between Expected and Actual Experience	1,668	1,064
Changes in Assumptions	7,206	
Contributions after the Measurement Date	7,952	
Total	<u>\$ 45,409</u>	<u>\$ 88,995</u>

At June 30, 2016, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	\$ 16,991	\$ 56,377
Net Difference between Projected and Actual Investment Earnings		8,701
Difference between Expected and Actual Experience		1,785
Contributions after the Measurement Date	17,184	
Total	<u>\$ 34,175</u>	<u>\$ 66,863</u>

The College will recognize the \$7,952 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows.

<u>Fiscal Year Ended</u>	<u>Amortization</u>
June 30, 2018	\$ 17,080
June 30, 2019	17,081
June 30, 2020	10,893
June 30, 2021	(800)
June 30, 2022	7,284
Total	<u>\$ 51,538</u>

Payables to the pension plan

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

DEFINED CONTRIBUTION BENEFIT PLANS

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

Total contributions to the TIAA-CREF for the years ended June 30, 2017 and 2016, and 2015, were approximately \$752,000, \$774,000, and \$709,400, respectively, which consisted of equal contributions from the College and covered employees of approximately \$376,000, \$387,000, and \$354,700, respectively.

Total contributions to the Educators Money for the years ended June 30, 2017 and 2016, and 2015, were approximately \$18,500, \$22,000, and \$19,200, respectively, which consisted of approximately \$9,250, \$11,000, and \$9,700 from both the College and from covered employees, respectively.

The College's total payroll for the years ended June 30, 2017 and 2016, and 2015 was approximately \$7,618,000, \$7,954,000, and \$7,290,000, respectively. Total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were approximately \$55,000, \$115,000, and \$180,400; \$6,200,000, \$6,449,000, and \$5,912,000; and \$155,000, \$185,000, and \$157,000 respectively, in 2017, 2016 and 2015.

11. CONTINGENCIES

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

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

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements at June 30, 2017 and 2016.

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

12. MOUNTWEST FOUNDATION, INC.

With the change in State law to establish the College as a separate entity, a separate nonprofit Mountwest Foundation, Inc. ("Mountwest Foundation") was incorporated in the State, effective July 1, 2009, whose purpose is to benefit the work and services of the College. Mountwest Foundation has a fourteen-member Board. There was limited activity in the Mountwest Foundation in fiscal year 2017. Accordingly, the financial statements of the Mountwest Foundation are not included in the accompanying financial statements because they are not controlled by the College and they are not considered significant.

During the years ended June 30, 2017 and 2016 the Mountwest Foundation contributed approximately \$53,000 and \$23,800, respectively, to the College for scholarships and items purchased by the College.

13. SERVICE CONCESSION ARRANGEMENTS

The College has adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (SCA). The College has identified two contracts for services that meets the four criteria of a SCA. SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided, and the government retains ownership of the assets at the end of the contract.

The College contracts with Follett Higher Education Group, Inc. (FHEG) to operate its bookstore located within the College's facilities; a professional bookstore that yields the highest caliber of services to the College community. The annual contract began on April 18, 2012 and may be extended upon mutual consent for an additional year, with a maximum of five yearly renewals. In April 2016, the College renewed the contract for one additional year, which was the last renewal available under the current contract. During the 2016-2017 fiscal year, the College met with both the District and Regional Manager for FHEG to negotiate an additional one-year renewal; the contract renewed, by mutual agreement, with no changes to terms and conditions. The College receives annual rents of \$12,000 and commission payments calculated at a contractually agreed upon percentage of bookstore gross sales. In 2017 and 2016, the College received approximately \$74,000 and \$84,000, respectively, in commissions from Follett. There were no significant renovations to the College facilities by Follett in either 2017 and 2016.

In addition to the contract with FHEG, the College contracts with Aladdin Food Management Services, LLC (Aladdin) to operate its campus cafeteria and to provide snack vending services; a management fee/subsidy contract model. The three year contract began on January 1, 2017 and will continue through December 31, 2020 with the option to renew for two additional one year terms. Although there were no significant renovations to the College facilities by Aladdin in 2017, the College partnered with Aladdin to invest approximately \$81,000 to upgrade equipment and software, introduce a coffee bar, and to enhance the overall cafeteria atmosphere with décor and digital signage. The College did not receive any commissions from Aladdin during 2017.

14. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

2017								
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	\$ 4,320,212	\$ 1,019,903	\$ 1,133,745	\$ -	\$ -	\$ -	\$ -	\$ 6,473,860
Academic support	307,231	77,171	88,183	-	-	-	-	472,585
Student services	1,340,722	431,514	602,898	-	-	-	-	2,375,134
General institutional support	1,478,024	274,819	1,103,387	-	-	-	-	2,856,230
Operations and maintenance of plant	116,165	47,059	578,676	254,452	-	-	-	996,352
Student financial aid	-	-	-	-	1,529,753	-	-	1,529,753
Auxiliary enterprises	56,078	20,517	178,844	-	-	-	-	255,439
Depreciation	-	-	-	-	-	576,363	-	576,363
Other	-	-	-	-	-	-	75,738	75,738
	<u>\$ 7,618,432</u>	<u>\$ 1,870,983</u>	<u>\$ 3,685,733</u>	<u>\$ 254,452</u>	<u>\$ 1,529,753</u>	<u>\$ 576,363</u>	<u>\$ 75,738</u>	<u>\$ 15,611,454</u>
2016								
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	\$ 4,908,459	\$ 1,040,760	\$ 2,428,066	\$ -	\$ -	\$ -	\$ -	\$ 8,377,285
Academic support	330,460	42,451	102,605	-	-	-	-	475,516
Student services	1,256,271	155,848	530,299	-	-	-	-	1,942,418
General institutional support	1,087,013	622,548	680,441	-	-	-	-	2,390,002
Operations and maintenance of plant	225,538	53,500	516,424	241,708	-	-	-	1,037,170
Student financial aid	-	-	-	-	2,842,917	-	-	2,842,917
Auxiliary enterprises	145,874	20,615	99,381	-	-	-	-	265,870
Depreciation	-	-	-	-	-	596,200	-	596,200
Other	-	-	-	-	-	-	89,743	89,743
	<u>\$ 7,953,615</u>	<u>\$ 1,935,722</u>	<u>\$ 4,357,216</u>	<u>\$ 241,708</u>	<u>\$ 2,842,917</u>	<u>\$ 596,200</u>	<u>\$ 89,743</u>	<u>\$ 18,017,121</u>

REQUIRED SUPPLEMENTARY SCHEDULE

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS (UNAUDITED) JUNE 30, 2017

Schedule of Proportionate Share of TRS Net Pension Liability:

Measurement Date	College's Proportionate Share as a Percentage of Net Pension Liability	College's Proportionate Share	State's Proportionate Share	Total Proportionate Share	College's Covered Employee Payroll	College's Proportionate Share as a Percentage of Covered Payroll	College's Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.005755%	\$ 198,533	\$ 448,610	\$ 647,143	\$ 177,000	112.17%	65.95%
June 30, 2015	0.005949%	206,148	470,404	676,552	180,400	114.27%	66.25%
June 30, 2016	0.004432%	182,167	346,980	529,147	115,000	158.41%	61.42%

Schedule of Employer Contributions:

Measurement Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actuarial Contribution as a Percentage of Covered Payroll
June 30, 2014	\$ 26,184	\$ 26,511	\$ (327)	\$ 177,000	14.98%
June 30, 2015	27,051	27,053	(2)	180,400	15.00%
June 30, 2016	17,182	17,184	(2)	115,000	14.94%

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

Notes to Required Supplementary Information For the Year Ended June 30, 2017

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.

**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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Mountwest Community and Technical College (the College), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 4, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Hayflich CPAs". The signature is written in a cursive, flowing style.

Huntington, West Virginia
October 4, 2017