WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

Board of Governors
West Virginia Northern Community College
Wheeling, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and the discretely presented component unit of West Virginia Northern Community College (the College), a component unit of the West Virginia Council for Community and Technical College Education, 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 did not audit the financial statements of the West Virginia Northern Community College Foundation, Inc. (the Foundation). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. 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 auditors' 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 College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the discretely presented component unit of West Virginia Northern Community College as of June 30, 2017 and 2016, and the respective changes in the financial position and cash flows, where applicable, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 10 and the Schedules of Proportionate Share of Net Pension Liability and Contributions on page 57 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 6, 2017, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the College's 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 6, 2017

Overview

West Virginia Northern Community College (WVNCC or the “College”) is providing its financial statements for the fiscal year 2017, along with a comparative of fiscal years 2016 and 2015. There are three financial statements presented: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows as required by GASB reporting standards. This section of the annual financial report focuses on an overview of the College’s financial performance during the fiscal year ended June 30, 2017, with comparisons to the two previous fiscal years (June 30, 2016 and 2015).

In addition, WVNCC Foundation, Inc. consists of two basic financial statements; the statements of financial position and the statements of activities. The WVNCC Foundation, Inc. assets are controlled by a separate Board of Trustees and its historical purpose has been in support of the College’s student scholarships, capital improvements, and institutional support. More information about the accounting and reporting aspects of the Foundation can be found in footnote 16 of these financial statements.

Statements of Net Position

The statements of net position present the Assets (current and noncurrent), Deferred Outflows of Resources, Liabilities (current and noncurrent), Deferred Inflows of Resources and Net Position (Assets plus Deferred Outflows of Resources minus Liabilities minus Deferred Inflows of Resources) of the College as of June 30, 2017. Assets denote the resources available to continue the operations of the College. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s). Liabilities indicate how much the College owes vendors, employees, lending institutions and the West Virginia Higher Education Policy Commission. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). Net Position provides a way to measure the financial position of the College.

Net Position is Displayed in Three Major Categories:

- ***Net Investment in Capital Assets*.** This category provides equity in the property, plant, and equipment owned by WVNCC. The title is held by the West Virginia Northern Community College Board of Governors. It represents the College’s investment in capital assets plus deferred outflows of resources attributable to those capital assets, net of accumulated depreciation, outstanding debt obligations and deferred inflows of resources related to those capital assets. To the extent debt or deferred inflows of resources has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Rather that portion of debt or deferred inflows of resources is included in the same net position component as the unspent amount.

- ***Restricted Net Position*.** This category includes net position whose use is restricted either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components – expendable and nonexpendable:

  Expendable restricted net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. For example, the expenditure must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

Statements of Net Position (Continued)

Net Position is Displayed in Three Major Categories (Continued):

Nonexpendable restricted net position 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 presently does not have any nonexpendable net position.

- ***Unrestricted Net Position.*** This category represents resources derived from tuition and fees, State appropriations and sales and services of educational activities. These resources are used for transactions related to the educational and general operations of the College, and may be used at the sole discretion of the Governing Board to meet current expenses for any purpose.

Statement of Net Position
Fiscal Years Ended June 30

	2017	2016	Change FS 17-16	2015	Change FS 16-15
Assets and Deferred Outflows:					
Current Assets	$ 16,404,109	$ 15,327,011	7.03%	$ 14,087,808	8.80%
Other Noncurrent Assets	4,380,614	3,414,134	28.31%	2,841,762	20.14%
Capital Assets – Net	31,852,630	32,841,374	-3.01%	33,432,795	-1.77%
Total Assets	52,637,353	51,582,519	2.04%	50,362,365	2.42%
Deferred Outflows of Resources:	93,143	34,801	167.64%	38,870	-10.47%
Liabilities, Deferred Inflows, and Net Position:					
Current Liabilities	1,164,254	1,160,613	0.31%	1,484,373	-21.81%
Noncurrent Liabilities	3,608,809	3,540,085	1.94%	3,270,476	8.24%
Total Liabilities	4,773,063	4,700,698	1.54%	4,754,849	-1.14%
Deferred Inflows of Resources:	309,700	420,615	-26.37%	451,070	-6.75%
Net Position:					
Net Investments in Capital Assets	31,426,338	32,338,487	-2.82%	33,192,795	-2.57%
Restricted for – Expendable	4,326,802	3,360,937	28.74%	2,731,220	23.06%
Unrestricted	11,894,593	10,796,583	10.17%	9,271,301	16.45%
Total Net Position	$ 47,647,733	$ 46,496,007	2.48%	$ 45,195,316	2.88%

Statement of Net Position 2017 to 2016 Financial Highlights

Assets

- Current and noncurrent cash and cash equivalents increased $2.3M or 13.2%.
- Capital Assets – net decreased $1.0M or 3.0%.
- Total Assets increased $1.1 million or 2.0%.

Liabilities

- Current Liabilities stayed relatively flat with increase of 4K or 0.3%.
- Postemployment Benefits Liability increased moderately by $31K or 1.0%.
- Total Liabilities increased $72K or 1.5%.

Comments

An indicator that the College has sufficient resources available to meet its obligations is the current ratio (current assets to current liabilities). This ratio is calculated at 14.1 to 1 and 13.2 to 1 for 2017 and 2016, respectively. The improvement is mainly attributable to increases in cash and cash equivalents from only slight declines in operating revenue, only slight increases in operating expenses, and significant increases in investment income. Operating revenues decreased moderately by $112K or 2.1%, while operating expenses increased by $138K or 0.9%. Even with these negative variances over prior year, the college still demonstrates the ability to increase cash reserves; operating on tight fiscal responsibility.

West Virginia Northern Community College continues to maintain a strong cash position with cash and cash equivalents representing 37.7% of total assets for FY 2017. The College has added approximately $354K in net fixed assets over the last year with $267K of construction in progress as well. More detailed data with respect to capital assets for the years ended June 30, 2017 and 2016 can be found in footnote 5 to these financial statements.

Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses, and changes in net position present the operating results of the College for the fiscal year ended June 30, 2017 compared to fiscal years ended June 30, 2016 and 2015. The purpose of the statement is to present the revenues of the College (operating and nonoperating), the expenses of the College (operating and nonoperating), and any other revenues, expenses, gains and losses of the College. State Appropriations, while budgeted for operations, are considered and reported as nonoperating revenues. This is due to State Appropriations being provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. The utilization of capital assets is reflected in the Financial Statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Statements of Revenues, Expenses and Changes in Net Position (Continued)

Statements of Revenues, Expenses, and Changes in Net Position
Fiscal Years Ended June 30

	2017	2016	Change FS 17-16	2015	Change FS 16-15
Total Operating Revenues	$ 5,264,763	$ 5,376,815	-2.08%	$ 5,251,982	2.38%
Total Operating Expenses	14,757,641	14,619,285	0.95%	15,968,913	-8.45%
Operating Loss	(9,492,878)	(9,242,470)	2.71%	(10,716,931)	-13.76%
Net Nonoperating Revenues	10,584,154	10,543,161	0.39%	11,183,776	-5.73%
Capital Payments on Behalf of College	60,450	-	100.00%	60,000	-100.00%
Increase in Net Position	1,151,726	1,300,691	-11.45%	526,845	146.88%
Net Position – Beginning of Year	46,496,007	45,195,316	2.88%	45,276,376	-0.18%
Restatement for July 1, 2014, Pension Liability	-	-	0.00%	(607,905)	100.00%
Net Position – Beginning of Year, Restated	46,496,007	45,195,316		44,668,471	
Net Position – End of Year	$ 47,647,733	$ 46,496,007	2.48%	$ 45,195,316	2.88%

Statement of Revenues, Expenses, and Changes in Net Position 2017 and 2016 Financial Highlights:

Operating Revenue

- Total Operating Revenues decreased $112K or 2.1%.
  - Net Student Tuition & Fees remained relatively flat, up $5K or 0.2%.
  - State Contracts and Grants increased $282K or 21.6%.
  - Federal Contracts and Grants decreased $346K or 29.4%.
  - Sales & Services of Educational Activity increased $148K or 52%

Operating Expenses

- Total Operating Expenses increased $138K or 0.9%.
  - Salaries and Wages remained flat with only an increase of $3K or 0.05%.
  - Employee Benefits increased $198K or 11.7%.
  - Student Financial Aid increased $290K or 21.7%.
  - Supplies and Other Services decreased by $270K or 9.2%.

Nonoperating Revenues (Expenses)

- Net Nonoperating Revenues were relatively flat increasing $41K or 0.4%.
- Investment income increased significantly $80K or 145%.

Comments

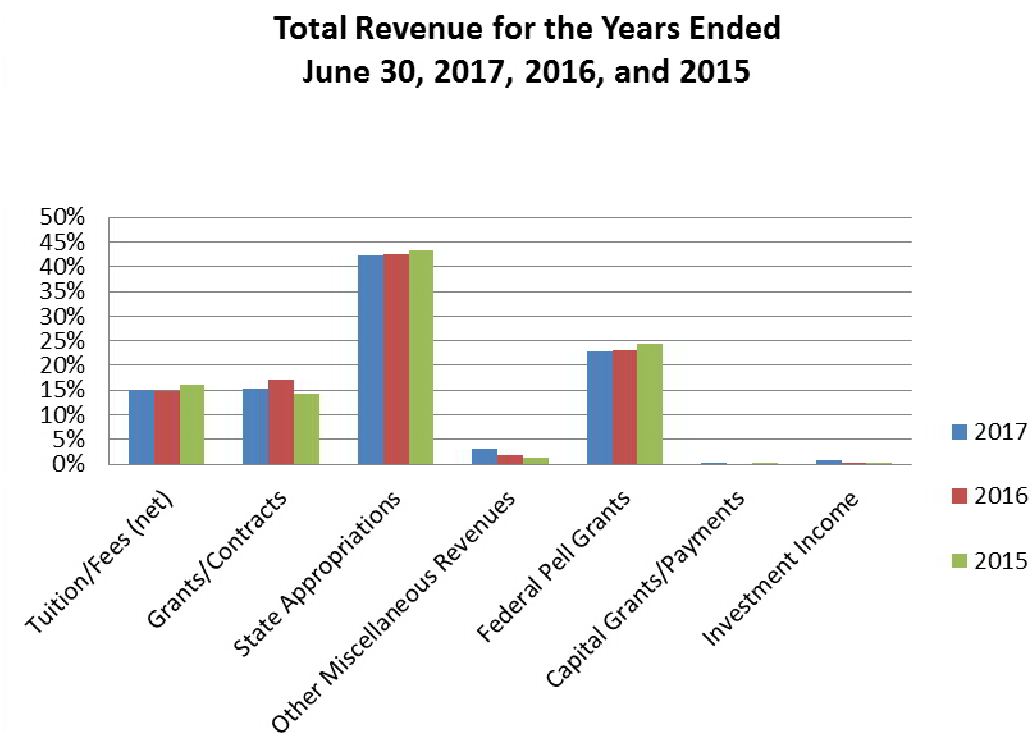
While student tuition and fees remained stable, operating revenues were impacted by decreases in federal and private grants of $346K and $201K respectively. Those decreases were partially offset by increases in state grants of $282K, and Sales and Services of Educational Activity of $148K. The federal grant decrease was primarily the use of the Bridging the Gap grant that ended in 2017.

Statements of Revenues, Expenses and Changes in Net Position (Continued)

Total operating expenses increased slightly due to increases in financial aid disbursements and benefits with an overall increase of $138K or 0.9%.

The Nonoperating Revenues was relatively flat increasing a modest $41K or 0.4%. Declines in the State Appropriation, and Federal Pell Grants, were substantially offset by increases of $80K in investment income and other items.

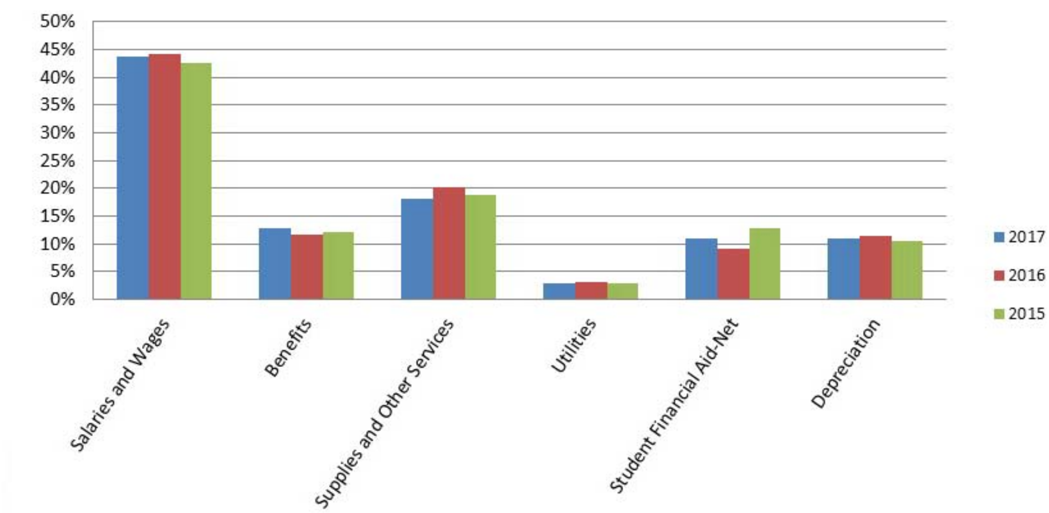
Major sources of revenue for the College are presented below. The graph illustrates the revenues by source and percentage based on the total revenues of $15,909,367, $15,919,976, and $16,495,758 for the years ended 2017, 2016, and 2015, respectively.



Statements of Revenues, Expenses and Changes in Net Position (Continued)

The graph illustrates the operating expenses by natural classifications and percentage based on the total expenditures of $14,757,641, $14,619,285, and $15,968,913 for the years ended 2017, 2016, and 2015, respectively.

Total Expenses for the Years Ended June 30, 2017, 2016, and 2015



Statements of Cash Flows

The statements of cash flows provide information about the cash receipts, cash payments, and net change in cash resulting from the activities of the College during the year. This Statement helps users assess the College’s ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The statement of cash flows is divided into four parts:

Cash Flows from Operating Activities. This section shows the net cash used by the operating activities of the College.

Cash Flows from Noncapital Financing Activities. This section reflects the cash received and paid for nonoperating, noninvesting, and noncapital financing purposes.

Cash Flows from Capital and Related Financing Activities. This section includes cash used for the acquisition and construction of capital and related items.

Cash Flows from Investing Activities. This section shows the purchases, proceeds, and interest received from investing activities.

Statements of Cash Flows
Fiscal Years Ended June 30

	2017	2016	Change FS 17-16	2015	Change FS 16-15
Cash Provided (Used) by:					
Operating Activities	$ (7,322,700)	$ (8,566,190)	-14.52%	$ (9,008,687)	-4.91%
Noncapital Financing Activities	10,071,244	10,428,753	-3.43%	11,153,176	-6.50%
Capital Financing Activities	(1,533,704)	(1,442,485)	6.32%	(1,057,760)	36.37%
Investing Activities	126,888	48,585	161.17%	18,375	164.41%
Increase in Cash and Cash Equivalents	1,341,728	468,663	186.29%	1,105,104	-57.59%
Cash and Cash Equivalents – Beginning of Year	14,171,437	13,702,774	3.42%	12,597,670	8.77%
Cash and Cash Equivalents – End of Year	$ 15,513,165	$ 14,171,437	9.47%	$ 13,702,774	3.42%

Comments

The College generated positive cash flows which resulted in ending unrestricted cash balance increase of 9.5% for the fiscal year ended 2017. The increase in 2017 is primarily attributable to the reduction of cash used by operating activities due to increased operating receipts from tuition and fees, grants and sales and service of educational activities.

Capital Asset and Debt Activity

The College continued to invest in building improvements, equipment and other capital activity in FY 2017, financed by grants, gifts and other College funds.

- The College leases land from the West Virginia Northern Community College Foundation under a capital lease agreement. Terms of the lease include monthly payments of $3,363 from July 1, 2015 through June 30, 2025, with an annual interest rate of 4% and a principal amount of $332,115.

Economic Outlook

WVNCC is, and will continue to be, financially stable. Prudent saving during past prosperous years, coupled with cost reductions through efficiency measures has placed the institution in a firm financial position.

Within the northern portion of the regional service areas is the building of a cracker plant, a multi-billion dollar facilities that create a host of construction jobs during the building phase and the many operational jobs once open. There is a potential for a second cracker plant in the central-south portion of the service area as well. The College will look to position themselves to take advantage of the growing needs by completing the remodeling of an abandoned industrial building, operational in Fall of 2018. The 27,000 sq. ft. building on the Wheeling campus will be repurposed to house expanded welding and petroleum technology programs with room yet to expand into further programs.

WVNCC is also aggressively promoting community and continuing education through its WorkForce Development department. There is a focus on skill set training that translates well to employment in high demand positions.

Financially, the institution has positioned itself incredibly sound during a period of declining enrollment. With anticipation that the tide will turn and enrollment soon improve, the college is poised to make significant investments in human capital and facilities; physical plant and information technology. Planning is no longer based on an objective of savings, but definitely looking to still balance the budget annually.

The state of West Virginia continues to cut funding to higher education and WVNCC is preparing to work through these challenges by dynamically monitoring revenue and expenses on a monthly basis and make adjustments as needed. The College is continuing its search for efficiencies to reduce expenses. The cash reserve of the College would be able to sustain against unforeseeable events.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 15,513,165	$ 14,171,437
Accounts Receivable – Net	327,729	428,763
Interest Receivable on State Cash Accounts	17,220	8,564
Due from Commission/Council	116,854	17,734
State Appropriations Receivable	341,521	22,963
Federal Grant Receivable	-	657,751
Arrears Pay Conversion Receivable – Current Portion	10,584	7,466
Loans to Students – Current Portion	450	5,026
Prepaid Expenses	76,586	7,307
Total Current Assets	16,404,109	15,327,011
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents	4,318,285	3,341,002
Arrears Pay Conversion Receivable	53,124	67,641
Loans to Students, Net of Allowance of $92,055 in 2017 and $94,555 in 2016	9,205	5,491
Capital Assets – Net	31,852,630	32,841,374
Total Noncurrent Assets	36,233,244	36,255,508
Total Assets	52,637,353	51,582,519
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	93,143	34,801
Total Assets and Deferred Outflows	$ 52,730,496	$ 51,617,320

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2017 AND 2016

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	2017	2016
CURRENT LIABILITIES		
Accounts Payable	$ 184,066	$ 173,304
Due to State of West Virginia	38,629	15,382
Due to Commission/Council	-	1,605
Accrued Liabilities	633,315	612,123
Capital Lease – Current Portion	29,760	28,595
Unearned Revenues	12,285	34,965
Compensated Absences	266,199	294,639
Total Current Liabilities	1,164,254	1,160,613
NONCURRENT LIABILITIES		
Advances from Federal Sponsors	10,081	14,817
Capital Lease Payable	248,532	278,292
Other Post Employment Benefits Liability	2,981,272	2,950,766
Net Pension Liability	368,924	296,210
Total Noncurrent Liabilities	3,608,809	3,540,085
Total Liabilities	4,773,063	4,700,698
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangement – Net	148,000	196,000
Deferred Inflows Related to Pension	161,700	224,615
Total	5,082,763	5,121,313
NET POSITION		
Net Investment in Capital Assets	31,426,338	32,338,487
Restricted for:		
Capital Projects	4,317,858	3,336,702
Scholarships	8,944	24,235
Unrestricted	11,894,593	10,796,583
Total Net Position	47,647,733	46,496,007
Total Liabilities, Deferred Inflows, and Net Position	$ 52,730,496	$ 51,617,320

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Student Tuition and Fees – Net of Scholarship Allowance of $2,878,907 in 2017 and $2,837,668 in 2016	$ 2,382,892	$ 2,377,547
Contracts and Grants:		
Federal	828,109	1,173,774
State	1,588,215	1,306,371
Private	40,342	241,397
Sales and Services of Educational Activities	434,607	286,320
Miscellaneous – Net	(9,402)	(8,594)
Total Operating Revenues	5,264,763	5,376,815
OPERATING EXPENSES		
Salaries and Wages	6,461,679	6,458,607
Benefits	1,889,117	1,691,239
Supplies and Other Services	2,665,485	2,935,695
Utilities	444,264	474,428
Student Financial Aid – Scholarships and Fellowships	1,625,191	1,335,349
Depreciation	1,609,123	1,663,715
Fees Assessed by the Commission for Operations	62,782	60,252
Total Operating Expenses	14,757,641	14,619,285
OPERATING LOSS	(9,492,878)	(9,242,470)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	6,737,527	6,792,032
Federal Pell Grants	3,645,518	3,659,684
Benefits Payments on Behalf of the College	65,564	51,031
Loss on Disposal of Assets	-	(14,994)
Investment Income	135,545	55,408
Net Nonoperating Revenues	10,584,154	10,543,161
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	1,091,276	1,300,691
Payments Made and Expenses Incurred on Behalf of College	60,450	-
INCREASE IN NET POSITION	1,151,726	1,300,691
Net Position – Beginning of Year	46,496,007	45,195,316
NET POSITION – END OF YEAR	$ 47,647,733	$ 46,496,007

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	$ 2,484,065	$ 2,117,404
Contracts and Grants	3,013,691	1,940,642
Payments to and on Behalf of Employees	(8,346,846)	(8,244,290)
Payments to Suppliers	(2,675,894)	(2,749,195)
Payments to Utilities	(492,477)	(458,029)
Payments for Scholarships and Fellowships	(1,625,191)	(1,335,349)
Collection of Loans to Students	370	5,835
Sales and Service of Educational Activities	386,607	242,320
Fees Assessed by the Commission for Operations	(62,782)	(60,252)
Other Receipts / (Payments) – Net	(4,243)	(25,276)
Net Cash Used by Operating Activities	(7,322,700)	(8,566,190)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	6,425,726	6,769,069
Federal Pell Grants	3,645,518	3,659,684
Federal Direct Lending Receipts	2,420,951	2,373,284
Federal Direct Lending Payments	(2,420,951)	(2,373,284)
Net Cash Provided by Noncapital Financing Activities	10,071,244	10,428,753
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(511,342)	(809,940)
Principal Paid on Capital Leases	(28,595)	(25,227)
Interest Paid on Capital Leases	(11,754)	(11,760)
Fees Assessed by Commission	(4,730)	(2,258)
Deposits to Restricted Cash and Cash Equivalents	(977,283)	(593,300)
Net Cash Used by Capital and Related Financing Activities	(1,533,704)	(1,442,485)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	126,888	48,585
INCREASE IN CASH AND CASH EQUIVALENTS	1,341,728	468,663
Cash and Cash Equivalents – Beginning of Year	14,171,437	13,702,774
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 15,513,165	$ 14,171,437

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (9,492,878)	$ (9,242,470)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	1,609,123	1,663,715
Effect of Changes in Operating Assets and Liabilities:		
Accounts Receivable – Net	101,034	(136,221)
Interest Receivable from State Cash Accounts	(8,656)	(6,824)
Due from Commission / Council	(99,120)	63,142
Federal Grant Receivable	657,751	(657,751)
Arrears Pay Conversion Receivable	11,399	11,645
Loans to Students – Net	862	6,658
Prepaid Expenses	(69,279)	(7,298)
Accounts Payable	(45,496)	472
Due to State of West Virginia	23,247	5,050
Due to Commission / Council	(1,605)	1,405
Accrued Liabilities	(14,066)	(183,237)
Unearned Revenue	(22,680)	(106,440)
Compensated Absences	(28,440)	(2,580)
Other Post Employment Benefits	30,506	106,345
Defined Benefit Pension	72,714	(20,297)
Advances from Federal Sponsors	(4,736)	(26,086)
Deferred Outflows of Resources Related to Pensions	(58,342)	4,069
Deferred Inflows of Resources Related to Pensions	62,915	13,545
Other	(46,953)	(53,032)
Net Cash Used by Operating Activities	$ (7,322,700)	$ (8,566,190)
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Capital Assets Purchased through Accounts Payable and Accrued Liabilities	$ 91,516	$ -
Capital Assets Acquired through Capital Leases	$ -	$ 332,115
Capital Assets Acquired through Contributions	$ 5,767	$ 500

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	$ 87,864	$ 94,894
Accounts Receivable	4,585	1,480
Notes Receivable – Current	29,760	28,595
Investments at Fair Value	4,096,706	3,609,896
Prepaid Expenses	5,622	2,722
Other Current Assets	3,363	3,363
Notes Receivable – Long Term	248,532	278,292
Beneficial Interest in Perpetual Trust	1,087,873	1,028,174
Total Assets	$ 5,564,305	$ 5,047,416
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 6,575	$ 7,935
Total Liabilities	6,575	7,935
NET ASSETS		
Unrestricted	868,817	793,574
Temporarily Restricted	2,745,580	2,409,708
Permanently Restricted	1,943,333	1,836,199
Total Net Assets	5,557,730	5,039,481
Total Liabilities and Net Assets	$ 5,564,305	$ 5,047,416

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES					
Grants and Donations		$ 36,204	$ 64,001	$ -	$ 100,205
Dividend and Interest Income		17,041	57,005	-	74,046
Investment Revenue from Beneficial		-	-	47,435	47,435
Interest in Perpetual Trust					-
Special Events Fundraisers	$ 15,272				-
Less Costs of Direct Benefits to Donors	(6,582)	8,690	-	-	8,690
Gain on Investment		29,326	322,886	-	352,212
Change in Value of Split		-	-	-	-
Interest Agreements		-	-	59,699	59,699
Net Assets Released from					
Restrictions – Satisfactions of					
Program Restrictions		108,020	(108,020)	-	-
Total Support and Revenues		199,281	335,872	107,134	642,287
EXPENSES					
WV Northern Community College Support:					
Scholarships / Student Assistance		45,245	-	-	45,245
Institutional Support		35,364	-	-	35,364
Fundraising		8,499	-	-	8,499
Management and General		34,930	-	-	34,930
Total Expenses		124,038	-	-	124,038
CHANGE IN NET ASSETS		75,243	335,872	107,134	518,249
Net Assets – Beginning of Year		793,574	2,409,708	1,836,199	5,039,481
NET ASSETS – END OF YEAR		$ 868,817	$ 2,745,580	$ 1,943,333	$ 5,557,730

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES					
Grants and Donations		$ 20,221	$ 124,559	$ -	$ 144,780
Dividend and Interest Income		16,550	51,790	-	68,340
Investment Revenue from Beneficial Interest in Perpetual Trust		-	-	47,166	47,166
Special Events Fundraisers	$ 69,769				
Less Costs of Direct Benefits to Donors	(24,240)	45,529	-	-	45,529
Loss on Investment		(11,097)	(107,873)	-	(118,970)
Change in Value of Split Interest Agreements		-	-	(56,288)	(56,288)
Net Assets Released from Restrictions – Satisfactions of Program Restrictions		256,711	(256,711)	-	-
Total Support and Revenues		327,914	(188,235)	(9,122)	130,557
EXPENSES					
WV Northern Community College Support:					
Scholarships / Student Assistance		67,698	-	-	67,698
Institutional Support		185,865	-	-	185,865
Fundraising		25,164	-	-	25,164
Management and General		36,477	-	-	36,477
Total Expenses		315,204	-	-	315,204
CHANGE IN NET ASSETS		12,710	(188,235)	(9,122)	(184,647)
Net Assets – Beginning of Year		780,864	2,597,943	1,845,321	5,224,128
NET ASSETS – END OF YEAR		$ 793,574	$ 2,409,708	$ 1,836,199	$ 5,039,481

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION

West Virginia Northern Community College (the College) is governed by the West Virginia Northern Community College Board of Governors (the Board). The Board was established by Senate Bill 448 (S.B. 448).

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 rules 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 its College.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The College is a blended component unit of the West Virginia Council for Community and Technical College Education and represents separate funds of the State that are not included in the State's general fund. The College is a separate entity which, along with all State institutions of higher education, the 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. A related alumni association of the College is not part of the College reporting entity and is not included in the accompanying financial statements, as the College has no ability to designate management, cannot significantly influence operations of this entity, and is not accountable for its fiscal matters under GASB.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

In accordance with GASB, the audited financial statements of West Virginia Northern Community College Foundation, Incorporated (the Foundation) are discretely presented here with the College's financial statements for the fiscal years ended June 30, 2017 and 2016. The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is, therefore, discretely presented with the College's financial statements in accordance with GASB. No modifications have been made to the Foundation's audited financial information as presented herein (see also Note 16).

Financial Statement Presentation

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

Net Investment in Capital Assets

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

Restricted Net Position, Expendable

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

The West Virginia Legislature (the State Legislature), as a regulatory body outside the reporting entity, has restricted the use of certain funds, by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education* of the West Virginia State Code. House Bill 101, passed in March 2004, simplified the tuition and fee restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the West Virginia Legislature.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Restricted Net Position, Nonexpendable

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

Unrestricted Net Position

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

Basis of Accounting

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Any cash and cash equivalents escrowed, restricted as noncurrent assets, or in funded reserves have not been included as cash and cash equivalents for the cash flow statement purposes.

Cash and cash equivalents balances on deposit with the State's Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures, and trust agreements when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB. The BTI was established by the 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

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

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 collectability experienced by the College on such balances; and such other factors which, in the College's judgment, require consideration in estimating doubtful accounts.

Noncurrent Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments that are (1) externally restricted to make debt service payments and long-term loans to students, or to maintain sinking or reserve funds, or (2) to purchase capital or other noncurrent assets are classified as a noncurrent asset in the statements of net position.

Capital Assets

Capital assets include property, plant, and equipment; books and materials that are part of a catalogued library; and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair value at the date of donation in the case of gifts. If material, interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction. Interest paid of $11,755 was capitalized as part of the cost of assets for the year ended June 30, 2017. Interest capitalized as part of the cost of assets for the year ended June 30, 2016 was $11,760. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and infrastructure, 15 years for land improvements, 7 years for library books, and 3 to 12 years for furniture and equipment. The College capitalizes all purchases of library books. The College uses capitalization thresholds of $5,000 for furniture and equipment; $2,500 for land improvements, leasehold and building improvements and computer software; and $15,000 for aggregate capital asset purchases. Land, buildings, infrastructure, and library books are capitalized regardless of cost.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenues

Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenues, including items such as application, orientation, and tuition fees. Financial aid and other deposits are separately classified as deposits.

Compensated Absences and Other Postemployment Benefits

GASB provides standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. 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), State Capital Complex, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, West Virginia 25305-0710 or http://www.wvpeia.com.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable. The 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences and Other Postemployment Benefits (Continued)

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

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (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 on 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 (Note 11).

Deferred Outflows of Resources

Consumption of net position by the College that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position. As of June 30, 2017 and 2016, the College had deferred outflows of resources related to pension of $93,143 and $34,801, respectively.

Deferred Inflows of Resources

An acquisition of net position by the College that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position. As of June 30, 2017 and 2016, the College had deferred inflows from service concession arrangements of $148,000 and $196,000, respectively, and deferred inflows related to pension of $161,700 and $224,615 as of June 30, 2017 and 2016, respectively.

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 is 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management (Continued)

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

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

Settled claims have not exceeded these coverages for the past three fiscal years.

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 grants and gifts.

Use of Restricted Net Position

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Financial Assistance Program

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 like the College. Direct student loan receivables are not included in the College's accompanying statements of net position since the loans are repayable directly to the U.S. Department of Education. In both 2017 and 2016, the College received and disbursed approximately $2.4 million 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 $3.7 million and $3.8 million, respectively, under these federal student aid programs.

Scholarship Allowances

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

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and College Business Officers. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service Concession Arrangements

The College has service concession arrangements for the operation of bookstores. Significant renovations made to College facilities by service concession vendors are capitalized and revenues are deferred and accreted over the life of the contract.

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.

Use of Estimates

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

Risk and Uncertainties

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

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB)

The College implemented 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 nonprofit 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 to its component unit and has no effect on its financial statements.

The College has early implemented 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB) (Continued)

The College also adopted 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 had no effect on the College's financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board

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. GASB Statement No. 75 will require the College to record its proportionate share of the unfunded net OPEB liabilities in the West Virginia Retiree Health Benefit Trust Fund. Although the amount of the liability is unknown, it is presumed to be material.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Statements Issued by the Governmental Accounting Standards Board (Continued)

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.

NOTE 3 CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30 was held as follows:

	2017		
	Current	Noncurrent	Total
State Treasurer	$ 15,465,100	$ 4,317,858	$ 19,782,958
Bank	48,065	427	48,492
Total	$ 15,513,165	$ 4,318,285	$ 19,831,450

	2016		
	Current	Noncurrent	Total
State Treasurer	$ 13,897,056	$ 3,336,702	$ 17,233,758
Bank	274,381	4,300	278,681
Total	$ 14,171,437	$ 3,341,002	$ 17,512,439

Cash held by the State Treasurer includes $4,317,858 and $3,336,702 at June 30, 2017 and 2016, respectively, restricted for capital assets. These amounts were collateralized by financial instruments held by the State's agent.

The combined carrying amount of cash in bank was $48,492 and $278,681 as compared with the combined bank balance of $48,492 and $279,289 at June 30, 2017 and 2016, respectively. The difference is primarily caused by items in transit and outstanding checks. The bank balances were covered by federal depository insurance as noted below or collateralized by securities held by the State's agent. Regarding federal depository insurance, accounts held by two banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2017 all bank balances were insured. At June 30, 2016, the amount uninsured and uncollateralized was $25,036.

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.

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2017		2016	
External Pool	Carrying Value (in Thousands)	S&P Rating	Carrying Value (in Thousands)	S&P Rating
WV Money Market Pool	$ 19,337,840	AAAm	$ 16,836,722	AAAm
WV Short Term Bond Pool	445,118	Not Rated	397,036	Not Rated
	$ 19,782,958		$ 17,233,758	

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

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

	2017		2016	
External Pool	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	$ 19,337,840	36	$ 16,836,722	49

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

	2017		2016	
External Pool	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	$ 445,118	426	$ 397,036	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.

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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. The College does not have a formal custodial credit risk policy.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The BTI'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. The College does not have a formal interest rate risk policy.

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.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at June 30 are as follows:

	2017	2016
Student Tuition and Fees, Net of Allowance for Doubtful Accounts of $983,774 in 2017 and $946,144 in 2016	$ 279,852	$ 324,950
Third Party Contracts Receivable	47,877	103,813
Total	$ 327,729	$ 428,763

NOTE 5 CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2017 and 2016 is as follows:

	2017			
	Beginning Balance	Additions	Reductions	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	$ 1,728,751	$ -	$ -	$ 1,728,751
Construction in Progress	580,339	266,805	-	847,144
Total Capital Assets not Being Depreciated	$ 2,309,090	$ 266,805	$ -	$ 2,575,895
OTHER CAPITAL ASSETS				
Land Improvements	$ 738,067	$ -	$ -	$ 738,067
Infrastructure	2,225,652	8,345	-	2,233,997
Buildings	36,667,193	27,269	-	36,694,462
Equipment	7,850,654	313,973	(189,230)	7,975,397
Library Books	622,522	3,987	(1,972)	624,537
Total Other Capital Assets	48,104,088	353,574	(191,202)	48,266,460
LESS ACCUMULATED DEPRECIATION FOR				
Land Improvements	(538,643)	(42,700)	-	(581,343)
Infrastructure	(1,156,599)	(100,555)	-	(1,257,154)
Buildings	(10,718,791)	(903,179)	-	(11,621,970)
Equipment	(4,578,369)	(546,954)	189,230	(4,936,093)
Library Books	(579,402)	(15,735)	1,972	(593,165)
Total Accumulated Depreciation	(17,571,804)	(1,609,123)	191,202	(18,989,725)
OTHER CAPITAL ASSETS – NET	$ 30,532,284	$ (1,255,549)	$ -	$ 29,276,735
CAPITAL ASSET SUMMARY				
Capital Assets not Being Depreciated	$ 2,309,090	$ 266,805	$ -	$ 2,575,895
Other Capital Assets	48,104,088	353,574	(191,202)	48,266,460
Total Cost of Capital Assets	50,413,178	620,379	(191,202)	50,842,355
Less: Accumulated Depreciation	(17,571,804)	(1,609,123)	191,202	(18,989,725)
CAPITAL ASSETS – NET	$ 32,841,374	$ (988,744)	$ -	$ 31,852,630

NOTE 5 CAPITAL ASSETS (CONTINUED)

	2016			
	Beginning Balance	Additions	Reductions	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	$ 1,728,751	$ -	$ -	$ 1,728,751
Construction in Progress	5,902	574,437	-	580,339
Total Capital Assets not Being Depreciated	$ 1,734,653	$ 574,437	$ -	$ 2,309,090
OTHER CAPITAL ASSETS				
Land Improvements	$ 738,067	$ -	$ -	$ 738,067
Infrastructure	2,225,652	-	-	2,225,652
Buildings	36,597,731	69,462	-	36,667,193
Equipment	7,452,488	438,334	(40,168)	7,850,654
Library Books	626,888	5,055	(9,421)	622,522
Total Other Capital Assets	47,640,826	512,851	(49,589)	48,104,088
LESS ACCUMULATED DEPRECIATION FOR				
Land Improvements	(495,943)	(42,700)	-	(538,643)
Infrastructure	(1,055,355)	(101,244)	-	(1,156,599)
Buildings	(9,817,097)	(901,694)	-	(10,718,791)
Equipment	(4,004,309)	(599,234)	25,174	(4,578,369)
Library Books	(569,980)	(18,843)	9,421	(579,402)
Total Accumulated Depreciation	(15,942,684)	(1,663,715)	34,595	(17,571,804)
OTHER CAPITAL ASSETS – NET	$ 31,698,142	$ (1,150,864)	$ (14,994)	$ 30,532,284
CAPITAL ASSET SUMMARY				
Capital Assets not Being Depreciated	$ 1,734,653	$ 574,437	$ -	$ 2,309,090
Other Capital Assets	47,640,826	512,851	(49,589)	48,104,088
Total Cost of Capital Assets	49,375,479	1,087,288	(49,589)	50,413,178
Less: Accumulated Depreciation	(15,942,684)	(1,663,715)	34,595	(17,571,804)
CAPITAL ASSETS – NET	$ 33,432,795	$ (576,427)	$ (14,994)	$ 32,841,374

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

The College had $113,539 in construction commitments as of June 30, 2017.

NOTE 6 LONG-TERM LIABILITIES

Long-term 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
Advances from Federal Sponsors	$ 14,817	$ -	$ 4,736	$ 10,081	$ -
Capital Lease Payable	306,887	-	28,595	278,292	29,760
OPEB Liability	2,950,766	344,826	314,320	2,981,272	-
Net Pension Liability	296,210	72,714	-	368,924	-
Total Long-Term Liabilities	$ 3,568,680	$ 417,540	$ 347,651	$ 3,638,569	$ 29,760

2016	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from Federal Sponsors	$ 40,903	$ -	$ 26,086	$ 14,817	$ -
Capital Lease Payable	-	332,115	25,228	306,887	28,595
OPEB Liability	2,844,421	383,817	277,472	2,950,766	-
Net Pension Liability	385,152	-	88,942	296,210	-
Total Long-Term Liabilities	$ 3,270,476	$ 715,932	$ 417,728	$ 3,568,680	$ 28,595

NOTE 7 LEASE OBLIGATIONS

The College leased equipment and classroom space under an operating lease agreement. Aggregate payments under this agreement approximated $113,352 and $111,552 for the years ended June 30, 2017 and 2016, respectively. Future minimum rental commitments as of June 30, 2017 are as follows:

Year Ending June 30,	Amount
2018	$ 113,352
2019	113,352
2020	66,122
2021	-
Total	$ 292,826

NOTE 7 LEASE OBLIGATIONS (CONTINUED)

The College leases land from the West Virginia Northern Community College Foundation under a capital lease agreement. Terms of the agreement include monthly payments of $3,363 from July 1, 2015 through June 30 2025, with an annual interest rate of 4% and a principal amount of $332,115. The following is a schedule by year of future annual minimum payments required under the lease obligations existing at June 30, 2017:

Year Ending June 30,	Amount
2018	$ 40,350
2019	40,350
2020	40,350
2021	40,350
2022	40,350
Thereafter	124,412
	326,162
Less: Interest	(47,870)
Total	$ 278,292

NOTE 8 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 $2,981,272, $2,950,766, and $2,844,421, respectively. The total of OPEB expense incurred (equal to contributions required) and the amount of OPEB contributions made was $344,826 and $314,320, respectively, during 2017, or 91%. The total of OPEB expense incurred (equal to contributions required) and the amount of OPEB contributions made was $383,817 and $277,472, respectively, during 2016, or 71%. The total of OPEB expense incurred (equal to contributions required) and the amount of OPEB contributions made was $390,465 and $274,550, respectively, during 2015, or 70%. As of and for the years ended June 30, 2017, 2016, and 2015, there were 28, 27, and 25, respectively, retirees receiving these benefits.

NOTE 9 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

NOTE 9 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

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 College 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 education and general capital fees (previously tuition and registration fees) of the members of the former State College System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission, effective as of June 30, 2002. As of June 30, 2017 and 2016, there were no debt obligations due to the Commission.

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 are used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The bond projects listed in the bond offering for the 2009 Bonds propose bond funding of $6,000,000 for the College. As of June 30, 2017, $5,951,288 of such bond proceeds has been expended on behalf of the College. State lottery funds will be used to repay the debt.

NOTE 10 UNRESTRICTED NET POSITION

The College's unrestricted net position for years ended June 30, 2017 and 2016 was as follows:

	2017	2016
Total Unrestricted Net Position before OPEB Liability	$ 14,875,865	$ 13,747,349
Less: OPEB Liability	2,981,272	2,950,766
Total Unrestricted Net Position	$ 11,894,593	$ 10,796,583

NOTE 11 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).

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 years ended June 30, 2017 and 2016:

	2017	2016
Net Pension Liability	$ 368,924	$ 296,210
Deferred Outflows of Resources	$ 93,143	$ 34,801
Deferred Inflows of Resources	$ 161,700	$ 224,615
Payments Made on Behalf of the College	$ 65,564	$ 51,031
Pension Expense	$ 52,347	$ 20,348
Contributions Made by the College	$ 31,812	$ 34,801

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 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 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 5 highest fiscal years of earnings during the last 15 fiscal years of earnings. Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan, including contribution rates, to the State Legislature.

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

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

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

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll of members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by State residents; and
5. under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994.

As of the June 30, 2016 and 2015 measurement dates, respectively, the College's proportionate share attributable to this special funding subsidy was $62,376 and $47,961 and is recorded as revenue.

The College's contributions to TRS for the years ended June 30, 2017, 2016, and 2015, were approximately $31,812, $34,801, and $38,870, 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. 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 value.
- Amortization method and period for contributions: 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 3.00-6.00% and nonteachers 3.00–6.50%, based on age.
- Inflation rate of 3.0%.
- Discount rate of 7.50%

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions (Continued)

- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 0.8-35% and nonteachers 1.4-24.75%.
- Disability rates: 0-0.7%
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 0-100%, based on age.
- 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 geometric real rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2016 and 2015 are summarized below.

Asset Class	2016 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%

Asset Class	2015 Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High-Yield Fixed Income	5.5%	7.5%
Real Estate	5.6%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%
Cash	1.5%	0.0%

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions (Continued)

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 (8.50%) than the current rate (dollars in thousands).

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability 2017	$ 466,740	$ 368,924	$ 285,344
Net Pension Liability 2016	$ 384,012	$ 296,210	$ 220,818

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 and 2015, respectively. The total pension liability was determined by actuarial valuations as of July 1, 2015 and 2014, respectively, and rolled forward to the measurement dates.

At June 30, 2017 and 2016, the College's proportionate share of the TRS net pension liability was $1,071,626 and $972,090. Of this amount, the College recognized $368,924 and $296,210, respectively, as its proportionate share on the statement of net position. The remainder of $702,702 and $675,880, respectively, denotes the College's proportionate share of net pension liability attributable to the special funding provided by the state.

The allocation percentage assigned to each participating employer and nonemployer contributing entity is based on their proportionate share of employer and nonemployer contributions to TRS for each of the fiscal years ended June 30, 2016 and 2015. Employer contributions are recognized when due. At the June 30, 2016 measurement date, the College's proportion was 0.008977%, an increase of 0.000429% from its proportion of 0.008548% calculated as of June 30, 2015.

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the years ended June 30, 2017 and 2016, the College recognized total TRS pension expense of $52,347 and $20,348, respectively. Of this amount, $(13,217) and $(30,683) was recognized as the College's proportionate share of the TRS expense, $62,376 and $47,961, respectively, as the amount of pension expense attributable to special funding from a nonemployer contributing entity and $3,188 and $3,070, respectively, as the amount of pension expense from a nonemployer contributing entity not attributable to a special funding situation. The College also recognized revenue of $65,564 and $51,031, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	$ 13,000	$ 159,545
Net Difference Between Projected and Actual Investment Earnings	30,361	-
Difference Between Projected and Actual Experience	3,377	2,155
Changes in Assumptions	14,593	
Contributions After Measurement Date	31,812	-
Total	$ 93,143	$ 161,700

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	$ -	$ 209,548
Net Difference Between Projected and Actual Investment Earnings	-	12,501
Difference Between Projected and Actual Experience		2,566
Contributions After Measurement Date	34,801	-
Total	$ 34,801	$ 224,615

The College will recognize the $31,812 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 as a reduction of or increase in the TRS pension expense as follows:

Fiscal Year Ended	Amortization
June 30, 2018	$ (41,637)
June 30, 2019	(41,637)
June 30, 2020	(27,094)
June 30, 2021	4,024
June 30, 2022	5,975
Total	$ (100,369)

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.

NOTE 12 RETIREMENT PLANS

Substantially all full-time employees of the College participate in either the West Virginia State Teachers' Retirement System (the TRS) or the Teachers' Insurance and Annuities Association – College Retirement Equities Fund (the TIAA-CREF). (See Note 11 for information regarding TRS).

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

The TIAA-CREF and Educators Money are defined contribution benefit plans in which benefits are based solely upon amounts contributed plus investment earnings. Each employee who elects to participate in this plan is 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, 2016, and 2015 were $619,490, $623,738, and $652,206, respectively, which consisted of equal contributions from the College and covered employees of $309,745 in 2017, $311,869 in 2016; and $326,103 in 2015.

Total contributions to Educators Money for the years ended June 30, 2017, 2016, and 2015 were $18,736, $17,382, and $13,340, respectively, which consisted of equal contributions from the College and covered employees of $9,368, $8,691, and $6,670 in 2017, 2016, and 2015, respectively.

The College's total payroll for the years ended June 30, 2017, 2016, and 2015 was $6,461,679, $6,458,607, and $6,791,686, respectively; total covered employees' salaries in the TIAA-CREF and Educators Money were $5,242,492 and $156,130; $5,304,886 and $144,844; and $5,513,521 and $111,167 in 2017, 2016, and 2015, respectively.

NOTE 13 CONTINGENCIES

The nature of the education 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 seriously affect the financial status of the College.

NOTE 13 CONTINGENCIES (CONTINUED)

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 College owns various buildings, which 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 by 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 condition becomes 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.

NOTE 14 SERVICE CONCESSION ARRANGEMENTS

The College has identified one contract for services that meet the four criteria of a service concession arrangement (SCA) under GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided and the government retains ownership of the assets at the end of the contract. The contract is with Barnes & Noble College Booksellers, Inc. The management of the College entered into this agreement to improve the quality of the services to students while increasing the revenues from these operations.

The Bookstore Operating Agreement was effective on August 1, 2010, between the College and Barnes & Noble College Booksellers, Inc. (B&N). The Agreement is for B&N to operate bookstores on the College's three campus locations for a period of five years and may be renewed if both parties agree for an additional five year period. B&N agreed to cover the cost of bookstore capital improvements up to $240,000 over the term of the Agreement. During fiscal year 2014, $355,630 in B&N construction costs for a new Student Union/Bookstore was classified as a capital asset with an offsetting $240,000 in Deferred Inflow of Resources, $70,894 in B&N contributed construction costs and $44,736 in reimbursed construction costs to B&N by the College. Beginning August 1, 2015, the College amortizes the Deferred Inflow of Resources, while recognizing Auxiliary Revenue each year until the contract expires on July 31, 2020. If the agreement expires, terminates, or is amended in a way that has an adverse impact on B&N, the College will be liable for the unamortized portion of B&N's investment. The unamortized portion of B&N's investment was $148,000 and $196,000 at June 30, 2017 and 2016, respectively. No significant renovations to College facilities were made by B&N in 2017 or 2016.

NOTE 14 SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

In addition, B&N annually pays commission to the College calculated as a contractually agreed percentage of bookstore revenue. In 2017 and 2016, the College received $96,068 and $118,188, respectively, in commissions from B&N. The College shares payroll expenses of $10,000 in the New Martinsville campus Bookstore by B&N reducing the last commission check payable to the College for the fiscal year. B&N provides $2,000 annually for textbook scholarships and $1,000 annually for the Presidential Scholarship to the College during the term of the agreement for student scholarships. B&N provides up to $6,000 annually to cover the cost for uncollected or nonissued Pell grant money in exchange for letting student financial aid be used for all merchandise in the B&N bookstore. B&N also provides $1,000 annually for the West Virginia Northern Community College Foundation, Inc.

NOTE 15 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	$ 3,170,437	$ 803,155	$ 455,671	$ 59,097	$ -	$ -	$ -	$ 4,488,360
Public Service	74,842	25,479	70,166	-	-	-	-	170,487
Academic Support	632,103	158,981	211,290	59,097	-	-	-	1,061,471
Student Services	815,589	220,988	128,647	-	-	-	-	1,165,224
General Institutional Support	1,417,121	532,292	1,174,428	152,669	-	-	-	3,276,510
Operations and Maintenance of Plant	351,587	148,222	625,283	173,401	-	-	-	1,298,493
Student Financial Aid	-	-	-	-	1,625,191	-	-	1,625,191
Depreciation	-	-	-	-	-	1,609,123	-	1,609,123
Other	-	-	-	-	-	-	62,782	62,782
Total	$ 6,461,679	$ 1,889,117	$ 2,665,485	$ 444,264	$ 1,625,191	$ 1,609,123	$ 62,782	$ 14,757,641

2016

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 2,972,538	$ 679,465	$ 610,765	$ 54,964	$ -	$ -	$ -	$ 4,317,732
Public Service	47,003	10,074	10,678	-	-	-	-	67,755
Academic Support	366,431	90,821	426,325	54,583	-	-	-	938,160
Student Services	1,023,602	234,327	149,921	-	-	-	-	1,407,850
General Institutional Support	1,630,411	506,842	1,163,943	141,988	-	-	-	3,443,184
Operations and Maintenance of Plant	418,622	169,710	574,063	222,893	-	-	-	1,385,288
Student Financial Aid	-	-	-		1,335,349	-	-	1,335,349
Depreciation	-	-	-		-	1,663,715	-	1,663,715
Other	-	-	-		-		60,252	60,252
Total	$ 6,458,607	$ 1,691,239	$ 2,935,695	$ 474,428	$ 1,335,349	$ 1,663,715	$ 60,252	$ 14,619,285

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION)

The following are the notes taken directly from the Foundation's audited financial statements:

Nature of Activities and Summary of Significant Accounting Policies:

Nature of Activities – West Virginia Northern Community College Foundation, Inc. (the Foundation) is a nonprofit corporation organized under the laws of the State. The Foundation is classified as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation was organized to support and assist in the development and growth of West Virginia Northern Community College (the College) for all aspects of its programs and services. The Foundation's mission "…seeks, receives and manages private funds to increase the College's capabilities in the areas of institutional development, professional development, capital facilities and equipment, and financial assistance to students." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Trustees not otherwise affiliated with the College. The President of the College is a nonvoting member of the Board of Trustees. In carrying out its responsibilities, the Board of Trustees of the Foundation oversees management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although West Virginia Northern Community College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. During the years ended June 30, 2017 and 2016, the Foundation contributed $45,245 and $67,698, respectively, to the College for scholarships.

Basis of Accounting – The Foundation financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation – The Foundation reports its financial position and activities according to standards established by the Financial Accounting Standards Board (FASB). Accordingly, the Foundation has classified its net assets and its revenue, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Under FASB, the Foundation is required to report its financial position and activities according to three classes of net assets. Below is a summary of those classifications:

Unrestricted – Assets and contributions that are not restricted by donors or for which restrictions have expired are unrestricted.

Temporarily restricted – Assets and contributions for which the donor has imposed restrictions that permit the Foundation to use or expend the donated assets for College support according to the restriction are temporarily restricted. The restrictions are satisfied either by the passage of time or by actions of the Foundation.

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Nature of Activities and Summary of Significant Accounting Policies (Continued):

Permanently restricted – Assets and contributions for which the donor stipulates that funds be maintained permanently, but permits the Foundation to use or expend part or all of the income derived from the donated assets, are permanently restricted. Such assets are comprised of endowment funds, which are subject to the restrictions of the donor requiring that the principal be invested in perpetuity. The investment income, including realized and unrealized gains and losses are recorded as temporarily restricted until they are released from restrictions by disbursement according to the terms of the gift instrument.

Both temporarily and permanently restricted net assets are to be used for the support and benefit of West Virginia Northern Community College.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Foundation considers all highly liquid investments, available for current use, with an initial maturity of three months or less to be cash equivalents. Money market funds included in investments are not considered cash equivalents.

Accounts Receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management monitors accounts receivable closely and considers all accounts receivable amounts fully collectible, thus no provision for uncollectible accounts has been made.

Investments – Investments in marketable securities and all debt securities are reported at their fair value based upon quoted market prices in the statement of financial position.

The Foundation operates a pooled investment portfolio consisting of common trust funds for all funds. New funds or additions to existing funds are assigned a share in the common trust fund investment pool based upon the amount of cash or estimated fair value of securities deposited. Income, including unrealized appreciation or depreciation and realized capital gains and losses, are allocated to unrestricted or temporarily restricted funds depending on whether the investment was established for general operating (unrestricted) or a specific purpose (temporarily restricted).

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Nature of Activities and Summary of Significant Accounting Policies (Continued):

Split-interest agreements consist of beneficial interests in perpetual trusts. The Foundation was bequeathed a beneficial interest in a perpetual trust established at a local bank in accordance with a decedent's will. Under the terms of this split-interest agreement, the Foundation is to receive distributions of 5% of the income from the trust in perpetuity. These distributions are to be used to establish an endowment, the income from which will be used to provide scholarships. The Foundation's beneficial interest is valued in the statement of financial position at 5% of the fair market value of the trust assets. Adjustments due to changes in the market value of the trust assets are recorded as changes in value of split interest agreements. Distributions received from the trust are permanently restricted for endowed scholarships and are recorded as permanently restricted investment income from beneficial interest in perpetual trust.

Contributions – All contributions are recorded at their estimated fair value and are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at fair value in the period received. Donated services are recognized as contributions at their fair values in the period received in accordance with FASB, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Restricted Cash

Restricted cash of $2,717 and $3,626 at June 30, 2017 and 2016, respectively, are included in cash in the statements of financial position. The restrictions have been imposed by the donors.

	2017	2016
Cash Restricted for Institutional Support	$ 2,717	$ 3,626

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Notes Receivable

The Foundation leases land under a capital lease agreement to West Virginia Northern Community College. The following schedule by year of future annual minimum payments required under the lease obligations existing at June 30, 2017:

Year Ending June 30,	Amount
2018	$ 40,350
2019	40,350
2020	40,350
2021	40,350
2022	40,350
2022 and Thereafter	124,412
	326,162
Less Interest	(47,870)
Total	$ 278,292

Investments

The cost and estimated fair values of investments at June 30 are:

	2017		2016	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
U.S. Government Agency Obligations		$ 100,858		$ 104,922
Corporate Bonds and Notes		280,651		284,859
Mortgage Backed Securities		173,521		98,405
Municipal Obligations		50,885		52,574
Equity Securities		1,407,819		1,299,304
Equity Mutual Funds		922,763		683,167
Fixed Income Mutual Funds		576,985		585,422
Common Trust Fund Balance	$ 3,340,791	3,513,482	$ 3,230,452	3,108,653
Cash Equivalents	583,224	583,224	501,243	501,243
Total	$ 3,924,015	$ 4,096,706	$ 3,731,695	$ 3,609,896

Gains (losses) on investments for the years ended June 30, 2017 and 2016 are summarized as follows:

	2017	2016
Realized Gains (Losses)	$ (2,071)	$ (44,560)
Unrealized Gains (Losses)	354,283	(74,410)
Total Gains (Losses) on Investments	$ 352,212	$ (118,970)

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Investments (Continued)

Investment income and gains and losses on investments are reported as an increase or decrease in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

All thirty-five of the Foundation investment funds are invested in a financial institution’s common trust fund. The common trust fund balance reflects the aggregate cost basis that each of these investment funds has in the financial institutions common trust fund. The common trust fund fair market value reflects the market value of individual investments held by the fund at June 30, 2017 and 2016.

The Foundation, through a trust department, invests in cash equivalents and a common trust fund, which allows the Foundation to purchase domestic and foreign equities, fixed income and equity mutual funds, U.S. Government obligations, corporate bonds and commercial paper. “The Foundation’s primary investment objective is to outperform the established spending rate of 3.00% plus inflation over the long-term in order for the Foundation to operate in perpetuity.”

It is the Foundation’s investment policy that with the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Portfolio assets. With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than 20% of total Portfolio assets. With respect to fixed income investments, for individual bonds, the minimum average credit quality of these investments shall be investment grade (Standard & Poor’s BBB or Moody’s Baa or higher). A maximum of 5% of fixed income investments may be exempted from this guideline.

The Foundation’s spending policy states that income available for spending is determined by the Allocation Committee, unless the investment fund has a legal document stipulating otherwise. For scholarships, the Allocation Committee calculates 3% of the three year rolling fair market value average to determine the amount of student assistance available. Capital spending and institutional development spending is discretionary depending on adequate funding sources to maintain the expenditure level of the program. All income and appreciation not needed to meet the spending needs will be reinvested.

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Split-Interest Agreements

The following summarized the transactions affecting the beneficial interest in perpetual trust for the years ended June 30, 2017 and 2016:

	2017	2016
Distributions Received from the Trust Recorded as a Permanently Restricted Investment	$ 47,435	$ 47,166
Change in Value of the Split-Interest Agreement	$ 59,699	$ (56,288)

Fair Value of Financial Instruments

The Foundation follows FASB standards for using fair value to measure financial assets and financial liabilities. This standard applies whenever other standards require or permit assets or liabilities to be measured at fair value.

FASB establishes a three level hierarchy based on pricing availability in measuring fair values for assets and liabilities. These three levels are:

Level I – Quoted market prices are available in active trading markets for identical assets or liabilities as of the report date.

Level II – Pricing inputs other than quoted market prices are available in active trading markets as of the report date. These assets or liabilities have prices available but are traded less frequently, or are fair valued using other financial instruments, the parameters of which can be directly observed.

Level III – Assets or liabilities have little or no pricing observability as of the report date. These items are usually measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The Foundation reports all investments at their fair value as of June 30:

June 30, 2017	Level I	Level II	Level III	Total
Valued on a Recurring Basis:				
Assets:				
Equity Securities	$ 1,407,819	$ -	$ -	$ 1,407,819
Debt Securities	-	605,915	-	605,915
Mutual Funds	1,499,748	-	-	1,499,748
Cash Equivalents	583,224	-	-	583,224
Beneficial Interest in				-
Perpetual Trust	-	-	1,087,873	1,087,873
Total	$ 3,490,791	$ 605,915	$ 1,087,873	$ 5,184,579

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Fair Value of Financial Instruments (Continued)

June 30, 2016	Level I	Level II	Level III	Total
Valued on a Recurring Basis:				
Assets:				
Equity Securities	$ 1,299,304	$ -	$ -	$ 1,299,304
Debt Securities	-	540,760	-	540,760
Mutual Funds	1,268,589	-	-	1,268,589
Cash Equivalents	501,243	-	-	501,243
Beneficial Interest in Perpetual Trust	-	-	1,028,174	1,028,174
Total	$ 3,069,136	$ 540,760	$ 1,028,174	$ 4,638,070

Temporarily and Permanently Restricted Net Assets

Net assets were temporarily and permanently restricted for the following purposes at June 30:

	2017		2016	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Scholarship/Student Assistance	$ 2,129,384	$ 1,943,333	$ 1,878,813	$ 1,836,199
Capital Projects	71,328	-	41,521	-
Institutional Support	544,868	-	489,374	-
Total	$ 2,745,580	$ 1,943,333	$ 2,409,708	$ 1,836,199

Endowments

The Foundation discloses its endowment funds under the provisions of FASB, which provides guidance on the net asset classification of donor-restricted and board designated endowment funds for a nonprofit organization subject to an enacted version of the *Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA)*. The State has adopted the provisions of the UPMIFA.

The Foundation's endowment consists of two individual funds established for scholarships. Its endowment is donor-restricted only. The Foundation holds no Board of Trustees designated endowments. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation Board of Trustees has interpreted the UPMIFA as requiring the preservation of the fair value of the original contribution as of the contribution date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets, (a) the original value of contributions donated to the permanent endowment, and (b) the original value of subsequent contributions to the permanent endowment. Accumulations of interest, dividends, and market appreciation made in accordance with the direction of the applicable endowment instrument are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation allocation committee in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to spend or accumulate donor-restricted endowment funds:

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Endowments (Continued)

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. Possible effects of inflation/deflation
5. Expected total return from income and the appreciation of investments
6. Other financial resources of the Foundation
7. Foundation investment policies

Endowment Net Asset composition as of June 30 is as follows:

Net Asset Endowment Composition	2017	2016
Unrestricted	$ -	$ -
Temporarily Restricted	584,777	459,442
Permanently Restricted	855,460	808,025
Total Funds	$ 1,440,237	$ 1,267,467

Description of Amounts Classified as Temporarily and Permanently Restricted Net Assets	2017	2016
Permanently Restricted Net Assets		
Portion of Perpetual Endowment Funds Required to be Retained by Donor Stipulation or UPMIFA	$ 855,460	$ 808,025
Temporarily Restricted Net Assets		
Term Endowment Funds	$ 391,534	$ 359,139
Portion of Perpetual Endowment Funds Subject to Purpose Restrictions	193,243	100,303
Total	$ 584,777	$ 459,442

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Endowments (Continued)

Changes in Endowment Net Assets for the years ended June 30, 2017 and 2016 are as follows:

June 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets – Beginning of Year	$ -	$ 459,442	$ 808,025	$ 1,267,467
Investment Return:				
Investment Income	-	21,866	-	21,866
Net Appreciation (Realized and Unrealized)	-	124,975	-	124,975
Total Investment Return	-	146,841	-	146,841
Contributions	-	-	47,435	47,435
Appropriation of Endowment Assets for Expenditure	-	(21,506)	-	(21,506)
Endowment Net Assets – End of Year	$ -	$ 584,777	$ 855,460	$ 1,440,237

June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets – Beginning of Year	$ -	$ 460,669	$ 760,859	$ 1,221,528
Investment Return:				
Investment Income	-	18,705	-	18,705
Net Appreciation (Realized and Unrealized)	-	(38,585)	-	(38,585)
Total Investment Return	-	(19,880)	-	(19,880)
Contributions	-	50,000	47,166	97,166
Appropriation of Endowment Assets for Expenditure	-	(31,347)	-	(31,347)
Endowment Net Assets – End of Year	$ -	$ 459,442	$ 808,025	$ 1,267,467

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Endowments (Continued)

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted perpetual endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. No deficiencies of this nature were reported in unrestricted net assets as of June 30, 2017 and 2016, respectively.

Return Objectives and Risk Parameters – The Foundation's Board of Trustees has adopted investment and spending policies for endowment assets similar to those as described on pages 51 and 52 identified for all investments of the Foundation. Such policies attempt to provide a predictable stream of funding the scholarship programs supported by its endowment while trying to achieve appreciation in excess of inflation rates. Actual returns in any given year may vary from this objective.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objective, Foundation investment strategies rely on a total return philosophy in which returns are achieved through both realized and unrealized capital appreciation and current investment yields. The Foundation seeks diversification of investments with an emphasis on equity-based investments to achieve this objective.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has a spending policy of appropriating 3% of the three-year rolling fair market value investment average. The Foundation expects the current spending policy to allow its endowment to grow in excess of this spending level. This is consistent with the Foundation's objective to maintain the donor-required level of perpetual duration or for a specified term as well as to provide for additional real growth through new contributions and investment return.

Special Events Fundraisers

Various special events fundraisers were held during the year. Gross revenues and direct expenses related to those events are as follows at June 30:

June 30, 2017	Golf Scramble	Friends Dinner	Total
Special Event Revenue	$ 14,152	$ 1,120	$ 15,272
Less: Cost of Direct Benefit for Donors	(6,582)	-	(6,582)
Total	$ 7,570	$ 1,120	$ 8,690

June 30, 2016	Golf Scramble	Friends Dinner	5K Race	Total
Special Event Revenue	$ 17,916	$ 42,871	$ 8,982	$ 69,769
Less: Cost of Direct Benefit for Donors	(8,964)	(10,998)	(4,278)	(24,240)
Total	$ 8,952	$ 31,873	$ 4,704	$ 45,529

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2017 AND 2016

Schedule of Proportionate Share of TRS Net Pension Liability
(In Thousands)

Measurement Date	College's Proportionate Share as a Percentage of Net Pension Liability	College's Proportionate Share	State's Proportionate Share	Total Proportionate Share	College's Covered Employee Payroll	College's Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.011164%	$ 385	$ 870	$ 1,255	$ 342	113%	65.95%
June 30, 2015	0.008548%	$ 296	$ 676	$ 972	$ 259	114%	66.25%
June 30, 2016	0.008977%	$ 369	$ 702	$ 1,071	$ 232	159%	61.42%

Schedule of Employer Contributions
(In Thousands)

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 2015	$ 51	$ 51	$ -	$ 259	19.69%
June 30, 2016	$ 39	$ 42	$ (3)	$ 232	18.10%
June 30, 2017	$ 35	$ 38	$ (3)	$ 212	17.92%

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. With only two years reported in the required supplementary information, there is no additional information to include in the notes. Information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report.

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

Board of Governors
West Virginia Northern Community College
Wheeling, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of West Virginia Northern Community College (the College), a component unit of the West Virginia Council for Community and Technical College Education, 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 6, 2017. Our report includes a reference to other auditors who audited the financial statements of West Virginia Northern Community College Foundation, Inc. (the Foundation), the College's discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and, accordingly, do not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

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 of 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 6, 2017