WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

CliftonLarsonAllen LLP

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2018 AND 2017

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	12
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	14
STATEMENTS OF CASH FLOWS	15
COMPONENT UNIT – STATEMENTS OF FINANCIAL POSITION	17
COMPONENT UNIT – STATEMENTS OF ACTIVITIES	18
NOTES TO FINANCIAL STATEMENTS	20
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS	66
SCHEDULES OF PROPORTIONATE SHARE OF NET OPEB LIABILITY AND CONTRIBUTIONS	67
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*	68

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

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, 2018 and 2017, 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 an opinion 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note (2) to the financial statements, the State System implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for the year ended June 30, 2018, which represents a change in accounting principle. As of July 1, 2017, the College's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note (2). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 11 and the various schedules of Proportionate Share of Net Pension Liability, Pension Contributions, Proportionate Share of Net OPEB Liability, and OPEB Contributions be presented to supplement the basic financial statements on pages 66 and 67 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.

Board of Governors
West Virginia Northern Community College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2018, 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 8, 2018

Overview

West Virginia Northern Community College (WVNCC or the "College") is providing its financial statements for the fiscal year 2018, along with a comparative of fiscal years 2017 and 2016. 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, 2018, with comparisons to the two previous fiscal years (June 30, 2017 and 2016).

In addition, the financial statements of the College's component unit, 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 Note 16 of these financial statements.

Statements of Net Position

The Statements of Net Position present the Assets (current and non-current), Deferred Outflows of Resources, Liabilities (current and non-current), 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, 2018. 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 non-expendable:

    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)

Non-expendable 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 non-expendable 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

	2018	2017	Change FS 18-17	2016	Change FS 17-16
Assets and Deferred Outflows:					
Current Assets	$ 16,631,941	$ 16,404,109	1.39%	$ 15,327,011	7.03%
Other Noncurrent Assets	1,556,318	4,380,614	-64.47%	3,414,134	28.31%
Capital Assets – Net	34,055,385	31,852,630	6.92%	32,841,374	-3.01%
Total Assets	52,243,644	52,637,353	-0.75%	51,582,519	2.04%
Deferred Outflows of Resources:	346,656	93,143	272.18%	34,801	167.64%
Liabilities, Deferred Inflows, and Net Position:					
Current Liabilities	1,778,780	1,164,254	52.78%	1,160,613	0.31%
Noncurrent Liabilities	3,574,390	3,608,809	-0.95%	3,540,085	1.94%
Total Liabilities	5,353,170	4,773,063	12.15%	4,700,698	1.54%
Deferred Inflows of Resources:	841,328	309,700	171.66%	420,615	-26.37%
Net Position:					
Net Investments in Capital Assets	33,691,824	31,426,338	7.21%	32,338,487	-2.82%
Restricted for – Expendable	1,518,259	4,326,802	-64.91%	3,360,937	28.74%
Unrestricted	11,185,719	11,894,593	-5.96%	10,796,583	10.17%
Total Net Position	$ 46,395,802	$ 47,647,733	-2.63%	$ 46,496,007	2.48%

Statement of Net Position 2018 to 2017 Financial Highlights

Assets

- Current and Non-Current cash and cash equivalents decreased by $2.4M or 11.9%
- Capital Assets – net increased $2.2M or 6.9%
    - Total Assets decreased $0.4M or 0.8%

Liabilities

- Current Liabilities increased $615K or 52.8%
- Post-Employment Benefits Liability increased $389K or 13.0%
- Total Liabilities increased $580K or 12.2%

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 11.2 to 1 and 14.1 to 1 for 2018 and 2017, respectively. This represents a strong capability to meet all obligations. Though strong this year and prior, the year over year decline in the current ratio is mainly attributable to increased accrued liabilities which is primarily construction payments due for the Industrial Technology Center (ITC) remodeling.

West Virginia Northern Community College continues to maintain a strong cash position with current cash and cash equivalents of $16.0M representing 30.6%of total assets for FY 2018. The current cash also represents over a full year of funds needed for operational expenses.

The College has added approximately $3.8M in fixed assets over the last year, or $2.2M net of depreciation. The majority of the increase in capital assets was due to the investment in the remodeled ITC building. More detailed data with respect to capital assets for the years ended June 30, 2018 and 2017 can be found in Note 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, 2018 compared to fiscal years ended June 30, 2017. The purpose of the Statement is to present the revenues of the College (operating and non-operating), the expenses of the College (operating and non-operating), and any other revenues, expenses, gains and losses of the College. State Appropriations, while budgeted for operations, are considered and reported as non-operating 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
Fiscal Years Ended June 30

	2018	2017	Change FS 18-17	2016	Change FS 17-16
Total Operating Revenues	$ 4,004,529	$ 5,264,763	-23.94%	$ 5,376,815	-2.08%
Total Operating Expenses	14,876,998	14,757,641	0.81%	14,619,285	0.95%
Operating Loss	(10,872,469)	(9,492,878)	14.53%	(9,242,470)	2.71%
Net Nonoperating Revenues	10,381,053	10,584,154	-1.92%	10,543,161	0.39%
Payments on Behalf of College	33,429	60,450	-44.70%	-	
Increase in Net Position	(457,987)	1,151,726	-139.77%	1,300,691	-11.45%
Net Position – Beginning of Year	47,647,733	46,496,007	2.48%	45,195,316	2.88%
Restatement for July 1, 2017, Other Post Employment Benefits Liability	(793,944)				
Net Position - Beginning of Year Restated	46,853,789	46,496,007	0.77%	45,195,316	2.88%
Net Position – End of Year	$ 46,395,802	$ 47,647,733	-2.63%	$ 46,496,007	2.48%

Statement of Revenues, Expenses and Changes in Net Position 2018 and 2017 Financial Highlights:

Operating Revenue

- Total Operating Revenues decreased $1.3M or 23.9%
    - Federal Contracts and Grants decreased $688K or 83%
    - Net Student Tuition & Fees decreased by $215K or 9.0%.
    - State Contracts and Grants decreases $255K or 16.1%
    - Sales & Services of Educational Activity decreased $145K or 33.3%

Operating Expenses

- Total Operating Expenses were relatively flat with an increase of $119K or 0.8%
    - Salaries and Wages increased $333K or 5.2%
    - Student Financial Aid decreased $121K or 7.4%
    - Supplies and Other Services with Utilities decreased by $56K or 1.8%
    - Depreciation decreased $45K or 2.8%

Non-Operating Revenues (Expenses)

- Net Non-Operating Revenues declined $203K or 1.9%
    - State appropriation declined $154K or 2.3%
    - Pell Grant declined $371K or 10.2%
    - Investment income increased significantly $116K or 85.5%

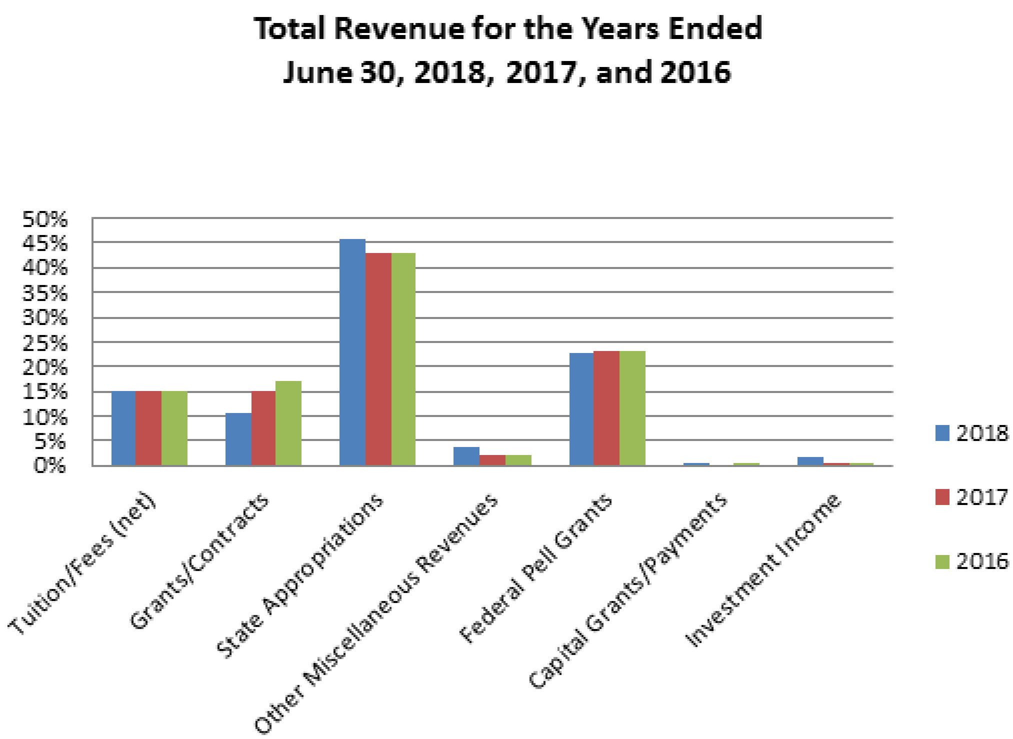
Comments

Net Student Tuition and Fees decreases are reflective of declined enrollment primarily attributable to a strong economy and low unemployment. Decreases of close to $0.7M in federal grants is primarily related the ending of Title III and Bridging the Gap which ended in FY 2017 or very early FY 2018. This drove the total operating revenues decreases of $1.3M or 23.9%.

Non-operating revenues (expenses) also suffered declines of $203K or 1.9%. This was driven by a reduction in the state appropriation and Pell Grants, which is driven by enrollment. With these decreases in revenues and a relatively flat change of 0.8% in operating expenses, the total change in net position was a decrease of $458K.

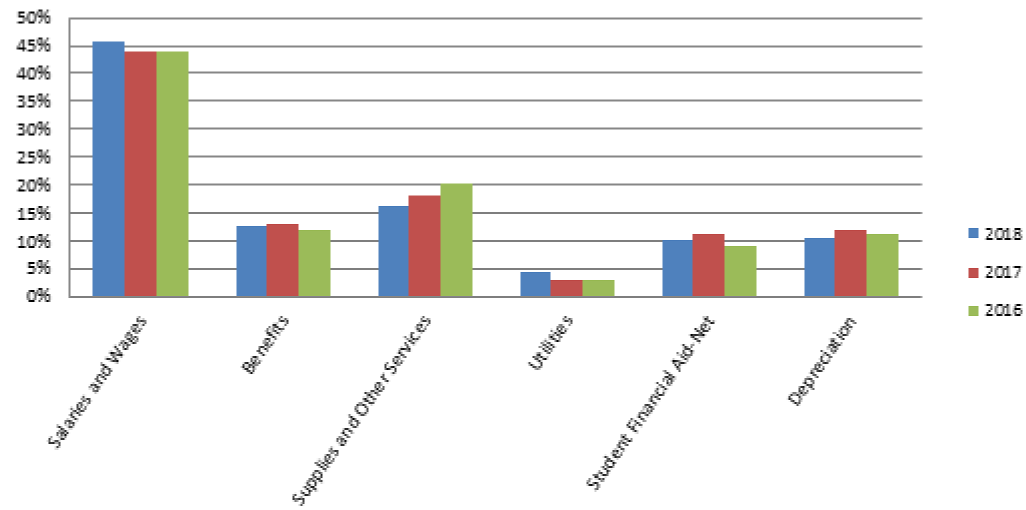
This is a departure of prior year trends signifying the College's conscious decision to invest in both physical plant and human capital. This investment is justified from strong cash reserves and Composite Financial Index (CFI) score of 5.7 in FY 2017.

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 $14,419,011, $15,909,367, and $15,919,976 for the years ended 2018, 2017, and 2016, respectively.



The graph illustrates the operating expenses by natural classifications and percentage based on the total expenditures of $14,876,998, $14,757,641, and $14,619,285 for the years ended 2018, 2017, and 2016, respectively.

Total Expenses for the Years Ended June 30, 2018, 2017, and 2016



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 Non-Capital Financing Activities. This section reflects the cash received and paid for non-operating, non-investing, and non-capital 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

	2018	2017	Change FS 18-17	2016	Change FS 17-16
Cash Provided (Used) by:					
Operating Activities	$ (8,865,108)	$ (7,322,700)	21.06%	$ (8,566,190)	-14.52%
Noncapital Financing Activities	9,857,384	10,071,244	-2.12%	10,428,753	-3.43%
Capital Financing Activities	(776,443)	(1,533,704)	-49.37%	(1,442,485)	6.32%
Investing Activities	242,014	126,888	90.73%	48,585	161.17%
Increase in Cash and Cash Equivalents	457,847	1,341,728	-65.88%	468,663	186.29%
Cash and Cash Equivalents – Beginning of Year	15,513,165	14,171,437	9.47%	13,702,774	3.42%
Cash and Cash Equivalents – End of Year	$ 15,971,012	$ 15,513,165	2.95%	$ 14,171,437	9.47%

Comments

The College generated positive cash flows which resulted in ending unrestricted cash balance increase of 3.0% for the fiscal year 2018. However, there was a one-time anomaly of a transfer of approximately $2.8M from restricted grant funds to unrestricted tuition and fees fund. Past practices were in existence for several years that received grant money into the restricted grant fund, but the expenses were paid from general tuitions and fees, an unrestricted account. This resulted in an overstatement of the amount in the grant fund and understatement in the tuition and fees fund. Without this adjustment, the resulting cash flow would have been negative of $2.4M which was anticipated with the ITC remodel and increase in wages.

Capital Asset and Debt Activity

The College continued to invest in building improvements, equipment and other capital activity in FY 2018, financed by grants, bond proceeds, gifts and other College funds.

- The College leased 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.
- With pending legal action concerning the property, WVNCC and the Foundation reached a mutual agreement that lease payments would be suspended effective Dec 31, 2017 until an unspecified time, to be in conjunction with the outcome of the legal action. All payments that were/will be suspended under the agreement will be fulfilled upon a favorable outcome for the Foundation.

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.

Economic Outlook (Continued)

Within the northern portion of the regional service areas is the building of a cracker plant, a multi-billion dollar facility that will 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 positioned 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 was 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, 2018 AND 2017

	2018	2017
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 15,971,012	$ 15,513,165
Accounts Receivable, Net	308,239	327,729
Interest Receivable on State Cash Accounts	26,587	17,220
Due from Commission/Council	100,515	116,854
State Appropriations Receivable	-	341,521
Arrears Pay Conversion Receivable – Current Portion	10,295	10,584
Loans to Students – Current Portion	-	450
Prepaid Expenses	215,293	76,586
Total Current Assets	16,631,941	16,404,109
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents	1,505,910	4,318,285
Arrears Pay Conversion Receivable	50,408	53,124
Loans to Students, Net of Allowance of $(-) in 2018 and $92,055 in 2017	-	9,205
Capital Assets, Net	34,055,385	31,852,630
Total Noncurrent Assets	35,611,703	36,233,244
Total Assets	52,243,644	52,637,353
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	52,042	93,143
Deferred Outflows Related to Other Post Employment Benefits	294,614	-
Total Deferred Outflows of Resources	346,656	93,143
Total Assets and Deferred Outflows	$ 52,590,300	$ 52,730,496

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2018 AND 2017

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	2018	2017
CURRENT LIABILITIES		
Accounts Payable	$ 189,509	$ 184,066
Due to State of West Virginia	18,300	38,629
Accrued Liabilities	907,530	633,315
Capital Lease – Current Portion	30,360	29,760
Unearned Revenues	35,056	12,285
Other Post Employment Benefits Liability – Current Portion	294,614	-
Compensated Absences	303,411	266,199
Total Current Liabilities	1,778,780	1,164,254
NONCURRENT LIABILITIES		
Advances from Federal Sponsors	416	10,081
Capital Lease Payable	233,201	248,532
Other Post Employment Benefits Liability	3,075,258	2,981,272
Net Pension Liability	265,515	368,924
Total Noncurrent Liabilities	3,574,390	3,608,809
Total Liabilities	5,353,170	4,773,063
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangement, Net	100,000	148,000
Deferred Inflows Related to Pension	161,407	161,700
Deferred Inflows Related to Post Employment Benefits	579,921	-
Total Deferred Inflows of Resources	841,328	309,700
Total	6,194,498	5,082,763
NET POSITION		
Net Investment in Capital Assets	33,691,824	31,426,338
Restricted for:		
Capital Projects	1,505,494	4,317,858
Scholarships	12,765	8,944
Unrestricted	11,185,719	11,894,593
Total Net Position	46,395,802	47,647,733
Total Liabilities, Deferred Inflows, and Net Position	$ 52,590,300	$ 52,730,496

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowance of $2,683,765 in 2018 and $2,878,907 in 2017	$ 2,167,660	$ 2,382,892
Contracts and Grants:		
Federal	140,151	828,109
State	1,332,757	1,588,215
Private	78,824	40,342
Sales and Services of Educational Activities	289,829	434,607
Miscellaneous, Net	(4,692)	(9,402)
Total Operating Revenues	4,004,529	5,264,763
OPERATING EXPENSES		
Salaries and Wages	6,794,966	6,461,679
Benefits	1,896,145	1,889,117
Supplies and Other Services	2,386,411	2,665,485
Utilities	667,305	444,264
Student Financial Aid – Scholarships and Fellowships	1,504,627	1,625,191
Depreciation	1,563,824	1,609,123
Fees Assessed by the Commission for Operations	63,720	62,782
Total Operating Expenses	14,876,998	14,757,641
OPERATING LOSS	(10,872,469)	(9,492,878)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	6,583,128	6,737,527
Federal Pell Grants	3,274,256	3,645,518
Benefits Payments on Behalf of the College	272,287	65,564
Investment Income	251,382	135,545
Net Nonoperating Revenues	10,381,053	10,584,154
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(491,416)	1,091,276
Capital Payments Made on Behalf of College	33,429	60,450
INCREASE (DECREASE) IN NET POSITION	(457,987)	1,151,726
Net Position – Beginning of Year	47,647,733	46,496,007
Restatement for July 1, 2017, Other Post Employment Benefits Liability	(793,944)	-
Net Position – Beginning of Year, Restated	46,853,789	46,496,007
NET POSITION – END OF YEAR	$ 46,395,802	$ 47,647,733

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	$ 2,240,121	$ 2,484,065
Contracts and Grants	1,574,309	3,013,691
Payments to and on Behalf of Employees	(8,175,590)	(8,346,846)
Payments to Suppliers	(2,517,751)	(2,675,894)
Payments to Utilities	(659,666)	(492,477)
Payments for Scholarships and Fellowships	(1,504,627)	(1,625,191)
Collection of Loans to Students	-	370
Sales and Service of Educational Activities	241,829	386,607
Fees Assessed by the Commission for Operations	(63,720)	(62,782)
Other Receipts / (Payments), Net	(13)	(4,243)
Net Cash Used by Operating Activities	(8,865,108)	(7,322,700)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	6,583,128	6,425,726
Federal Pell Grants	3,274,256	3,645,518
Federal Direct Lending Receipts	1,986,657	2,420,951
Federal Direct Lending Payments	(1,986,657)	(2,420,951)
Net Cash Provided by Noncapital Financing Activities	9,857,384	10,071,244
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(3,564,147)	(511,342)
Principal Paid on Capital Leases	(14,731)	(28,595)
Interest Paid on Capital Leases	(5,444)	(11,754)
Fees Assessed by Commission	(4,496)	(4,730)
Withdrawals From (Deposits to) Restricted Cash and Cash Equivalents	2,812,375	(977,283)
Net Cash Used by Capital and Related Financing Activities	(776,443)	(1,533,704)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	242,014	126,888
INCREASE IN CASH AND CASH EQUIVALENTS	457,847	1,341,728
Cash and Cash Equivalents – Beginning of Year	15,513,165	14,171,437
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 15,971,012	$ 15,513,165

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (10,872,469)	$ (9,492,878)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	1,563,824	1,609,123
Benefit Payments Made on Behalf of the College	272,287	65,564
Effect of Changes in Operating Assets and Liabilities:		
Accounts Receivable, Net	19,490	101,034
Interest Receivable from State Cash Accounts	(9,367)	(8,656)
Due from Commission / Council	16,339	(99,120)
State Appropriation Receivable	341,521	657,751
Arrears Pay Conversion Receivable	3,006	11,399
Loans to Students, Net	9,655	862
Prepaid Expenses	(138,707)	(69,279)
Accounts Payable	27,331	(45,496)
Due to State of West Virginia	(20,329)	23,247
Due to Commission / Council	-	(1,605)
Accrued Liabilities	55,330	(14,066)
Unearned Revenue	22,771	(22,680)
Compensated Absences	37,212	(28,440)
Other Post Employment Benefits	(405,344)	30,506
Defined Benefit Pension	(103,409)	72,714
Advances from Federal Sponsors	(9,665)	(4,736)
Deferred Outflows of Resources Related to Pensions	41,101	(58,342)
Deferred Outflows of Resources Related to Other Postemployment Benefits	(294,614)	-
Deferred Inflows of Resources Related to Pensions	(293)	62,915
Deferred Inflows of Resources Related to Other Postemployment Benefits	579,921	-
Other	(699)	(112,517)
Net Cash Used by Operating Activities	$ (8,865,108)	$ (7,322,700)
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS		
Capital Assets Purchased Through Accounts Payable and Accrued Liabilities	$ 288,513	$ 91,516
Capital Assets Acquired Through Contributions	$ 29,279	$ 5,767

See accompanying Notes to Financial Statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	$ 86,479	$ 87,864
Accounts Receivable	1,422	4,585
Notes Receivable – Current	30,360	29,760
Investments at Fair Value	4,655,137	4,096,706
Prepaid Expenses	5,427	5,622
Advances	4,500	-
Other Current Assets	26,000	3,363
Notes Receivable – Long Term	233,201	248,532
Beneficial Interest in Perpetual Trust	1,125,908	1,087,873
Total Assets	$ 6,168,434	$ 5,564,305
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 6,842	$ 6,575
Refundable Advances	9,710	
Total Liabilities	16,552	6,575
NET ASSETS		
Unrestricted	881,774	868,817
Temporarily Restricted	3,124,187	2,745,580
Permanently Restricted	2,145,921	1,943,333
Total Net Assets	6,151,882	5,557,730
Total Liabilities and Net Assets	$ 6,168,434	$ 5,564,305

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, 2018

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES					
Grants and Donations		$ 7,553	$ 248,350	$ 115,320	$ 371,223
Dividend and Interest Income		12,274	66,742	-	79,016
Investment Revenue from Beneficial Interest in Perpetual Trust		-	-	49,233	49,233
Special Events Fundraisers	$ 17,915				
Less: Costs of Direct Benefits to Donors	(7,033)	10,882	-	-	10,882
Gain on Investment		21,944	218,232	-	240,176
Change in Value of Split-Interest Agreements		-	-	38,035	38,035
Net Assets Released from Restrictions – Satisfactions of Program Restrictions		154,717	(154,717)	-	-
Total Support and Revenues		207,370	378,607	202,588	788,565
EXPENSES					
WV Northern Community College Support:					
Scholarships / Student Assistance		57,614	-	-	57,614
Institutional Support		79,119	-	-	79,119
Fundraising		20,945	-	-	20,945
Management and General		36,735	-	-	36,735
Total Expenses		194,413	-	-	194,413
CHANGE IN NET ASSETS		12,957	378,607	202,588	594,152
Net Assets – Beginning of Year		868,817	2,745,580	1,943,333	5,557,730
NET ASSETS – END OF YEAR		$ 881,774	$ 3,124,187	$ 2,145,921	$ 6,151,882

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 Interest in Perpetual Trust		-	-	47,435	47,435
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.

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, 2018 and 2017. 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, 2018 and 2017.

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 $5,444 was capitalized as part of the cost of assets for the year ended June 30, 2018. Interest capitalized as part of the cost of assets for the year ended June 30, 2017 was $11,755. 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 10).

Deferred Outflows of Resources

Consumption of net position by the College that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position. As of June 30, 2018 and 2017, the College had deferred outflows of resources related to pension of \$52,042 and \$93,143, respectively. As of June 30, 2018, the College had deferred outflows related to other post-employment benefits of \$294,614. The College had no deferred outflows related to post-employment benefits as of June 30, 2017.

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, 2018 and 2017, the College had deferred inflows from service concession arrangements of \$100,000 and \$148,000, respectively, and deferred inflows related to pension of \$161,407 and \$161,700 as of June 30, 2018 and 2017, respectively. As of June 30, 2018, the College had deferred inflows related to other post-employment benefits of \$579,921. The College had no deferred inflows related to post-employment benefits as of June 30, 2017.

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 2018 and 2017, the College received and disbursed approximately $2.0 million and $2.4 million, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2018 and 2017, the College received and disbursed approximately $3.4 million and $3.7 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 has implemented Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. This statement requires the College to report its share of the other postemployment benefits liability and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the RHBT. The balance of the net OPEB liability and related deferred outflows of resources and deferred inflows of resources at July 1, 2017 is reported on the statement of revenues, expenses, and changes in net position as a restatement to the 2018 net position – beginning of year. The RHBT was not able to provide sufficient information to restate the financial statements for the period ending June 30, 2017.

Net Position - Beginning of Year, as Previously Stated	$ 47,647,733
Balance of the Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resouces	(793,944)
Net Position - Beginning of Year, as Restated	$ 46,853,789

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The College has also implemented Statement No. 85, “Omnibus 2017”. This statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The adoption of this statement did not have a material impact on the financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board

The GASB has also issued Statement No. 83, “Certain Asset Retirement Obligations”, which is effective for fiscal years beginning after June 15, 2018. This statement establishes accounting and financial reporting for certain asset retirement obligations. 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. This statement establishes standards of accounting and financial reporting for fiduciary activities. 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. 87, “Leases”, which is effective for fiscal years beginning after December 15, 2019. This statement establishes accounting and financial reporting for leases by lessees and lessors. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The GASB has also issued Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements”, which is effective for fiscal years beginning after June 15, 2018. This statement establishes additional financial statement note disclosure requirements related to debt obligations including direct borrowings and direct placements. The College has not yet determined the effect that the adoption of GASB Statement No. 88 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. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", which is effective for fiscal years beginning after December 15, 2019. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. According to this statement, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. The College has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

The GASB has also issued Statement No. 90, "Majority Equity Interests", which is effective for fiscal years beginning after December 15, 2018. This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The College has not yet determined the effect that the adoption of GASB Statement No. 90 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:

	2018		
	Current	Noncurrent	Total
State Treasurer	$ 15,246,603	$ 1,505,494	$ 16,752,097
Bank	724,409	416	724,825
Total	$ 15,971,012	$ 1,505,910	$ 17,476,922

	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

Cash held by the State Treasurer includes $1,505,494 and $4,317,858 at June 30, 2018 and 2017, respectively, restricted for capital assets. These amounts were collateralized by financial instruments held by the State's agent.

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

The combined carrying amount of cash in bank was $724,825 and $48,492 as compared with the combined bank balance of $726,605 and $48,492 at June 30, 2018 and 2017, 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, 2018, the amount uninsured and uncollateralized was $476,605. At June 30, 2017, all bank balances were insured.

Amounts with the State Treasurer as of June 30, 2018 and 2017, are comprised of two investment pools, the WV Money Market Pool and the WV Short-Term Bond Pool.

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

	2018		2017	
External Pool	Carrying Value (in Thousands)	S&P Rating	Carrying Value (in Thousands)	S&P Rating
WV Money Market Pool	$ 16,372,258	AAAm	$ 19,337,840	AAAm
WV Short-Term Bond Pool	379,839	Not Rated	445,118	Not Rated
	$ 16,752,097		$ 19,782,958	

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:

	2018		2017	
External Pool	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	$ 16,372,258	34	$ 19,337,840	36

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2018		2017	
External Pool	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short-Term Bond Pool	$ 379,839	372	$ 445,118	426

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

Custodial Credit Risk

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

	2018	2017
Student Tuition and Fees, Net of Allowance for Doubtful Accounts of $953,575 in 2018 and $983,774 in 2017	$ 277,455	$ 279,852
Third-Party Contracts Receivable	30,784	47,877
Total	$ 308,239	$ 327,729

NOTE 5 CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2018 and 2017 is as follows:

	2018			
	Beginning Balance	Additions	Reductions	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	$ 1,728,751	$ -	$ -	$ 1,728,751
Construction in Progress	847,144	3,489,474	-	4,336,618
Total Capital Assets not Being Depreciated	$ 2,575,895	$ 3,489,474	$ -	$ 6,065,369
OTHER CAPITAL ASSETS				
Land Improvements	$ 738,067	$ -	$ -	$ 738,067
Infrastructure	2,233,997	-	-	2,233,997
Buildings	36,694,462	35,607	-	36,730,069
Equipment	7,975,397	238,404	(52,098)	8,161,703
Library Books	624,537	3,094	(31,535)	596,096
Total Other Capital Assets	48,266,460	277,105	(83,633)	48,459,932
LESS ACCUMULATED DEPRECIATION FOR				
Land Improvements	(581,343)	(42,700)	-	(624,043)
Infrastructure	(1,257,154)	(99,030)	-	(1,356,184)
Buildings	(11,621,970)	(904,945)	-	(12,526,915)
Equipment	(4,936,093)	(504,457)	52,098	(5,388,452)
Library Books	(593,165)	(12,692)	31,535	(574,322)
Total Accumulated Depreciation	(18,989,725)	(1,563,824)	83,633	(20,469,916)
OTHER CAPITAL ASSETS, NET	$ 29,276,735	$ (1,286,719)	$ -	$ 27,990,016
CAPITAL ASSET SUMMARY				
Capital Assets not Being Depreciated	$ 2,575,895	$ 3,489,474	$ -	$ 6,065,369
Other Capital Assets	48,266,460	277,105	(83,633)	48,459,932
Total Cost of Capital Assets	50,842,355	3,766,579	(83,633)	54,525,301
Less: Accumulated Depreciation	(18,989,725)	(1,563,824)	83,633	(20,469,916)
CAPITAL ASSETS, NET	$ 31,852,630	$ 2,202,755	$ -	$ 34,055,385

NOTE 5 CAPITAL ASSETS (CONTINUED)

	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

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 $752,977 in construction commitments as of June 30, 2018.

NOTE 6 LEASE OBLIGATIONS

The College leased equipment under an operating lease agreement. Aggregate payments under this agreement approximated $113,352 for each of the years ended June 30, 2018 and 2017, respectively. Future minimum rental commitments as of June 30, 2018 are as follows:

Year Ending June 30,	Amount
2019	$ 113,352
2020	66,122
Total	$ 179,474

The College leased 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 under the lease agreement existing at June 30, 2018:

Year Ending June 30,	Amount
2019	$ 40,350
2020	40,350
2021	40,350
2022	40,350
2022	40,350
Thereafter	104,237
Total	305,987
Less: Interest	(42,426)
Total	$ 263,561

Effective January 2018, the College suspended making monthly payments, upon mutual agreement with the West Virginia Northern Community College Foundation, until a legal challenge is resolved regarding the execution of a deed on the leased property (see Note 12 for information regarding litigation). Upon resolution of the challenge, the capital lease agreement will either continue in effect or be cancelled.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Employees of the College are enrolled in the West Virginia Other Postemployment Benefit Plan (the “OPEB plan”) which is administered by the West Virginia Public Employees Insurance Agency (“PEIA”) and the West Virginia Retiree Health Benefit Trust Fund (the “RHBT”).

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Following is the College's other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, revenues, and other postemployment benefits expense and expenditures for the fiscal year ended June 30, 2018 (dollars in thousands):

	2018
Net OPEB Liability	$3,370
Deferred Outflows of Resources	$295
Deferred Inflows of Resources	$580
Revenues	$212
OPEB Expense	$387
Contributions Made by the University	$295

Plan Description

The OPEB plan is a cost-sharing, multiple-employer, defined benefit other postemployment benefit plan that covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in West Virginia Code Section 5-16D-2 (the "Code"). Plan benefits are established and revised by PEIA and the RHBT with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years and are eligible for reappointment. The State Department of Administration secretary serves as Chairman of the Board. Four members represent labor, education, public employees and public retirees. Four remaining members represent the public-at-large.

Active employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement: is a participating employer under the Consolidated Public Retirement Board ("CPRB") and, as of July 1, 2008 forward, is a participating employer with PEIA. Active employees who, as of July 1, 2008, have 10 years or more of credited service in the CPRB and whose employer at the time of their retirement does participate with CPRB, but does not participate with PEIA will be eligible for PEIA retiree coverage provided: they otherwise meet all criteria under this heading and their employer agrees, in writing, upon a form prescribed by PEIA, that the employer will pay to PEIA the non-participating retiree premium on behalf of the retiree or retirees, or that the retiree agrees to pay the entire unsubsidized premium themselves. Employees who participate in non-State retirement systems but that are CPRB system affiliated, contracted, or approved (such as TIAA-CREF and Empower Retirement), or are approved, in writing, by the PEIA Director must, in the case of education employees, meet the minimum eligibility requirements of the State Teachers Retirement System ("STRS"), and in all other cases meet the minimum eligibility requirements of the Public Employees Retirement System to be eligible for PEIA benefits as a retiree.

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

The financial activities of the OPEB plan are accounted for in the RHBT, a fiduciary fund of the State of West Virginia. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov.

Benefits Provided

The OPEB plan provides the following benefits: medical and prescription drug insurance and life insurance. The medical and prescription drug insurance is provided through two options: the self-insured preferred provider benefit plan option, which is primarily for non-Medicare-eligible retirees and spouses; and the external managed care organization option, which is primarily for Medicare-eligible retirees and spouses.

Contributions

Pay as you go premiums (“paygo”) are established by the Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The active premiums subsidize the retirees’ health care.

Members retired before July 1, 1997, pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member’s years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree’s date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988 may convert accrued sick or vacation leave days into 100% of the required retiree healthcare contribution.

- Members hired from July 1, 1988 to June 30, 2001 may convert sick or vacation leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and vacation leave days per month for single healthcare coverage and three days of unused sick and vacation leave days per month for family healthcare coverage.

Employees hired on or after July 1, 2001 no longer receive sick and/or vacation leave credit toward the required retiree healthcare contribution when they retire. All retirees have the option to purchase continued coverage regardless of their eligibility for premium credits.

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

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 coverage for one year of family coverage. Faculty hired after July 1, 2009 no longer receive years of service credit toward insurance premiums when they retire. Faculty hired on or after July 1, 2010 receive no health insurance premium subsidy when they retire. 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 had an original hire date prior to July 1, 2010 may return to active employment. In those cases, the original hire date may apply.

Assumptions

The net OPEB liability for financial reporting purposes was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost method.
- Amortization method and period for contributions: Level percentage of payroll over 21 years; closed as of June 30, 2016.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Projected salary increases: dependent on pension system ranging from 3.00% to 6.50%, including inflation.
- Healthcare cost trend rates: Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre- and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre- and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
- Inflation rate: 2.75%.
- Discount rate: 7.15%
- Mortality rates: based on RP-2000 Mortality Tables.

The long-term investment rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the West Virginia Investment Management Board (“IMB”) and an expected short-term rate of return of 3.0% for assets invested with the WV Board of Treasury Investments (“BTI”).

Long-term pre-funding assets are invested with the IMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund, and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the BTI.

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED

Assumptions **(Continued)**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of OPEB 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 percentages and by adding expected inflation. Best estimates of the long-term geometric rates for each major asset class are summarized below.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

Asset Class	Long-Term Expected Real Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

Discount rate. The discount rate used to measure the OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Based on those assumptions, the OPEB plan’s 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the College's proportionate share of the net OPEB liability as of June 30, 2016 calculated using the discount rate of 7.15%, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate (dollars in thousands):

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB Liability	$ 3,924	$ 3,370	$ 2,909

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates. The following presents the College's proportionate share of the net OPEB liability as of June 30, 2016 calculated using the current healthcare cost trend rates, as well as what the College's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates (dollars in thousands):

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	$ 2,831	$ 3,370	$ 4,029

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability at June 30, 2018 was measured as of June 30, 2016 rolled forward to June 30, 2017, which is the measurement date. The total OPEB liability at June 30, 2018 was determined by an actuarial valuation as of June 30, 2016 and rolled forward to the measurement date.

At June 30, 2018, the amount recognized as the College's proportionate share of the net OPEB liability was approximately $3,370,000. At June 30, 2018, the nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is $692,000 and the total net OPEB liability attributable to the College is $4,062,000

The allocation percentage assigned to each contributing employer is based on the employer's proportionate share of employer contributions to the RHBT for the fiscal years ended June 30, 2017 and June 30, 2016. Employer contributions are recognized when due. At June 30, 2017, the College's proportion was .137042972%, a decrease of .026314598% from its proportion of .163357570% calculated as of June 30, 2016.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED

For the year ended June 30, 2018, the College recognized OPEB expense of $387,000. Of this amount, $175,000 was recognized as the College's proportionate share of the OPEB expense, and $212,000 as the amount of OPEB expense attributed to special funding. The College also recognized revenue of $212,000 for support provided by the State.

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ -	$ 515
Net difference between projected and actual investment earnings		54
Differences between expected and actual experience		11
Contributions after the measurement date	295	
Total	$ 295	$ 580

The College will recognize the $295,000 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

Fiscal Year Ended	Total Amortization
June 30, 2019	$ 155
June 30, 2020	155
June 30, 2021	155
June 30, 2022	115
	$ 580

NOTE 8 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The College is a State institution of higher education and the College receives a State appropriation to finance 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 8 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, 2018 and 2017, 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, 2018, $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 9 UNRESTRICTED NET POSITION

The College's unrestricted net position for years ended June 30, 2018 and 2017 was as follows:

	2018	2017
Total Unrestricted Net Position Before OPEB Liability	$ 14,555,591	$ 14,875,865
Less: OPEB Liability	3,369,872	2,981,272
Total Unrestricted Net Position	$ 11,185,719	$ 11,894,593

NOTE 10 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 10 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, 2018 and 2017:

	2018	2017
Net Pension Liability	$ 265,515	$ 368,924
Deferred Outflows of Resources	$ 52,042	$ 93,143
Deferred Inflows of Resources	$ 161,407	$ 161,700
Payments Made on Behalf of the College	$ 59,806	$ 65,564
Pension Expense	$ 29,348	$ 52,347
Contributions Made by the College	$ 29,125	$ 31,812

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.3

Benefits Provided

TRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 60 with 5 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 10 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, 2017 and 2016 measurement dates, respectively, the College's proportionate share attributable to this special funding subsidy was $56,926 and $62,376 and is recorded as revenue.

The College's contributions to TRS for the years ended June 30, 2018, 2017, and 2016, were approximately $29,125, $31,812, and $34,801, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2016 and rolled forward to June 30, 2017. 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.

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions (Continued)

- 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%
- 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, 2017 and 2016 are summarized below.

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions (Continued)

Asset Class	2017 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 %	- %
Real Estate	7.0 %	10.0 %
Private Equity	9.4 %	10.0 %
Hedge Funds	4.7 %	10.0 %

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 %
Real Estate	2.7 %	- %
Private Equity	7.0 %	10.0 %
Hedge Funds	9.4 %	10.0 %
Cash	4.7 %	10.0 %

NOTE 10 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 3.13% 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, 2017.

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, 2018 and 2017 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 2018	$ 349,562	$ 265,515	$ 193,702
Net Pension Liability 2017	$ 466,740	$ 368,924	$ 285,344

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, 2017 and 2016, 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, 2018 and 2017, the College's proportionate share of the TRS net pension liability was $852,641 and $1,071,626, respectively. Of this amount, the College recognized $265,515 and $368,924, respectively, as its proportionate share on the statement of net position. The remainder of $587,126 and $702,702, 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, 2017 and 2016. Employer contributions are recognized when due. At the June 30, 2017 measurement date, the College's proportion was 0.007685%, a decrease of 0.001292% from its proportion of 0.008977% calculated as of June 30, 2016.

NOTE 10 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, 2018 and 2017, the College recognized total TRS pension expense of $29,348 and $52,347, respectively. Of this amount, $(30,458) and $(13,217) was recognized as the College's proportionate share of the TRS expense, $56,926 and $62,376, respectively, as the amount of pension expense attributable to special funding from a nonemployer contributing entity, and $2,880 and $3,188, 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 $59,806 and $65,564, respectively, for support provided by the State.

At June 30, 2018, 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	$ 10,635	$ 148,331
Net Difference Between Projected and Actual Investment Earnings	-	8,346
Difference Between Projected and Actual Experience	2,308	4,730
Changes in Assumptions	9,974	-
Contributions After Measurement Date	29,125	-
Total	$ 52,042	$ 161,407

NOTE 10 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, 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

The College will recognize the $29,125 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, 2019. 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, 2019	$ (59,783)
June 30, 2020	(43,715)
June 30, 2021	(14,121)
June 30, 2022	(12,171)
June 30, 2023	(8,700)
Total	$ (138,490)

Payables to the Pension Plan

The College did not report any amounts payable for normal contributions to the TRS as of June 30, 2018 and 2017.

NOTE 11 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 10 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, 2018, 2017, and 2016 were $671,234, $619,490, and $623,738, respectively, which consisted of equal contributions from the College and covered employees of $335,617 in 2018, $309,745 in 2017, and $311,869 in 2016.

Total contributions to Educators Money for the years ended June 30, 2018, 2017, and 2016 were $19,888, $18,736, and $17,382, respectively, which consisted of equal contributions from the College and covered employees of $9,944, $9,368, and $8,691 in 2018, 2017, and 2016, respectively.

The College's total payroll for the years ended June 30, 2018, 2017, and 2016 was $6,794,966, $6,461,679, and $6,458,607, respectively; total covered employees' salaries in the TIAA-CREF and Educators Money were $5,561,970 and $165,730; $5,242,492 and $156,130; and $5,304,886 and $144,844 in 2018, 2017, and 2016, respectively.

NOTE 12 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 12 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.

The College and the West Virginia Northern Community College Foundation, have jointly entered into a legal dispute over the execution of a deed by the West Virginia State Auditor to a third party in January 2018 for property owned by the West Virginia Northern Community College Foundation. The property is subject to a capital lease between the West Virginia Northern Community College Foundation and the College, whereby the College made monthly lease payments from August 2015 through December 2018, upon which time payments were suspended due to the legal dispute. The College has $364,045 invested in the property and the remaining balance on the capital lease payable is $263,561 as of June 30, 2018. The College and West Virginia Northern Community College Foundation plan to vigorously pursue vacating the invalid deed transfer and voiding the transaction. As of the issuance of these financial statements, the matter was still pending, and the possible outcome of this litigation is unknown. Management believes that until this dispute is resolved, legal title to the property remains with the Foundation and the College's obligation under the capital lease remains valid.

NOTE 13 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.

NOTE 13 SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

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 $100,000 and $148,000 at June 30, 2018 and 2017, respectively. No significant renovations to College facilities were made by B&N in 2018 or 2017.

In addition, B&N annually pays commission to the College calculated as a contractually agreed percentage of bookstore revenue. In 2018 and 2017, the College received $88,854 and $96,068, 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 14 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2018 and 2017, the following tables represent operating expenses within both natural and functional classifications:

2018

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 3,440,350	$ 812,622	$ 300,815	$ 79,161	$ -	$ -	$ -	$ 4,632,948
Public Service	88,268	21,774	50,803	-	-	-	-	160,845
Academic Support	488,205	116,702	216,681	79,160	-	-	-	900,748
Student Services	1,018,606	253,294	154,247	-	-	-	-	1,426,147
General Institutional Support	1,346,017	546,876	937,757	206,531	-	-	-	3,037,181
Operations and Maintenance of Plant	413,520	144,877	726,108	302,453	-	-	-	1,586,958
Student Financial Aid	-	-	-	-	1,504,627	-	-	1,504,627
Depreciation	-	-	-	-	-	1,563,824	-	1,563,824
Other	-	-	-	-	-	-	63,720	63,720
Total	$ 6,794,966	$ 1,896,145	$ 2,386,411	$ 667,305	$ 1,504,627	$ 1,563,824	$ 63,720	$ 14,876,998

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

NOTE 15 BALANCES DUE TO OR FROM WEST VIRGINIA STATE AGENCIES

For the years ended June 30, 2018 and 2017, the following table represents amounts due (to) from West Virginia State Agencies:

	2018	2017
Amounts Due From State Agencies		
Higher Education Policy Commission	$ 127,102	$ 475,595
Amounts Due to State Agencies		
Higher Education Policy Commission	$ -	$ (27,104)
West Virginia Workforce	(5,434)	(3,259)
Public Employees Insurance Agency	(5,778)	(7,605)
West Virginia State Treasurer	(646)	(610)
West Virginia Department of Health and Human Resources	(6,240)	-
West Virginia Department of Labor	(90)	-
West Virginia Central Mail	(112)	(51)
Total Amounts Due to State Agencies	$ (18,300)	$ (38,629)

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 of West Virginia. 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 non-voting 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, 2018 and 2017, the Foundation contributed $57,614 and $45,245, respectively, to the College for scholarships.

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

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

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.

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.

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

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

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).

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.

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

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

Restricted Cash

Restricted cash of $2,406 and $2,717 at June 30, 2018 and 2017, respectively, are included in cash in the statements of financial position. The restrictions have been imposed by the donors.

	2018	2017
Cash Restricted for Institutional Support	$ 2,406	$ 2,717

Notes Receivable

The Foundation leased land under a capital lease agreement to West Virginia Northern Community College. 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, 2018:

Year Ending June 30,	Amount
2019	$ 40,350
2020	40,350
2021	40,350
2022	40,350
2023	40,350
2024 and Thereafter	104,237
Total	305,987
Less: Interest	(42,426)
Total	$ 263,561

Effective January 2018, the West Virginia Northern Community College suspended making monthly payments, upon mutual agreement with the Foundation, until a legal challenge is resolved regarding the execution of a deed on the leased property (see Note 12 for information regarding litigation). Upon resolution of the challenge, the capital lease agreement will either continue in effect or be cancelled.

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Investments

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

	2018		2017	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
U.S. Government Agency Obligations		$ 97,635		$ 100,858
Corporate Bonds and Notes		370,574		280,651
Mortgage Backed Securities		249,054		173,521
Municipal Obligations		49,884		50,885
Equity Securities		1,810,840		1,407,819
Equity Mutual Funds		1,240,337		922,763
Fixed Income Mutual Funds		433,491		576,985
Common Trust Fund Balance	$ 3,955,235	4,251,815	$ 3,340,791	3,513,482
Cash Equivalents	403,322	403,322	583,224	583,224
Total	$ 4,358,557	$ 4,655,137	$ 3,924,015	$ 4,096,706

Gains (losses) on investments for the years ended June 30, 2018 and 2017 are summarized as follows:

	2018	2017
Realized Gains (Losses)	$ (28)	$ (2,071)
Unrealized Gains (Losses)	240,204	354,283
Total Gains (Losses) on Investments	$ 240,176	$ 352,212

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 36 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, 2018 and 2017.

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."

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Investments (Continued)

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.

Split-Interest Agreements

The following summarized the transactions affecting the beneficial interest in perpetual trust for the years ended June 30, 2018 and 2017:

	2018	2017
Distributions Received from the Trust Recorded as a Permanently Restricted Investment	$ 49,233	$ 47,435
Change in Value of the Split-Interest Agreement	$ 38,035	$ 59,699

Temporarily and Permanently Restricted Net Assets

Net assets were temporarily and permanently restricted for the following purposes at June 30, 2018 and 2017:

	2018		2017	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Scholarship/Student Assistance	$ 2,326,006	$ 2,059,431	$ 2,129,384	$ 1,943,333
Capital Projects	111,576	-	71,328	-
Institutional Support	686,605	86,490	544,868	-
Total	$ 3,124,187	$ 2,145,921	$ 2,745,580	$ 1,943,333

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Supplemental Cash Flow Information

The Foundation has the following noncash transactions during the years ended June 30, 2018 and 2017:

	2018	2017
Noncash Contributions Received-Supplies and Other Goods	$ 3,020	$ 1,717

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

Level 2 – 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 3 – 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, 2018	Level 1	Level 2	Level 3	Total
Valued on a Recurring Basis:				
Assets:				
Equity Securities	$ 1,810,840	$ -	$ -	$ 1,810,840
Debt Securities	-	767,147	-	767,147
Mutual Funds	1,673,828	-	-	1,673,828
Cash Equivalents	403,322	-	-	403,322
Beneficial Interest in				-
Perpetual Trust	-	-	1,125,098	1,125,098
Total	$ 3,887,990	$ 767,147	$ 1,125,098	$ 5,780,235

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Fair Value of Financial Instruments (Continued)

June 30, 2017	Level 1	Level 2	Level 3	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

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:

1. The duration and preservation of the fund.
2. The purposes of the organization and the donor-restricted endowment fund.

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Endowments (Continued)

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	2018	2017
Unrestricted	$ -	$ -
Temporarily Restricted	665,791	584,777
Permanently Restricted	1,020,013	855,460
Total Funds	$ 1,685,804	$ 1,440,237

Description of Amounts Classified as Temporarily and Permanently Restricted Net Assets	2018	2017
Permanently Restricted Net Assets		
Portion of Perpetual Endowment Funds Required to be Retained by Donor Stipulation or UPMIFA	$ 1,020,013	$ 855,460
Temporarily Restricted Net Assets		
Term Endowment Funds	$ 413,411	$ 391,534
Portion of Perpetual Endowment Funds Subject to Purpose Restrictions	252,380	193,243
Total	$ 665,791	$ 584,777

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Endowments (Continued)

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

June 30, 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets – Beginning of Year	$ -	$ 584,777	$ 855,460	$ 1,440,237
Investment Return:				
Investment Income	-	24,475	-	24,475
Net Appreciation (Realized and Unrealized)	-	80,678	-	80,678
Total Investment Return	-	105,153	-	105,153
Contributions	-	-	164,553	164,553
Appropriation of Endowment Assets for Expenditure	-	(24,139)	-	(24,139)
Endowment Net Assets – End of Year	$ -	$ 665,791	$ 1,020,013	$ 1,685,804

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

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, 2018 and 2017, 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 page 58 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, 2018	Friends Dinner	Total
Special Event Revenue	$ 17,915	$ 17,915
Less: Cost of Direct Benefit for Donors	(7,033)	(7,033)
Total	$ 10,882	$ 10,882

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

NOTE 16 COMPONENT UNIT DISCLOSURES (FOUNDATION) (CONTINUED)

Contingencies

The Foundation and West Virginia Northern Community College, have jointly entered into a legal dispute over the execution of a deed by the West Virginia State Auditor to a third party in January 2018 for property owned by the Foundation. The property is subject to a capital lease between West Virginia Northern Community College and the Foundation, whereby the Foundation received monthly lease payments from August 2015 through December 2018, upon which time receipts were suspended due to the legal dispute. The Foundation's remaining balance on the note receivable is $263,561 as of June 30, 2018. The Foundation and West Virginia Northern Community College plan to vigorously pursue vacating the invalid deed transfer and voiding the transaction. As of the issuance of these financial statements, the matter was still pending, and the possible outcome of this litigation is unknown.

Subsequent Events

The Foundation assessed events occurring subsequent to June 30, 2018, through the date of this report for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements which were available to be issued September 24, 2018.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2018 AND 2017

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%
June 30, 2107	0.007685%	$ 266	$ 587	$ 853	$ 198	134%	67.85%

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%
June 30, 2018	$ 32	$ 35	$ (3)	$ 198	17.68%

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. With only three 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.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET OPEB LIABILITY AND CONTRIBUTIONS
JUNE 30, 2018 AND 2017

Schedule of Proportionate Share of Net OPEB Liability
(In Thousands)

Measurement Date	University's Proportionate Share as a Percentage of Net OPEB Liability	University's Proportionate Share	State's Proportionate Share	Total Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
June 30, 2017	0.137042972%	$ 3,370	$ 692	$ 4,062	$ 4,754	70.89%	25.10%

Schedule of Employer Contributions
(In Thousands)

Fiscal Year	Actuarily Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 2018	$ 281	$ 281	$ -	$ 4,754	5.91%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the College will present information for only those years for which information is available.

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, 2018, 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 8, 2018. 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 8, 2018

CliftonLarsonAllen

A member of Nexia International