
New River
Community and Technical College

Financial Statements
Years Ended June 30, 2019 and 2018

and

Independent Auditor's Reports



A Professional Limited Liability Company

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
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INDEPENDENT AUDITOR'S REPORT

Board of Governors
New River Community and Technical College
Beaver, 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 New River Community and Technical College (the College), a component unit of the West Virginia Council for Community and Technical Education, as of and for the years ended June 30, 2019 and 2018, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the discretely presented New River Community and Technical College Foundation, Inc. (a component unit of the College). Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of the New River Community and Technical College Foundation, Inc. is based solely on the report of the other auditor. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of New River Community and Technical College Foundation, Inc. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audits 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 aggregate discretely presented component unit of the College as of June 30, 2019 and 2018, and the respective changes in financial position, and where applicable, cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and related notes on pages 64 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely 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.



Charleston, West Virginia
September 30, 2019

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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Our discussion and analysis of New River Community and Technical College's (the College) financial performance provides an overview of the College's financial activities during the years ended June 30, 2019 and 2018. Since this discussion and analysis is designed to focus on current activities, resulting changes, and currently known facts, please refer to the College's financial statements on pages 12 to 17 and the notes to financial statements on pages 18 to 62.

Financial Highlights

With the passage of Senate Bill 448, the College was established and attained independent accreditation in February 2005, separating from Bluefield State College (BSC). Senate Bill 401 defined the process for separation of assets and liabilities from BSC to the College and BSC. The attached statements represent separate financial information for the College. The following are brief summaries for the College:

- The College's assets exceeded its liabilities by approximately \$22.6 million for FY2019 and approximately \$22.3 million for FY2018.
- Net operating loss was approximately \$9.1 million in FY2019 and approximately \$9.4 million in FY2018.

Overview of the Financial Statements

The College has implemented Governmental Accounting Standards Board (GASB) Statement Number 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. GASB 35 requires the College to present financial information as a whole rather than focusing on individual funds.

This report consists of management's discussion and analysis, the financial statements, the notes to the financial statements, and the required supplementary information. The financial statements include the statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows.

The statement of net position presents the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Increases or decreases in net position can be an indicator of improvement or deterioration of the College's financial position.

Changes in net position during the year are reported in the statement of revenues, expenses, and changes in net position. All revenues, expenses, and changes are reported as the underlying event occurs that results in the revenue, expense, or change. The statement of cash flows presents information on actual cash inflows or outflows as they occur.

The New River Community and Technical College Foundation, Inc. (the Foundation) is significant enough to be included in the financial statements of the College in accordance with GASB 39. As such, the Foundation's audited financial statements are discretely presented as part of the College's financial statements. The assets of the Foundation are controlled by an independent board.

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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Financial Analysis of the College

Total net position of the College for FY2019 and FY2018 was approximately \$22.6 million and approximately \$22.3 million, with net investment in capital assets comprising approximately \$27.5 million and approximately \$27.6 million of the total, respectively, a decrease of 0.3% from FY2018 to FY2019. These capital assets are utilized to provide educational and related services to students and the communities, but are not readily available for future spending. The unrestricted net position was approximately \$4.9 million deficit (22%) and approximately \$5.3 million deficit (24%) of the total net position for FY2019 and FY2018, respectively. The deficit in unrestricted net position is primarily due to the accumulation of the net OPEB liability. The unrestricted net position represents amounts not restricted by plant operations, grant and loan funds, and State code restrictions.

**Condensed Schedules of Net Position
June 30, 2019, 2018 and 2017
(in millions)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 1.7	\$ 1.0	\$ 0.7
Other current assets	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
Total current assets	<u>2.2</u>	<u>1.5</u>	<u>1.2</u>
Capital assets	<u>27.6</u>	<u>27.7</u>	<u>32.1</u>
Total noncurrent assets	<u>27.6</u>	<u>27.7</u>	<u>32.1</u>
Total assets	<u>29.8</u>	<u>29.2</u>	<u>33.3</u>
Deferred outflows of resources	<u>0.3</u>	<u>0.3</u>	<u>0.1</u>
Total	<u>\$ 30.1</u>	<u>\$ 29.5</u>	<u>\$ 33.4</u>
Current liabilities	\$ 3.4	\$ 2.7	\$ 3.1
Noncurrent liabilities	<u>2.9</u>	<u>3.5</u>	<u>3.4</u>
Total liabilities	<u>6.3</u>	<u>6.2</u>	<u>6.5</u>
Deferred inflows of resources	<u>1.2</u>	<u>1.0</u>	<u>-</u>
Net position			
Investment in capital assets	27.5	27.6	31.9
Unrestricted net position (deficit)	<u>(4.9)</u>	<u>(5.3)</u>	<u>(5.0)</u>
Total net position	<u>22.6</u>	<u>22.3</u>	<u>26.9</u>
Total	<u>\$ 30.1</u>	<u>\$ 29.5</u>	<u>\$ 33.4</u>

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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For the years ended June 30, 2019 and 2018, the decrease in net position before other revenues, expenses, gains or losses was approximately \$0.6 million and \$0.8 million, respectively. Net tuition revenue decreased for FY2019 by approximately \$0.3 million to approximately \$1.9 million due to a decrease in student enrollment. Financial aid assistance is reflected in the appropriate Federal, State, or Pell grant revenue source from which the financial aid was issued. Federal Pell grant revenue decreased by approximately \$0.4 million to approximately \$3.0 million for FY2019 due to a decrease in enrollment. State appropriations increased by approximately \$0.3 million to approximately \$5.5 million.

**Condensed Schedules of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019, 2018 and 2017
(in millions)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues			
Tuition and fees	\$ 1.9	\$ 2.2	\$ 2.1
Contracts and grants	1.8	1.4	2.5
Other	<u>0.4</u>	<u>0.4</u>	<u>0.8</u>
Total operating revenues	4.1	4.0	5.4
Less: operating expenses	<u>13.2</u>	<u>13.4</u>	<u>15.0</u>
Operating loss	(9.1)	(9.4)	(9.6)
Nonoperating revenues			
State appropriation	5.5	5.2	5.4
Pell grant revenue	<u>3.0</u>	<u>3.4</u>	<u>3.7</u>
Net nonoperating revenue	<u>8.5</u>	<u>8.6</u>	<u>9.1</u>
Decrease in net position before other revenues, expenses, gains or losses	(0.6)	(0.8)	(0.5)
Payments on behalf of the College	0.8	-	-
Other payments on behalf of the College	0.1	0.2	0.1
Transfer of donated property	<u>-</u>	<u>(3.3)</u>	<u>-</u>
Change in net position	<u>0.3</u>	<u>(3.9)</u>	<u>(0.4)</u>
Net position - beginning of year	22.3	26.9	27.3
Net effect of change in accounting policy	<u>-</u>	<u>(0.7)</u>	<u>-</u>
Net position - beginning of year (restated)	<u>22.3</u>	<u>26.2</u>	<u>27.3</u>
Net position - end of year	<u>\$ 22.6</u>	<u>\$ 22.3</u>	<u>\$ 26.9</u>

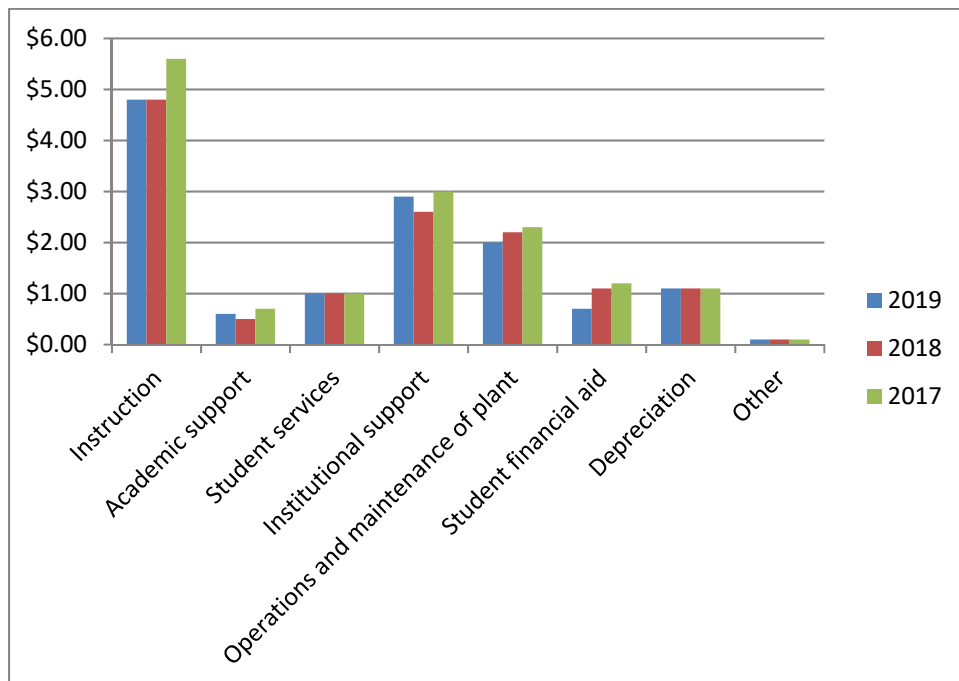
**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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**Schedules of Operating Expenses
Years Ended June 30, 2019, 2018 and 2017
(in millions)**

FUNCTIONAL CLASSIFICATION OF EXPENSES	<u>2019</u>	<u>2018</u>	<u>2017</u>
Instruction	\$ 4.8	\$ 4.8	\$ 5.6
Academic support	0.6	0.5	0.7
Student services	1.0	1.0	1.0
Institutional support	2.9	2.6	3.0
Operations and maintenance of plant	2.0	2.2	2.3
Student financial aid	0.7	1.1	1.2
Depreciation	1.1	1.1	1.1
Other	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Total	<u>\$ 13.2</u>	<u>\$ 13.4</u>	<u>\$ 15.0</u>

**New River Community and Technical College
Functional Classifications of Expenditures**



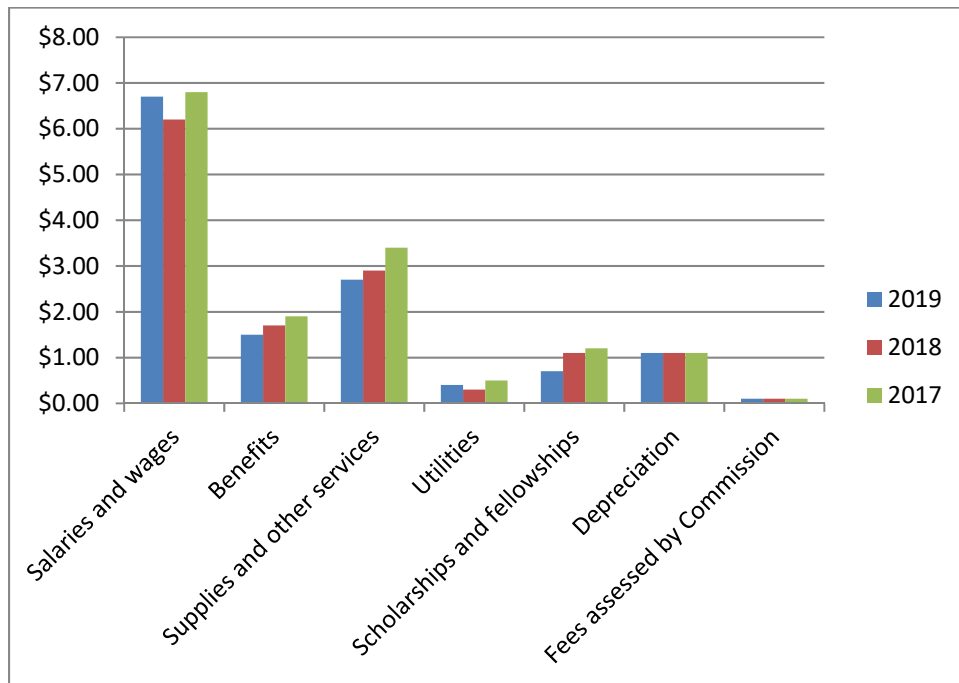
**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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**Schedules of Natural Expenses
Years Ended June 30, 2019, 2018 and 2017
(in millions)**

NATURAL CLASSIFICATION OF EXPENSES	<u>2019</u>	<u>2018</u>	<u>2017</u>
Salaries and wages	\$ 6.7	\$ 6.2	\$ 6.8
Benefits	1.5	1.7	1.9
Supplies and other services	2.7	2.9	3.4
Utilities	0.4	0.3	0.5
Scholarships and fellowships	0.7	1.1	1.2
Depreciation	1.1	1.1	1.1
Fees assessed by Commission	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Total	<u>\$ 13.2</u>	<u>\$ 13.4</u>	<u>\$ 15.0</u>

**New River Community and Technical College
Natural Classifications of Expenditures**



**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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The Statement of Cash Flows presents detailed information about the cash activities of the College during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section deals with the cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating loss reflected in the statement of revenues, expenses, and changes in net position. Cash and cash equivalents for the years ended June 30, 2019 and 2018 were approximately \$1.7 million and approximately \$1.0 million, an increase of approximately \$0.7 million from FY2019 to FY2018.

**Condensed Schedules of Cash Flows
Years Ended June 30, 2019, 2018 and 2017
(in millions)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash provided by (used in)			
Operating activities	\$ (7.4)	\$ (8.4)	\$ (8.8)
Non capital financing activities	8.2	8.8	9.1
Capital and related financing activities	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.1)</u>
Increase (decrease) in cash and cash equivalents	0.7	0.3	0.2
Cash and cash equivalents, beginning of year	<u>1.0</u>	<u>0.7</u>	<u>0.5</u>
Cash and cash equivalents, end of year	<u><u>\$ 1.7</u></u>	<u><u>\$ 1.0</u></u>	<u><u>\$ 0.7</u></u>

Capital Asset and Debt Administration

In FY2019, the College purchased approximately \$946 thousand in buildings and equipment and retired approximately \$58 thousand in equipment. The College transferred the USDA building and land that was donated in FY2015 back to the federal government in FY2018. The cost of the building and land transferred totaled \$2.8 million and \$700 thousand, respectively.

In FY2018, the College entered into an operating loan with the Council to repay three loans received in FY2016 to fund payroll. The loan is to be repaid over a fifteen year period with payments commencing on June 15, 2018 with final payment due March 15, 2033. The outstanding balance on the loan was \$421,665 as of June 30, 2019.

In FY2018, the College also entered into a payment plan with West Virginia Network for Educational Telecomputing (WVNET) to pay off their outstanding balances. The balance is to be repaid over an eighteen month period with payments commencing on August 15, 2018 with final payment due January 15, 2020. The outstanding balance on the loan was \$151,356 as of June 30, 2019. Readers interested in more detailed information regarding capital assets and debt administration should review the accompanying notes 4, 5 and 8 to the financial statements.

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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Economic Outlook

Accreditation for the College was approved for a ten year period from the Higher Learning Commission following an institutional visitation in October 2015 providing for solid academic standards that potential students will likely consider when selecting a school to attend. Management is monitoring both the national and State economic conditions for changes which may impact the ability to meet the College mission. During times of economic distress, community colleges traditionally experience growth and management is confident that the College will be able to withstand economic downturns.

The net other post employment benefit liability continues to present a challenge state wide. However, during the 2012 legislative session the State of West Virginia took proactive measures to address the unfunded liability which will take effect in future years and fully fund the liability by 2036.

Contacting the College's Financial Management

This financial report is designed to provide a general overview of the College's finances. Questions concerning any of the information provided in this report should be addressed to the Chief Financial Officer, 280 University Drive, Beaver, West Virginia 25813. For additional information on the New River Community and Technical College Foundation, Inc. please see their separately issued financial statements.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

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	<u>2019</u>	<u>2018</u>
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,666,284	\$ 998,116
Accounts receivable, net of allowance of \$1,057,951 and \$1,082,281	380,817	320,595
Due from Commission/Council	77,550	191,806
Due from State agencies	27,364	-
Due from Federal government	<u>34,470</u>	<u>30,738</u>
Total current assets	<u>2,186,485</u>	<u>1,541,255</u>
NONCURRENT ASSETS		
Capital assets - net	27,542,977	27,683,006
Other accounts receivable	<u>30,689</u>	<u>36,092</u>
Total noncurrent assets	<u>27,573,666</u>	<u>27,719,098</u>
 Total assets	 <u>29,760,151</u>	 <u>29,260,353</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows relating to the net pension liability	28,743	49,312
Deferred outflows relating to the net OPEB liability	<u>318,831</u>	<u>219,561</u>
Total deferred outflows of resources	<u>347,574</u>	<u>268,873</u>
 Total	 <u>\$ 30,107,725</u>	 <u>\$ 29,529,226</u>
 LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 423,435	\$ 285,979
Due to Federal government	55,194	24,957
Accrued liabilities	674,945	641,844
Debt service obligation payable to the Council - current portion	30,668	30,668
Debt service obligation payable to WVNET - current portion	151,356	207,002
Unearned revenue	1,714,911	1,126,799
Compensated absences - current portion	316,020	323,848
Capital lease payable - current portion	<u>40,902</u>	<u>52,836</u>
Total current liabilities	<u>3,407,431</u>	<u>2,693,933</u>
NONCURRENT LIABILITIES		
Compensated absences	120,136	115,856
Debt service obligation payable to the Council	390,997	421,665
Debt service obligation payable to WVNET	-	139,249
Net pension liability	89,297	321,900
Capital lease payable	6,817	47,719
Net other post employment benefits liability	<u>2,305,140</u>	<u>2,520,364</u>
Total noncurrent liabilities	<u>2,912,387</u>	<u>3,566,753</u>
 Total liabilities	 <u>6,319,818</u>	 <u>6,260,686</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows relating to the net pension liability	214,704	53,504
Deferred inflows relating to the net OPEB liability	<u>933,755</u>	<u>906,450</u>
Total deferred inflows of resources	<u>1,148,459</u>	<u>959,954</u>
NET POSITION		
Net investment in capital assets	27,495,258	27,582,451
Unrestricted net position (deficit)	<u>(4,855,810)</u>	<u>(5,273,865)</u>
Total net position	<u>22,639,448</u>	<u>22,308,586</u>
 Total	 <u>\$ 30,107,725</u>	 <u>\$ 29,529,226</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2019 AND 2018

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	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowance of \$3,287,618 and \$3,499,537	\$ 1,911,015	\$ 2,184,659
Contracts and grants		
Federal	486,463	376,047
State	1,275,704	1,069,334
Sales and services of educational activities	200,418	164,784
Miscellaneous - net	<u>219,591</u>	<u>212,178</u>
Total operating revenues	<u>4,093,191</u>	<u>4,007,002</u>
OPERATING EXPENSES		
Salaries and wages	6,700,956	6,244,650
Benefits	1,499,635	1,688,865
Supplies and other services	2,690,231	2,882,603
Utilities	456,074	361,098
Student financial aid - scholarships and fellowships	736,928	1,064,187
Depreciation	1,084,413	1,128,154
Assessments by the Policy Commission for operations	<u>55,013</u>	<u>67,442</u>
Total operating expenses	<u>13,223,250</u>	<u>13,436,999</u>
OPERATING LOSS	<u>(9,130,059)</u>	<u>(9,429,997)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	5,452,515	5,247,765
Federal Pell grants	3,003,687	3,385,810
Investment income	<u>35,939</u>	<u>8,992</u>
Net nonoperating revenues	<u>8,492,141</u>	<u>8,642,567</u>
DECREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(637,918)	(787,430)
PAYMENTS MADE AND EXPENSES INCURRED BY THE STATE ON BEHALF OF THE COLLEGE	166,044	227,935
PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF THE COLLEGE	802,736	9,509
TRANSFER OF DONATED CAPITAL ASSETS	<u>-</u>	<u>(3,336,335)</u>
CHANGE IN NET POSITION	<u>330,862</u>	<u>(3,886,321)</u>
NET POSITION, beginning of year	22,308,586	26,918,800
NET EFFECT OF CHANGE IN ACCOUNTING POLICY	<u>-</u>	<u>(723,893)</u>
NET POSITION — beginning of year (restated)	<u>22,308,586</u>	<u>26,194,907</u>
NET POSITION, end of year	<u>\$ 22,639,448</u>	<u>\$ 22,308,586</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

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	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 1,850,793	\$ 2,214,430
Contracts and grants	1,419,617	381,531
Payments to and on behalf of employees	(8,364,978)	(8,163,967)
Payments to suppliers	(2,565,820)	(2,883,059)
Payments to utilities	(441,534)	(369,119)
Payments for scholarships and fellowships	334,495	71,554
Sales and service of educational activities	200,418	164,784
Fees assessed by Commission	(55,013)	(67,442)
Other receipts (payments)-net	<u>219,591</u>	<u>212,178</u>
Net cash (used) in operating activities	<u>(7,402,431)</u>	<u>(8,439,110)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	5,452,515	5,247,765
Pell grants	3,003,687	3,385,810
Payments to the Commission on debt obligation	(30,668)	(7,667)
(Payments) proceeds from WVNET on debt obligation	(194,895)	166,149
William D. Ford direct lending receipts	1,071,423	1,135,741
William D. Ford direct lending payments	<u>(1,071,423)</u>	<u>(1,135,741)</u>
Net cash provided by noncapital financing activities	<u>8,230,639</u>	<u>8,792,057</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(143,143)	(31,528)
Principal payments on capital leases	<u>(52,836)</u>	<u>(56,813)</u>
Net cash (used) in capital financing activities	<u>(195,979)</u>	<u>(88,341)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>35,939</u>	<u>8,992</u>
Net cash provided by investing activities	<u>35,939</u>	<u>8,992</u>
INCREASE IN CASH AND CASH EQUIVALENTS	668,168	273,598
CASH AND CASH EQUIVALENTS - beginning of year	<u>998,116</u>	<u>724,518</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 1,666,284</u>	<u>\$ 998,116</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) IN OPERATING ACTIVITIES		
Operating loss	\$ (9,130,059)	\$ (9,429,997)
Adjustments to reconcile operating loss to net cash (used) in operating activities:		
Depreciation expense	1,084,413	1,128,154
(Gain) loss from sale of capital assets	1,495	-
Pension expense-special funding situation	20,422	69,018
OPEB expense-special funding situation	145,622	158,917
Payments made on behalf of the College	-	9,509
Net effect of change in accounting policy	-	(723,893)
Changes in assets and liabilities:		
Accounts receivables - net	(60,222)	29,771
Due from Commission	114,256	(102,415)
Due from State agencies	(27,364)	-
Due from Federal government	(3,732)	(8,797)
Other accounts receivable	5,403	2,625
Deferred outflows of resources	(78,701)	(150,672)
Accounts payable	137,456	(17,986)
Due to Federal government	30,237	20,547
Accrued liabilities	33,101	(168,495)
Unearned revenue	588,112	162,556
Compensated absences	(3,548)	(81,976)
Net pension liability	(232,603)	(70,876)
Net other post employment benefits liability	(215,224)	(179,772)
Deferred inflows of resources	<u>188,505</u>	<u>914,672</u>
Net cash (used) in operating activities	<u>\$ (7,402,431)</u>	<u>\$ (8,439,110)</u>
NONCASH TRANSACTION		
Capital payments made on behalf of New River Community and Technical College	<u>\$ 802,736</u>	<u>\$ -</u>
Transfer of donated capital assets	<u>\$ -</u>	<u>\$ 3,336,335</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

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	<u>2019</u>	<u>2018</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 124,412	\$ 191,261
Unconditional promises to give, less allowance for uncollectable amounts of \$0	55,000	-
Marketable securities, at fair market value	930,077	952,548
Restricted marketable securities, at fair market value	386,827	394,674
Beneficial interest in assets held by community foundation	1,372,067	1,241,042
Other asset	<u>98</u>	<u>9</u>
Total assets	<u><u>\$ 2,868,481</u></u>	<u><u>\$ 2,779,534</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ -	\$ 200
Scholarships payable	124,500	120,500
Accrued expenses	<u>9,000</u>	<u>24,647</u>
Total liabilities	<u>133,500</u>	<u>145,347</u>
NET ASSETS		
Without donor restrictions	21,620	37,210
With donor restrictions	<u>2,713,361</u>	<u>2,596,977</u>
Total net assets	<u>2,734,981</u>	<u>2,634,187</u>
Total liabilities and net assets	<u><u>\$ 2,868,481</u></u>	<u><u>\$ 2,779,534</u></u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019

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	Net Assets		Total
	Without Donor Restrictions	With Donor Restrictions	
<u>Public Support and Revenue</u>			
Grants and contributions	\$ 62,503	\$ 141,291	\$ 203,794
Contributed services and supplies revenue	103,944	-	103,944
<u>Net Earnings on Investments</u>			
Interest and dividends income	683	59,800	60,483
Realized gains on investment securities, net	265	23,180	23,445
Unrealized gain on investment securities, net	704	61,626	62,330
Bank and investment fees	(238)	(20,814)	(21,052)
Other Revenue	2,588	-	2,588
Net assets released from restrictions due to expiration of spending purpose restrictions	148,699	(148,699)	-
Total public support and revenue	319,148	116,384	435,532
<u>Expenses</u>			
Student support and program services	216,565	-	216,565
Management and general	45,880	-	45,880
Fundraising	72,293	-	72,293
Total expenses	334,738	-	334,738
Excess of (Expenses Over Public and Support and Revenue)			
Public Support and Revenue Over Expenses	(15,590)	116,384	100,794
Net Assets, Beginning of Year	37,210	2,596,977	2,634,187
Net Assets, End of Year	\$ 21,620	\$ 2,713,361	\$ 2,734,981

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2018

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	Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Grants and contributions	\$ 9,371	\$ 310,801	\$ 320,172
Contributed services and supplies revenue	97,101	-	97,101
Net Earnings on Investments			
Interest and dividends income	1,842	52,942	54,784
Realized gains on investment securities, net	254	6,768	7,022
Unrealized gain on investment securities, net	2,369	78,538	80,907
Bank and investment fees	(687)	(19,002)	(19,689)
Net assets released from restrictions due to expiration of spending purpose restrictions	136,574	(136,574)	-
Total public support and revenue	<u>246,824</u>	<u>293,473</u>	<u>540,297</u>
Expenses			
Student support and program services	201,689	-	201,689
Management and general	40,263	-	40,263
Fundraising	64,637	-	64,637
Total expenses	<u>306,589</u>	<u>-</u>	<u>306,589</u>
Excess of (Expenses Over Public and Support and Revenue)			
Public Support and Revenue Over Expenses	(59,765)	293,473	233,708
Net Assets, Beginning of Year	123,935	2,276,544	2,400,479
Transfer between net asset classifications	(26,960)	26,960	-
Net Assets, End of Year	<u>\$ 37,210</u>	<u>\$ 2,596,977</u>	<u>\$ 2,634,187</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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NOTE 1 - ORGANIZATION

New River Community and Technical College (the College) is governed by the New River Community and Technical College Board of Governors (the Board). The Board was established by Senate Bill 653 (S.B. 653).

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

S.B. 653 also created the West Virginia Higher Education Policy Commission (the Commission), which is responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda. Senate Bill 448 gives the West Virginia Council for Community and Technical College Education (the Council) the responsibility of developing overseeing, and advancing the State's Public Policy agenda as it relates to community and technical college education. Senate Bill 401 required the transfer of certain net position from Bluefield State College to its separately governed community and technical college after the community and technical college received its independent accreditation. The College received its accreditation on February 8, 2005.

As a requirement of Governmental Accounting Standards Board (GASB), the College has included information from the New River Community and Technical College Foundation, Inc. (the Foundation).

Although the College benefits from the activities of the Foundation, the Foundation is independent of the College in all respects. The Foundation is not a subsidiary of the College and is not directly or indirectly controlled by the College. The Foundation has its own separate, independent Board of Directors. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the College. The College is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The College does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the College. Under State law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of State-appropriated funds allocated to the College. Third parties dealing with the College, the Board, and the State of West Virginia (the State) (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all the foregoing conditions and limitations.

The financial statements of the College have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. 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.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The College is a blended component unit of the West Virginia Higher Education Fund and represents separate funds of the State that are not included in the State's general fund. The College is a separate entity, which along with all State institutions of higher education, the Commission (which includes the West Virginia Network for Educational Telecomputing), and the Council 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 criteria 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.

The audited financial statements of the Foundation are presented here as a discrete component unit with the College financial statements in accordance with GASB. The Foundation's audited financial statements were as of and for the years ended June 30, 2019 and 2018. 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. No modifications have been made to the Foundation's audited financial information as it is presented herein except that in accordance with governmental accounting standards, the Foundation's statements of cash flows are not presented.

Financial Statement Presentation - GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a 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 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 College had a deficit in restricted net position, expendable at the end of June 30, 2019 and 2018; therefore, the balance was reported as unrestricted net position.
- *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 at June 30, 2019 and 2018.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 expenses are incurred when materials or services are received.

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

Cash and cash equivalent balances on deposit with the State of West Virginia Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other 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, and by 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.

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

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Assets - Capital assets include property, plant and equipment, and books and materials that are part of a catalogued library. Capital assets are stated at cost at the date of acquisition or construction or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings, 20 years for land improvements, 7 years for library books, and 3 to 10 years for furniture and equipment. The College's capitalization threshold is \$5,000. There was no interest capitalized during 2019 or 2018.

Unearned Revenue - Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue, including items such as orientation fees and room and board. Financial aid and other deposits are separately classified as deposits.

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

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable. The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by RHBT. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See note 6 for further discussion.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

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

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

In addition, through its participation in PEIA and 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 to PEIA and the third-party insurer, the College has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

Classification of Revenues - The College has classified its revenues as either operating or nonoperating 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) most federal, state, local, and nongovernmental grants and contracts, and (3) sales and services of educational activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Nonoperating revenues* - Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell Grants, and investment income, and sale of capital assets (including natural resources).
- *Other Revenue* - Other revenues consist primarily of capital gains 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.

Federal Financial Assistance Programs - The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and unsubsidized loans directly to students, through the College. Direct student loan receivables are not included in the College's statements of net position as the loans are repayable directly to the U.S. Department of Education. In 2019 and 2018, respectively, the College received and disbursed approximately \$1.1 million and \$1.1 million under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses and changes in net position.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2019 and 2018, respectively, the College received and disbursed approximately \$3.2 million and \$3.5 million, under these federal student aid programs.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Cash Flows - Any cash and cash equivalents escrowed, restricted for noncurrent assets or in funded reserves have not been included as cash and cash equivalents for the purpose of the statements of cash flows.

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

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

Newly Adopted Statements Issued by the Governmental Accounting Standards Board - The Governmental Accounting Standards Board has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The adoption of GASB Statement No. 83 had no impact on the June 30, 2019 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The adoption of GASB Statement No. 88 had no impact on the June 30, 2019 financial statements.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Statements Issued by the Governmental Accounting Standards Board - The Governmental Accounting Standards Board has issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The College has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The College has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The College has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 90, *Majority Equity Interests*, which is effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and will improve the relevance of financial statement information for certain component units. This Statement also provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The College has not yet determined the effect that the adoption of GASB Statement No. 90 may have on its financial statements.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Governmental Accounting Standards Board has also issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2020. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. The College has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

	2019	2018
Cash on deposit with the Treasurer/BTI	\$ 1,627,067	\$ 969,558
Cash in bank	37,067	26,308
Cash on hand	2,150	2,250
	<u>\$ 1,666,284</u>	<u>\$ 998,116</u>

Cash held by the Treasurer and cash in bank includes \$1,513,391 and \$824,475 of restricted cash at June 30, 2019 and 2018, respectively.

The combined carrying amount of cash in the bank at June 30, 2019 and 2018, was \$37,067 and \$26,308, respectively, as compared with the combined bank balance of \$74,653 and \$96,782; respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Amounts with the State Treasurer were \$1,627,067 and \$969,558 as of June 30, 2019 and 2018, respectively. Of these amounts, \$1,471,972 and \$887,559 were invested in the WV Money Market Pool and the WV Short Term Bond Pool as of June 30, 2019 and 2018, respectively. The remainder of the cash held with the State Treasurer was not invested at June 30, 2019 and 2018.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

External Pool	2019		2018	
	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	\$ 1,437,938	AAAm	\$ 867,434	AAAm
WV Short Term Bond Pool	\$ 34,034	Not Rated	\$ 20,125	Not Rated

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

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

External Pool	2019		2018	
	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	\$ 1,437,938	42	\$ 867,434	34

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

External Pool	2019		2018	
	Carrying Value	Effective Duration (Days)	Carrying Value	Effective Duration (Days)
WV Short Term Bond Pool	\$ 34,034	723	\$ 20,125	372

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.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a Consolidated Fund pool or account's investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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 - CAPITAL ASSETS

The following is a summary of capital asset transactions for the College for the years ended June 30:

	2019			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,184,000	\$ -	\$ -	\$ 1,184,000
Construction in progress	-	31,250	-	31,250
Total capital assets not being depreciated	<u>\$ 1,184,000</u>	<u>\$ 31,250</u>	<u>\$ -</u>	<u>\$ 1,215,250</u>
Other capital assets:				
Land improvements	\$ 97,937	\$ -	\$ -	\$ 97,937
Buildings	30,429,625	313,247	-	30,742,872
Equipment	3,407,031	600,942	57,948	3,950,025
Library books	522,027	440	-	522,467
Total other capital assets	<u>34,456,620</u>	<u>914,629</u>	<u>57,948</u>	<u>35,313,301</u>
Less accumulated depreciation for:				
Land improvements	87,936	5,000	-	92,936
Buildings	5,174,074	740,878	-	5,914,952
Equipment	2,187,746	334,409	56,453	2,465,702
Library books	507,858	4,126	-	511,984
Total accumulated depreciation	<u>7,957,614</u>	<u>1,084,413</u>	<u>56,453</u>	<u>8,985,574</u>
Other capital assets, net	<u>\$ 26,499,006</u>	<u>\$ (169,784)</u>	<u>\$ 1,495</u>	<u>\$ 26,327,727</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,184,000	\$ 31,250	\$ -	\$ 1,215,250
Other capital assets	<u>34,456,620</u>	<u>914,629</u>	<u>57,948</u>	<u>35,313,301</u>
Total cost of capital assets	35,640,620	945,879	57,948	36,528,551
Less accumulated depreciation	<u>7,957,614</u>	<u>1,084,413</u>	<u>56,453</u>	<u>8,985,574</u>
Capital assets, net	<u>\$ 27,683,006</u>	<u>\$ (138,534)</u>	<u>\$ 1,495</u>	<u>\$ 27,542,977</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
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NOTE 4 - CAPITAL ASSETS (Continued)

	2018		
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:			
Land	\$ 1,884,000	\$ -	\$ 700,000
Total capital assets not being depreciated	<u>\$ 1,884,000</u>	<u>\$ -</u>	<u>\$ 700,000</u>
Other capital assets:			
Land improvements	\$ 97,937	\$ -	\$ -
Buildings	33,229,625	-	2,800,000
Equipment	3,401,703	31,528	26,200
Library books	<u>522,027</u>	<u>-</u>	<u>-</u>
Total other capital assets	<u>37,251,292</u>	<u>31,528</u>	<u>2,826,200</u>
Less accumulated depreciation for:			
Land improvements	81,407	6,529	-
Buildings	4,587,563	750,176	163,665
Equipment	1,853,065	360,881	26,200
Library books	<u>497,290</u>	<u>10,568</u>	<u>-</u>
Total accumulated depreciation	<u>7,019,325</u>	<u>1,128,154</u>	<u>189,865</u>
Other capital assets, net	<u>\$ 30,231,967</u>	<u>\$ (1,096,626)</u>	<u>\$ 2,636,335</u>
Capital asset summary:			
Capital assets not being depreciated	\$ 1,884,000	\$ -	\$ 700,000
Other capital assets	<u>37,251,292</u>	<u>31,528</u>	<u>2,826,200</u>
Total cost of capital assets	39,135,292	31,528	3,526,200
Less accumulated depreciation	<u>7,019,325</u>	<u>1,128,154</u>	<u>189,865</u>
Capital assets, net	<u>\$ 32,115,967</u>	<u>\$ (1,096,626)</u>	<u>\$ 3,336,335</u>

The College maintains certain 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.

At June 30, 2019, the College had no outstanding contractual commitments for property, plant, and equipment expenditures.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the years ended June 30:

	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 439,704	\$ -	\$ 3,548	\$ 436,156	\$ 316,020
Net OPEB liability	2,520,364	326,391	541,615	2,305,140	-
Capital lease payable	100,555	-	52,836	47,719	40,902
Net pension liability	321,900	9,403	242,006	89,297	-
Debt obligation due to the Council	452,333	-	30,668	421,665	30,668
Debt obligation due to WVNET	<u>346,251</u>	<u>-</u>	<u>194,895</u>	<u>151,356</u>	<u>151,356</u>
Total noncurrent liabilities	<u>\$ 4,181,107</u>	<u>\$ 335,794</u>	<u>\$ 1,065,568</u>	<u>\$ 3,451,333</u>	<u>\$ 538,946</u>

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 521,680	\$ -	\$ 81,976	\$ 439,704	\$ 323,848
Net OPEB liability	2,700,136	936,700	1,116,472	2,520,364	-
Capital lease payable	157,368	-	56,813	100,555	52,836
Net pension liability	392,776	26,794	97,670	321,900	-
Debt obligation due to the Council	460,000	-	7,667	452,333	30,668
Debt obligation due to WVNET	<u>180,102</u>	<u>166,149</u>	<u>-</u>	<u>346,251</u>	<u>207,002</u>
Total noncurrent liabilities	<u>\$ 4,412,062</u>	<u>\$ 1,129,643</u>	<u>\$ 1,360,598</u>	<u>\$ 4,181,107</u>	<u>\$ 614,354</u>

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS

As related to the implementation of GASB 75, following are The College's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal year ended June 30:

	2019	2018
Net OPEB liability	\$ 2,305,140	\$ 2,520,364
Deferred outflows of resources	318,831	219,561
Deferred inflows of resources	933,755	906,450
Revenues	145,622	158,917
OPEB expense	79,471	161,702
Contributions made by the College	223,400	219,561

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Plan Description

The West Virginia Other Postemployment Benefit (OPEB) Plan (the Plan) is a cost-sharing, multiple employer, defined benefit other postemployment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code. Financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State established July 1, 2006 as an irrevocable trust. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with the approval of the PEIA Finance Board. The plan provides medical and prescription drug insurance, as well as life insurance, benefits to certain retirees of State agencies, colleges and universities, county boards of education, and other government entities who receive pension benefits under the PERS, STRS, TDCRS, TIAA-CREF, Plan G, Troopers Plan A, or Troopers Plan B pension systems, as administered by the West Virginia Consolidated Public Retirement Board (CPRB). The plan is closed to new entrants.

The Plan's fiduciary net position has been determined on the same basis used by the Plan. The RHBT is accounted for as a fiduciary fund, and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP for fiduciary funds as prescribed or permitted by the GASB. The primary sources of revenue are plan member and employer contributions. Members' contributions are recognized in the period in which the contributions are due. Employer contributions and related receivables to the trust are recognized pursuant to a formal commitment from the employer or statutory or contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable.

RHBT is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. RHBT issues publicly available financial statements and required supplementary information for the OPEB plan. Details regarding this plan and a copy of the RHBT financial report may be obtained by contacting PEIA.

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

The medical and prescription drug insurance is provided through two options:

- Self-Insured Preferred Provider Benefit Plan – primarily for non-Medicare-eligible retirees and spouses
- External Managed Care Organizations – primarily for Medicare-eligible retirees and spouses

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NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Contributions

Employer contributions from the RHBT billing system represent what the employer was billed during the respective year for its portion of the pay-as-you-go (paygo) premiums, retiree leave conversion billings, and other matters, including billing adjustments.

Paygo premiums are established by the PEIA 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 paygo rates related to the measurement date of June 30, 2018 and 2017 were:

	July 2017-June 2018 2018	July 2016-December 2016 2017	January 2017-June 2017 2017
Paygo premium	\$177	\$ 196	\$ 135

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 after July 1, 1997 or hired before 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 annual leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988 to June 30, 2001 may convert accrued sick or annual leave days into 50% of the required retiree healthcare contribution.

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

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

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The College's contributions to the OPEB plan for the years ended June 30, 2019, 2018, and 2017, were \$223,400, \$219,561, and \$210,525, respectively.

Assumptions

The total OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2017 and rolled forward to June 30, 2018. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method: Entry age normal cost method.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method: Level percentage of payroll, closed period.
- Remaining amortization period: 20 years closed as of June 30, 2017.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Healthcare cost trend rates: Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims cost beginning in 2022 to account for the Excise Tax.
- Projected salary increases: Dependent upon pension system ranging from 3.0-6.5%, including inflation.
- Inflation rate: 2.75%.
- Mortality rates based on RP-2000 Mortality Tables.

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 RHBT adopts revised assumptions.

Certain assumptions have been changed since the prior measurement date. The assumption changes that most significantly impacted the net OPEB liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the net OPEB liability.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
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NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The projections of the net OPEB liability are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of the net OPEB liability does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial estimated liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation and any estimate of future postemployment costs requires consideration of a broad array of complex social and economic events. Future changes in the healthcare reform, changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs options, changes in the investment rate of return, and other matters increase the level of uncertainty in such estimates. As such, the estimate of postemployment program costs contains considerable uncertainty and variability, and actual experience may vary significantly from the current estimated net OPEB liability.

The long-term expected 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 WV Investment Management Board and an expected short-term rate of return of 3.00% for assets invested with the BTI.

The long-term expected rate of return on OPEB 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 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 percentage and by adding expected inflation. Best estimates of the long-term geometric rates of return for each major asset class included in RHBT's target asset allocation as of June 30, 2018, are summarized below.

Asset Class	Target Allocation
Domestic equity	27.5%
International equity	27.5%
Fixed income	15.0%
Real estate	10.0%
Private equity	10.0%
Hedge funds	10.0%

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NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (Continued)

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 total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will continue to follow the current funding policies. Based on those assumptions and that the OPEB plan is expected to be fully funded by the fiscal year ended June 30, 2036, 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.

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, 2019 and 2018 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.

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB liability 2019	\$ 2,709,234	\$ 2,305,140	\$ 1,968,285
Net OPEB liability 2018	2,934,675	2,520,364	2,175,956

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
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NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the College's proportionate share of the net OPEB liability as of June 30, 2019 and 2018 calculated using the healthcare cost trend rate, as well as what the College's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability 2019	\$ 1,907,380	\$ 2,305,140	\$ 2,789,798
Net OPEB liability 2018	2,117,142	2,520,364	3,013,528

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

The June 30, 2019 net OPEB liability was measured as of June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. The June 30, 2018 net OPEB liability was measured as of June 30, 2017, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017.

At June 30, 2019, the College's proportionate share of the net OPEB liability was \$2,781,551. Of this amount, the College recognized \$2,305,140 as its proportionate share on the statement of net position. The remainder of \$476,411 denotes the College's proportionate share of net OPEB liability attributable to the special funding.

At June 30, 2018, the College's proportionate share of the net OPEB liability was \$3,038,049. Of this amount, the College recognized \$2,520,364 as its proportionate share on the statement of net position. The remainder of \$517,685 denotes the College's proportionate share of net OPEB liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2018 and 2017. Employer contributions are recognized when due. At the June 30, 2018 measurement date, the College's proportion was 0.107443917%, an increase of 0.004947961% from its proportion of 0.102495956% calculated as of June 30, 2017. At the June 30, 2017 measurement date, the College's proportion was 0.102495956%, a decrease of 0.043842146% from its proportion of 0.146338102% calculated as of June 30, 2016.

For the year ended June 30, 2019, the College recognized OPEB expense of \$79,471. Of this amount, \$(66,151) was recognized as the College's proportionate share of OPEB expense and \$145,622 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of \$145,622 for support provided by the State.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
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NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (Continued)

For the year ended June 30, 2018, the College recognized OPEB expense of \$161,702. Of this amount, \$2,785 was recognized as the College's proportionate share of OPEB expense and \$158,917 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of \$158,917 for support provided by the State.

At June 30, 2019 and 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

<u>June 30, 2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 34,098
Changes in proportion and differences between employer contributions and proportionate share of contributions	95,431	626,824
Net difference between projected and actual investment earnings	-	42,668
Changes in assumptions	-	230,165
Contributions after the measurement date	<u>223,400</u>	<u>-</u>
Total	<u>\$ 318,831</u>	<u>\$ 933,755</u>

<u>June 30, 2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 8,439
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	857,784
Net difference between projected and actual investment earnings	-	40,227
Contributions after the measurement date	<u>219,561</u>	<u>-</u>
Total	<u>\$ 219,561</u>	<u>\$ 906,450</u>

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NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The College will recognize the \$223,400 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amortization</u>
2020	\$ (266,235)
2021	(266,235)
2022	(266,233)
2023	<u>(39,621)</u>
	<u>\$ (838,324)</u>

Payables to the OPEB Plan

The College did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2019 and 2018.

NOTE 7 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The College is a State institution of higher education. It receives a State appropriation in partial support of its operations. In addition, the College 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.

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 Municipal Bond Commission, as successor to the former Boards.

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 were 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 proposes bond funding of \$16,500,000 for the College. State lottery funds will be used to repay the debt. As of June 30, 2019, the College had drawn down all of these funds to pay for capital projects.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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NOTE 8 - LONG-TERM DEBT

During fiscal year 2016, the College received a loan from the Council totaling \$460,000 to fund payroll. On April 5, 2018 the College entered into a formal repayment agreement with the Council to repay the loan. Under the terms of the agreement, the loan is to be repaid over a fifteen year period with payments commencing on June 15, 2018. The loan is payable in quarterly installments of \$7,667 with the final payment due on March 15, 2033. The outstanding balance on the loan was \$421,665 and \$452,333 for the years ended June 30, 2019 and 2018, respectively.

During fiscal year 2018, the College entered into a formal payment plan with the West Virginia Network for Educational Telecomputing (WVNET) to repay outstanding balances owed to WVNET for services. Under the terms of the agreement, the balance is to be repaid over an eighteen month period with payments commencing on August 15, 2018. The balance is payable in monthly installments with the final payment due on January 15, 2020. The monthly payment varies and is dependent on prior invoice amounts. The outstanding balance due to WVNET was \$151,356 and \$346,251 for the years ended June 30, 2019 and 2018, respectively.

Future payments required under these agreements as of June 30, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Payments</u>
2020	\$ 182,024
2021	30,668
2022	30,668
2023	30,668
2024	30,668
Thereafter	<u>268,325</u>
Total	<u>\$ 573,021</u>

NOTE 9 - UNRESTRICTED NET POSITION (DEFICIT)

The College's unrestricted net position (deficit) at June 30, 2019 and 2018 includes certain undesignated net position, as follows:

	<u>2019</u>	<u>2018</u>
Total unrestricted net position (deficit) before net OPEB liability	\$ (2,550,670)	\$ (2,753,501)
Less: net OPEB liability	<u>2,305,140</u>	<u>2,520,364</u>
Total unrestricted net position (deficit)	<u>\$ (4,855,810)</u>	<u>\$ (5,273,865)</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 - UNRESTRICTED NET POSITION (DEFICIT) (Continued)

The College has taken numerous steps to work toward eliminating the net asset deficit. In an effort to reduce operating costs, the College has reduced the personnel services budget by eliminating most extra-help positions and not filling vacancies in certain full-time positions. Additional policies have been implemented to monitor purchases and all purchases require approval by the Chief Financial Officer, Controller, and/or the Director of Purchasing. Only essential travel is being authorized. The College is implementing the Strategic and Master Plans which clearly highlight strategies and initiatives to recruit, serve, and retain students.

NOTE 10 - RETIREMENT PLANS

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

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

DEFINED BENEFIT PENSION PLAN

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

Following are the College's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal years ended June 30, 2019 and 2018:

STRS	2019	2018
Net pension liability	\$ 89,297	\$ 321,900
Deferred outflows of resources	28,743	49,312
Deferred inflows of resources	214,704	53,504
Revenues	20,422	69,018
Pension expense	(20,526)	90,476
Contributions made by the College	9,086	12,693

NOTE 10 - RETIREMENT PLANS (Continued)

Plan Description

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

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

Benefits Provided

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

Contributions

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

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 - RETIREMENT PLANS (Continued)

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

- 15% of gross salary of their State-employed members hired prior to July 1, 1991;
- 15% of School Aid Formula (SAF) covered payroll of county-employed members;
- 7.5% of SAF-covered payroll of members of the TDCRS;
- a certain percentage of fire insurance premiums paid by State residents; and
- under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the STRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2019 and 2018, the College's proportionate share attributable to this special funding subsidy was \$20,422 and \$69,018, respectively.

The College's contributions to STRS for the years ended June 30, 2019, 2018, and 2017, were \$9,086, \$12,693, and \$39,531, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2017 and 2016 and rolled forward to June 30, 2018 and 2017, respectively. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.00–6.00% and non-teachers 3.00–6.50%, based on age.
- Inflation rate of 3.0%.
- Discount rate of 7.5%.
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 0.8-35% and non-teachers 1.316-24.75%.
- Disability rates: 0.008-0.704%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%.
- Ad hoc cost-of-living increases in pensions are periodically granted by the Legislature. However, the retirement system makes no automatic provision for such increases.

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 - RETIREMENT PLANS (Continued)

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 rates of return for each major asset class included in STRS' target asset allocation as of June 30, 2018 and 2017, are summarized below.

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	4.5%	27.5%
International equity	8.6%	27.5%
Fixed income	3.3%	15.0%
Real estate	6.0%	10.0%
Private equity	6.4%	10.0%
Hedge funds	4.0%	10.0%

Discount rate. The discount rate used to measure the total STRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on STRS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the College's proportionate share of the STRS net pension liability as of June 30, 2019 and 2018 calculated using the discount rate of 7.50%, as well as what the College's STRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability 2019	\$ 120,534	\$ 89,297	\$ 62,591
Net pension liability 2018	423,795	321,900	234,837

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

The June 30, 2019 STRS net pension liability was measured as of June 30, 2018, and the total pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. The June 30, 2018 STRS net pension liability was measured as of June 30, 2017, and the total pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 - RETIREMENT PLANS (Continued)

At June 30, 2019, the College's proportionate share of the STRS net pension liability was \$320,673. Of this amount, the College recognized \$89,297 as its proportionate share on the statement of net position. The remainder of \$231,376 denotes the College's proportionate share of net pension liability attributable to the special funding.

At June 30, 2018, the College's proportionate share of the STRS net pension liability was \$1,033,734. Of this amount, the College recognized approximately \$321,900 as its proportionate share on the statement of net position. The remainder of \$711,834 denotes the College's proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to STRS for each of the fiscal years ended June 30, 2018 and 2017. Employer contributions are recognized when due. At June 30, 2018, the College's proportion was 0.002860%, a decrease of 0.006457% from its proportion of 0.009317% calculated as of June 30, 2017. At June 30, 2017, the College's proportion was 0.009317%, a decrease of 0.0002% from its proportion of 0.009557% calculated as of June 30, 2016.

For the year ended June 30, 2019, the College recognized STRS pension expense of \$(20,526). Of this amount, \$(40,948) was recognized as the College's proportionate share of the STRS expense and \$20,422 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of \$20,422 for support provided by the State.

For the year ended June 30, 2018, the College recognized STRS pension expense of \$90,476. Of this amount, \$21,458 was recognized as the College's proportionate share of the STRS expense and \$69,018 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of \$69,018 for support provided by the State.

At June 30, 2019 and 2018, deferred outflows of resources and deferred inflows of resources related to the STRS pension are as follows.

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2019</u>		
Changes in proportion and differences in pension contributions	\$ 16,240	\$ 208,255
Differences between expected and actual experience	642	1,800
Changes in assumptions	2,775	-
Net difference between projected and actual earnings on pension plan investments	-	4,649
Contributions after the measurement date	9,086	-
Total	\$ 28,743	\$ 214,704

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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NOTE 10 - RETIREMENT PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2018</u>		
Changes in proportion and differences in pension contributions	\$ 21,727	\$ 37,652
Differences between expected and actual experience	2,799	5,734
Changes in assumptions	12,093	-
Net difference between projected and actual earnings on pension plan investments	-	10,118
Contributions after the measurement date	12,693	-
	<u>\$ 49,312</u>	<u>\$ 53,504</u>
Total		

The College will recognize the \$9,086 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the STRS net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in STRS pension expense as follows.

Fiscal Year Ended June 30,	Amortization
2020	\$ (37,045)
2021	(40,192)
2022	(40,202)
2023	(39,927)
2024	(37,681)
	<u>\$ (195,047)</u>

Payables to the Pension Plan

The College did not report any amounts payable for normal contributions to the STRS as of June 30, 2019 and 2018.

DEFINED CONTRIBUTION BENEFIT PLANS

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 - RETIREMENT PLANS (Continued)

Total contributions to the TIAA-CREF for the years ended June 30, 2019, 2018 and 2017 were \$613,608, \$669,104, and \$703,788, respectively, which consisted of equal contributions of \$306,804, \$334,552, and \$351,894, from both the College and covered employees.

Total contributions to Educators Money for the years ended June 30, 2019, 2018 and 2017 were \$15,708, \$18,892 and \$10,832, respectively, which consisted of equal contributions of \$7,854, \$9,446 and \$5,416 from both the College and covered employees.

The College's total payroll for the years ended June 30, 2019, 2018 and 2017 respectively, was \$6,700,956, \$6,244,650 and \$6,782,280. Total covered employees' salaries in STRS, TIAA-CREF and Educators Money were \$5,304,866, \$5,817,922 and 6,218,679, respectively.

NOTE 11 - LEASES

Operating Leases

The College leases various equipment, software and buildings under operating leases. Rental payments for operating leases were \$211,728 and \$283,731 for the years ended June 30, 2019 and 2018, respectively. Following is a schedule of future minimum lease payments for the term of these operating leases.

<u>Year Ending June 30</u>	<u>Rental Payments</u>
2020	\$ <u>27,312</u>

Capital Leases

The College leases certain equipment and vehicles under agreements that are classified as capital leases. The cost of these assets is included in the statements of financial position as property, plant and equipment and was \$236,333 at June 30, 2019 and 2018. Accumulated depreciation on the leased assets at June 30, 2019 and 2018 was \$171,112 and \$123,845, respectively. Depreciation of assets under capital lease is included in depreciation expense.

Future minimum lease payments required under capital leases as of June 30, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
2020	\$ 40,902
2021	<u>6,817</u>
Total	\$ <u>47,719</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
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NOTE 12 - FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State of West Virginia and has as its purpose "...to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations..." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that 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 discretely presented with the College's financial statements in accordance with GASB. Based on the Foundation's audited financial statements for the years ended June 30, 2019 and 2018, the Foundation's net assets (including unrealized gains) totaled \$2,734,981 and \$2,634,187, respectively.

Complete financial statements for the Foundation can be obtained from the President of the New River Community and Technical College Foundation, Inc.

Gifts, grants, pledges, and bequests to the College totaled \$203,794 and \$320,172 for the years ended June 30, 2019 and 2018, respectively.

The College pays for certain services, supplies, and operating expenses for the Foundation. The total amount of services, supplies, and operating expenses contributed by the College were \$103,944 and \$97,101 for the years ended June 30, 2019 and 2018, respectively.

NOTE 13 - CONTINGENCIES

The nature of the educational industry is such that, from time to time, claims will be presented against colleges 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 impact the financial position of the College.

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 - CONTINGENCIES (Continued)

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 under Federal Environmental, Health, and Safety Regulations to manage the presence of asbestos in its buildings in a safe condition. 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 condition.

NOTE 14 - AFFILIATED ORGANIZATIONS AND OTHER STATE AGENCIES

The College receives funding or grants from and provides services to other state agencies, and utilizes services, supplies, and equipment provided by other state agencies. Amounts due from or to other state agencies at June 30, are as follows:

	<u>2019</u>	<u>2018</u>
Due to:		
RHBT	\$ 965	\$ 1,615
PEIA	74	173
State Treasurer's Office	15	221
Division of Rehabilitation	-	1,801
Department of Administration	105	1,488
Department of Veterans' Affairs	1,585	-
Egovernment	3,628	-
Fleet Management	234	-
WVU Mining Extension	400	-
WVNET	191,083	-
Division of Labor	90	-
	<u>\$ 198,179</u>	<u>\$ 5,298</u>

	<u>2019</u>	<u>2018</u>
Due from:		
State Treasurer's Office	<u>\$ 27,364</u>	<u>\$ -</u>

NOTE 15 - COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the Foundation's financial statements starting on the following page.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1 — Description of the Organization

New River Community and Technical College Foundation, Inc. ("**the Organization**") is a non-profit West Virginia corporation organized to promote educational and fraternal opportunities for current students and alumni of New River Community and Technical College ("**New River**"), located and operating in various communities in central and southeastern, West Virginia. It is organized to serve New River, its faculty, students and alumni through fundraising, managing funds, overseeing the distribution of these funds, and undertaking of capital and other educational projects. The Organization currently accomplishes these by engaging in the following principal activities:

- Solicitation of restricted and unrestricted charitable contributions.
- Investment of available liquid assets.
- Awarding to qualifying students, faculty or staff of New River certain grants or scholarships.

Note 2 — Summary of Significant Accounting Policies

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation: The Organization implemented during the year ended June 30, 2019 the financial statement presentation required by the *Financial Accounting Standards Board Codification of Accounting Standard No. 958*. The Organization is required to report information regarding its financial position and activities according to two classes of net assets; without donor restriction and with donor restriction, described as follows:

- **Without Donor Restriction:** Resources over which the Board of Directors has discretionary control. This net asset includes those intended to be unrestricted in nature.
- **With Donor Restriction:** Resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time and resources subject to a donor imposed restriction that will be maintained permanently by the Organization. This group of net assets includes those intended to be temporarily and permanently restricted in nature (**See Notes 4 and 6**).

The financial statements as of and for the year ended June 30, 2018 have been changed to conform to this new presentation.

Financial Statement Presentation: Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2 — Summary of Significant Accounting Policies (continued)

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

Cash and Equivalents: Cash and equivalents include cash, demand deposits with financial institutions and other short-term investments with original maturities of three months or less.

Unconditional Promises to Give: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience concerning the general trends of collection, and managements' analysis of specific promises made. At June 30, 2019 these amounted to \$55,000, whereas there were none at June 30, 2018. Further, no allowance for uncollectible amounts is considered necessary at June 30, 2019.

Beneficial Interest In Assets Held By Community Foundation: The Organization has placed with the Greater Greenbrier Valley Community Foundation, Inc. ("**GGVCF**") certain assets in the form of a "Donor Designated Sub-Fund Agreements" ("the Agreements"). The substance of these agreements provides for the resulting investment returns from the investment of the assets to be distributed to the Organization. One of these agreements further provides for the Organization to have at its discretion the ability to invade 100% of the principal (corpus) placed with GGVCF, whereas the others do not. The asset subject to this one agreement amount to less than 1% of the total of such assets at June 30, 2019 and 2018. Notwithstanding this, GGVCF does have variance power with respect to these funds whereby the Board of GGVCF by majority vote has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations, if in the sole judgment of the GGVCF Board (without the approval of any trustee, custodian or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with charitable needs of the area served by the GGVCF.

The applicable accounting standards require that if a community foundation accepts a contribution from an Agency and agrees to transfer those assets, the return on investment of those assets or both back to the Agency, then these contributions and accumulated net earnings are presented as an asset in financial statements of the agency (in this case the Organization). Accordingly, the value of the assets held by GGVCF as of June 30, 2019 and 2018 are presented in the accompanying statements of financial position in the amount of \$1,372,067 and \$1,241,042, respectively.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2 — Summary of Significant Accounting Policies (continued)

As of December 31, 2018, the latest audited financial statements of GGVCF reflect total investment assets, at market value of \$12,721,699 comprised of the following:

	Market Value
Fixed income securities	\$ 5,371,916
Fixed income mutual funds	90,886
Preferred stocks	430,914
Common stocks	5,167,287
Equity mutual funds	1,660,696
	<u>\$ 12,721,699</u>

A condensed statement of financial position as of December 31, 2018, the most recent audited financial statements of GGVCF is as follows:

Assets

Cash and equivalents	\$ 812,116
Accrued interest and dividends	37,399
Marketable securities	12,721,699
Other assets	967
Total Assets	<u>\$ 13,572,181</u>

Liabilities and Net Assets

Funds held for benefit of others	\$ 9,856,107
Accounts payable and accrued expenses	23,444
Net assets	3,692,630
Total Liabilities and Net Assets	<u>\$ 13,572,181</u>

These assets represent approximately the fair value of the underlying assets held by GGVCF for the benefit of the Organization and others and are represented in the GGVCF statement of financial position as a component of the liability "Funds Held for the Benefit of Others".

Donated Goods, Facilities and Services: Contributions of donated services that create or enhance non-financial assets, or that require specialized skills and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received as donations revenues with a corresponding expense (See Note 5).

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2 — Summary of Significant Accounting Policies (continued)

Risks and Uncertainties: A substantial portion of the Organization's assets consist of investment securities and beneficial interest in assets held by the community foundation, which is supported by investment securities held by the respective community foundation. These investment securities held by the Organization and community foundation are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the value of both of these assets reported in the statements of financial position, and the realized and unrealized losses in the statements of activities.

Income Taxes: There is no provision for federal or state income taxes on income since the Organization is an exempt nonprofit association under Internal Revenue Code Section 501(c)(3). Management believes there is no unrelated business taxable income associated with the Organization. The Organization adopted Financial Accounting Standards Codification Topic "Accounting for Uncertainty in Income Taxes", which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has greater than 50% likelihood of being realized upon ultimate settlement.

The Organization is generally no longer subject to examination by income taxing authorities for years ending prior to June 30, 2015.

Concentrations: The Organization places its cash and cash equivalents with high credit quality financial institutions and brokerage firms. Deposits with these financial institutions may exceed the amount of insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk.

Investment Risk: The Organization's investments subject it to various levels of risk associated with economic, operating, and political events beyond management's control. Consequently, management's judgment as to the level of losses that currently exist or may develop in the future involves the consideration of current and anticipated conditions and their potential effects on the Organization's investments. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of investments, it is possible that changes in risks could materially impact the amounts reflected in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2 — Summary of Significant Accounting Policies (continued)

Economic Geographic and Other Dependencies: The Organization generates a significant amount of its support and revenue (including fundraising activities) from within the state of West Virginia. Its economy is largely dependent upon the mineral extraction (coal), timbering, farming, and recreation/resort industries. Changes in economies of these industries could significantly influence the Organization's ability to provide its services.

The Organization is also dependent upon significant amounts of support in the form of salaries, wages and employee benefits and other operating assets and costs provided by New River. The ability or desire of New River to continue to provide this support could significantly influence the Organization's ability to provide its services **(See Note 5)**.

Functional Reporting: The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated based on management's estimates among program services and supporting services benefited. A brief description of each of the functional classifications is as follows:

- Student Support and Program Services – Funds expended primarily to provide support services for students, alumni and faculty of New River. It includes scholarships awarded to the students and the provision of services that directly assist the academic functions, such as faculty development, as well as capital projects.
- Management and General – Expenses incurred principally for (1) central executive-level activities concerned with management of day-to-day operations and long-range planning, (2) legal and fiscal operations, and administrative data processing.
- Fundraising – Expenses related to community and alumni relations, including development and fundraising.

Compensated Absences: Compensated absences are not provided for in the accompanying statement of financial position as New River Community and Technical College provides all compensation and benefits for employees who serve/operate the Organization **(See Note 5)**.

Recent Accounting Pronouncements: In February 2016, the FASB issued ASU 2016-02 – Leases (Topic 842). The amendments in this update will supersede much of the existing authoritative guidance for leases of property. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The standard will be effective for the Organization, since it is not deemed a public business entity, for its fiscal year beginning after December 15, 2019 with early application permitted. The Organization is currently evaluating the impact of this pronouncement on its financial statements, but believes its impact to presently be negligible as no long-term leases of property exist in which the Organization is a party.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2 — Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements: In August 2016, FASB issued ASU 2016-04 Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. This pronouncement was applied during the year ended June 30, 2019 and retrospectively to the year ended June 30, 2018.

Date of Management Review: Subsequent events (events or transactions that have occurred which may have a material effect on the financial statements and that require adjustment to or disclosure in the financial statements) have been evaluated through September 9, 2019, which is the date the financial statements were available to be issued.

Note 3— Marketable Securities

Marketable securities, at fair market value of \$930,077 and \$952,548 at June 30, 2019 and 2018, respectively consisted of the following:

As of June 30, 2019

<u>Securities Category</u>	<u>Investment Cost</u>	<u>Market Value</u>
U.S. Government Agency Securities	\$ 20,004	\$ 20,519
Corporate Bonds and Notes	279,225	280,380
Bank Certificates of Deposit	34,902	35,106
Preferred Stocks	22,350	22,849
Common Stock	400,062	452,695
Domestic Equity Mutual Funds	13,295	13,579
International Equity Mutual Funds	42,004	43,122
Large Capitalization Mutual Funds	20,000	23,592
Small Capitalization Mutual Funds	20,000	22,367
Midlevel Capitalization Mutual Funds	20,000	15,868
Totals	<u>\$ 871,842</u>	<u>\$ 930,077</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 3— Marketable Securities (continued)**As of June 30, 2018**

<u>Securities Category</u>	<u>Investment Cost</u>	<u>Market Value</u>
U.S. Government Agency Securities	\$ 35,046	\$ 35,230
Municipal Bonds and Notes	19,962	19,938
Corporate Bonds and Notes	323,695	317,155
Preferred Stocks	22,350	22,648
Common Stock	413,262	436,374
Foreign equities	5,161	4,181
Domestic Equity Mutual Funds	11,862	12,943
International Equity Mutual Funds	38,387	39,880
Large Capitalization Mutual Funds	20,000	21,817
Small Capitalization Mutual Funds	20,000	22,834
Midlevel Capitalization Mutual Funds	20,000	19,548
Totals	<u>\$ 929,725</u>	<u>\$ 952,548</u>

Restricted Marketable Securities

Restricted marketable securities amounting to \$386,827 and \$394,674, respectively at June 30, 2019 and 2018 consisted entirely of fixed income and equity mutual fund investments which are tradable in active markets and are stated at their market values. These assets are restricted under the terms of the Title III Grant (See Note 9).

Note 4 — Temporarily Restricted Net Assets

A component of net assets with donor restrictions are those considered temporarily restricted. These consist of the following or are available for the following purposes as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Ongoing capital campaign	\$ 80,667	\$ 88,174
Current scholarships	185,551	206,043
Endowments	268,725	183,624
Grants	350,655	351,303
Totals	<u>\$ 885,598</u>	<u>\$ 829,144</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 5 — Related Party Transactions

New River provides furniture, fixtures and equipment which are used by the Organization. The value of the usage of these items has not been recorded in the accompanying financial statements, as there is no objective basis to determine their value.

New River also provides all the compensation, payroll taxes and employee benefits for the personnel who operate the Organization as well as supplies and other operational needs principally the usage of space in New River's Beaver, West Virginia facility. These are recorded as contributed services and supplies revenue and contributed salaries, wages, payroll taxes and employee benefits and supplies and operating expenses in the accompanying statements of activities. The total amount of the services, supplies and operating expenses provided were \$103,944 and \$97,101 for the years ended June 30, 2019 and 2018, respectively.

Note 6 — Endowments and Permanently Restricted Net Assets

Substantially all of permanently restricted net assets are made up of endowments. Endowments consist of fifty-seven individual funds established principally for the purposes of awarding scholarships. These represent entirely donor-restricted endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments (if any), are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the State of West Virginia Uniform Prudent Management of Institutional Funds Act (WVUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by WVUPMIFA.

In accordance with WVUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 6 — Endowments and Permanently Restricted Net Assets (continued)

Certain of these permanently restricted scholarship funds are held and specifically designated and invested by the Greater Greenbrier Valley Community Foundation, Inc. in the form of Donor Designated Sub-Fund Agreements (**See Note 2**). Only the distributions/disbursements received from GGVCF for these funds have been used to pay scholarships during the year, which management believes have been determined in accordance with the provisions of the WVUPMIFA. The investable assets associated with the other permanently restricted scholarship funds are held and invested with a high quality financial institution in various investable assets (**See Note 3**). The earnings from these along with earnings from the not specifically designated Donor Designated Sub-Fund Agreements (**see above**) are allocated to scholarship funds and undesignated net assets using a “pooled approach”.

Spending against these scholarship funds which consists entirely of scholarship awards is principally determined by measurement of the balance of the temporarily restricted net asset component of the fund, which is considered the available amount for this purpose. This is determined annually by the scholarship committee of the Board of Directors.

The endowment net assets, all of which are a component of net assets with donor restrictions consisted of the following types of funds as of June 30, 2019 and 2018:

<u>June 30, 2019</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor restricted endowment funds	<u>\$ 185,551</u>	<u>\$ 1,824,286</u>
 <u>June 30, 2018</u>	 <u>Temporarily Restricted</u>	 <u>Permanently Restricted</u>
Donor restricted endowment funds	<u>\$ 183,624</u>	<u>\$ 1,764,356</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 6 — Endowments and Permanently Restricted Net Assets (continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 were as follows:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, June 30, 2017	\$ 120,504	\$ 1,582,121
Contributions	-	182,235
Investment return:		
Interest and dividends	58,397	-
Net realized and unrealized gains	85,306	-
Bank and investment fees	(19,002)	-
Total additions	124,701	-
Scholarship awards	61,581	-
Endowment net assets, June 30, 2018	183,624	1,764,356
Contributions	-	59,930
Investment return:		
Interest and dividends	59,800	-
Net realized and unrealized gains	84,806	-
Bank and investment fees	(20,814)	-
Total additions	123,792	-
Scholarship awards	38,691	-
Transfers	-	-
Total reductions	38,691	-
Endowment net assets, June 30, 2019	\$ 268,725	\$ 1,824,286

From time to time and the fair value of assets associated with individual donor restricted endowment funds have fallen below the level that the individual donor or WVUPMIFA requires the Organization to retain as a fund of perpetual duration, these are remedied in the normal course of business.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 7 — Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer as liability in an orderly transaction between market participants at the measurement date. Generally Accepted Accounting Principles (**GAAP**) require the Organization to disclose fair value of all financial instruments for which it is practicable to estimate fair value, including those which are not reported at fair value in the statements of financial position. At June 30, 2019 and 2018, the fair values of all financial instruments were substantially equal to the carrying values.

The carrying value of certain financial assets and liabilities such as cash, cash equivalents, miscellaneous receivables and deposits, prepaid expenses, accounts payable, accrued expenses, scholarships payable is a reasonable estimate of fair value due to the short term nature of these instruments. Following is a description of the techniques used for the fair values of all other financial instruments. There have been no changes in the techniques used during the year ended June 30, 2019 and 2018.

Beneficial Interest in Assets Held by Community Foundation: This is determined by the community foundation based on the Organization's representative share of the underlying investment and other assets of the community foundation (**See Note 2**).

Marketable investments: This is determined based on quoted market prices based in active markets.

Financial Instruments Recorded at Fair Value

For financial instruments recorded at fair value on a recurring basis, GAAP provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements.

The inputs are summarized in the three broad levels listed below:

- **Level 1:** Unadjusted quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- **Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.
- **Level 3:** Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 7 — Fair Value Measurements (continued)

The estimated fair value amounts of financial instruments have been determined by the Organization using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Organization could realize in current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following table presents the Organization's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

**Fair Value Measurement at Reporting
Date of June 30, 2019 Using**

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Marketable investments	\$ 1,316,904	\$ 1,316,904	\$ -
Beneficial interest in assets held by community foundation	\$ 1,372,067	\$ -	\$ 1,372,067

**Fair Value Measurement at Reporting
Date of June 30, 2018 Using**

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Marketable investments	\$ 1,347,222	\$ 1,347,222	\$ -
Beneficial interest in assets held by community foundation	\$ 1,241,042	\$ -	\$ 1,241,042

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 8 — Transfer Between Net Asset Classifications

During the year ended June 30, 2018, management determined that certain net assets previously classified as without donor restriction in the amount of \$26,960 were more appropriately classified as with donor restriction net assets in the same amount. This change is reflected in the accompanying statement of changes in net assets for the year ended June 30, 2018.

Note 9 — Title III Grant

During the year ended June 30, 2013 the Organization received \$115,000, in the form of a grant from United States Department of Education under the Title III program, which is officially known as the “English Language Acquisition, Language Enhancement and Academic Achievement Act. The purpose of this grant is to allow for the establishment of an endowment with a specified term of twenty years. The corpus and earnings of this “quasi endowment” are to be used for the professional development of the faculty at New River. The terms of this grant require the Organization to do the following:

- Receive grants which are expected to total \$170,500 and raise matching funds of an equal amount.
- Invest the grant and matching amounts in certain low risk segregated investment assets.
- During the twenty year grant period, one-half of the investment earnings may be used for the purposes of the grant summarized above. The remainder of investment earnings will be utilized to add to the quasi endowed fund.
- At the end of the twenty year grant period the entire corpus and residual earnings may be used for the purposes of the grant as summarized above.

The endowed component of these amounts along with the applicable investment earnings are and will be reflected as a component of temporarily restricted net assets due to the non-permanent nature of the grantor restrictions.

At June 30, 2019 and 2018 the Organization had restricted marketable investments totaling \$386,827 and \$394,674, respectively related to this grant **(See Note 3)**.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 16 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

This table represents operating expenses within both natural and functional classifications for the years ended June 30:

	2019						
	Salaries and Wages	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	Total
Instruction	\$ 3,268,565	\$ 776,284	\$ 696,355	\$ 76,909	\$ -	\$ -	\$ 4,818,113
Academic support	342,217	84,969	227,623	-	-	-	654,809
Student services	727,098	222,390	47,437	-	-	-	996,925
General institutional support	1,748,162	224,741	881,142	20,579	-	-	2,874,624
Operations and maintenance of plant	614,914	191,251	837,674	358,586	-	-	2,002,425
Student financial aid	-	-	-	736,928	-	-	736,928
Depreciation	-	-	-	-	1,084,413	-	1,084,413
Other	-	-	-	-	-	55,013	55,013
Total	\$ 6,700,956	\$ 1,499,635	\$ 2,690,231	\$ 456,074	\$ 1,084,413	\$ 55,013	\$ 13,223,250

	2018						
	Salaries and Wages	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	Total
Instruction	\$ 3,170,171	\$ 898,231	\$ 752,916	\$ 1,667	\$ -	\$ -	\$ 4,822,985
Academic support	347,116	104,382	50,576	-	-	-	502,074
Student services	690,035	234,666	59,322	-	-	-	984,023
General institutional support	1,417,320	273,036	991,300	7,194	-	-	2,688,850
Operations and maintenance of plant	620,008	178,550	1,028,489	352,237	-	-	2,179,284
Student financial aid	-	-	-	1,064,187	-	-	1,064,187
Depreciation	-	-	-	-	1,128,154	-	1,128,154
Other	-	-	-	-	-	67,442	67,442
Total	\$ 6,244,650	\$ 1,688,865	\$ 2,882,603	\$ 361,098	\$ 1,128,154	\$ 67,442	\$ 13,436,999

REQUIRED SUPPLEMENTARY INFORMATION

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2019

State Teachers' Retirement System
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
College's proportion of the net pension liability (asset) (percentage)	0.002860%	0.009317%	0.009557%	0.008659%	0.010161%					
College's proportionate share of the net pension liability (asset)	\$ 89,297	\$ 321,900	\$ 392,776	\$ 302,537	\$ 350,532					
State's proportionate share of the net pension liability (asset)	<u>231,376</u>	<u>711,834</u>	<u>748,134</u>	<u>684,644</u>	<u>792,052</u>					
Total proportionate share of the net pension liability (asset)	<u>\$ 320,673</u>	<u>\$ 1,033,734</u>	<u>\$ 1,140,910</u>	<u>\$ 987,181</u>	<u>\$ 1,142,584</u>					
College's covered payroll	\$ 84,623	\$ 263,539	\$ 269,633	\$ 312,047	\$ 312,047					
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	105.52%	122.15%	145.67%	96.95%	112.33%					
Plan fiduciary net position as a percentage of the total pension liability	71.20%	67.85%	61.42%	66.25%	65.95%					

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2019

State Teachers' Retirement System
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 9,086	\$ 12,693	\$ 39,531	\$ 40,445	\$ 46,807					
Contributions in relation to the contractually required contribution	<u>(9,086)</u>	<u>(12,693)</u>	<u>(39,531)</u>	<u>(40,445)</u>	<u>(46,807)</u>					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
College's covered payroll	\$ 60,573	\$ 84,623	\$ 263,539	\$ 269,633	\$ 312,047					
Contributions as a percentage of covered payroll	15.00%	15.00%	15.00%	15.00%	15.00%					

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
June 30, 2019

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
College's proportion of the net OPEB liability (asset) (percentage)	0.107444%	0.102496%								
College's proportionate share of the net OPEB liability (asset)	\$ 2,305,140	\$ 2,520,364								
State's proportionate share of the net OPEB liability (asset)	<u>476,411</u>	<u>517,685</u>								
Total proportionate share of the net OPEB liability (asset)	<u>\$ 2,781,551</u>	<u>\$ 3,038,049</u>								
College's covered-employee payroll	\$ 4,883,613	\$ 5,147,789								
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	47.20%	48.96%								
Plan fiduciary net position as a percentage of the total OPEB liability	30.98%	25.10%								

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2019

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statutorily required contribution	\$ 223,400	\$ 219,561								
Contributions in relation to the statutorily required contribution	<u>(223,400)</u>	<u>(219,561)</u>								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
College's covered-employee payroll	\$ 4,947,330	\$ 4,883,613								
Contributions as a percentage of covered-employee payroll	4.52%	4.50%								

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
YEARS ENDED JUNE 30, 2019 AND 2018

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Changes in Assumptions

Amounts reported reflect changes in assumptions to more closely reflect actual experience. Significant changes in assumptions are related to projected salary increases, inflation rate, and mortality tables.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Inflation	3.0%	3.0%	3.0%	1.9%	2.2%
Salary Increases	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75 to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40 to 6.50%.	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75 to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40 to 6.50%.
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.
Mortality	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	Active: RP2000, non-annuitant monthly mortality table. Retired: RP2000 healthy annuitant, scale AA; Disabled: RP2000 disabled annuitant mortality table, scale AA.	Active: RP2000, non-annuitant monthly mortality table; Retired: RP2000 healthy annuitant, scale AA; Disabled: RP2000 disabled annuitant mortality table, scale AA.
Discount Rate	7.5%	7.5%	7.5%	7.5%	7.5%

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

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEARS ENDED JUNE 30, 2019 AND 2018**

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Certain assumptions have been changed since the prior measurement date. The assumption changes that most significantly impacted the net OPEB liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the net OPEB liability. Additional information, if necessary, can be obtained from the RHBT audited Financial Statements, Required Supplementary Information, and Other Financial Information for the years ended June 30, 2018 and 2017.

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

Board of Governors
New River Community and Technical College
Beaver, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 discretely presented component unit of New River Community and Technical College (the College), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 30, 2019, which states reliance on another auditor for the discretely presented component unit. Our report includes a reference to another auditor who audited the financial statements of The New River Community and Technical College Foundation, Inc., as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor. The financial statements of The New River Community and Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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 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.

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

Compliance and Other Matters

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

Purpose of this Report

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



Charleston, West Virginia
September 30, 2019