

Blue Ridge Community and Technical College

Financial Statements as of and for the
Years Ended June 30, 2018 and 2017, and Independent
Auditor's Reports

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1–2
MANAGEMENT’S DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)	3–12
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2018 AND 2017:	
Statements of Net Position	13
Statements of Revenues, Expenses, and Changes in Net Position	14
Statements of Cash Flows	15
Component Unit — Statements of Financial Position	16
Component Unit — Statements of Activities	17
Notes to Financial Statements	18–54
Required Supplementary Information	55-56
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	57-58

INDEPENDENT AUDITOR'S REPORT

To the Governing Board of
Blue Ridge Community and Technical College:

October XX, 2018

INDEPENDENT AUDITOR'S REPORT, CONTINUED-----BLANK PAGE

The Blue Ridge Community and Technical College
Management Discussion and Analysis
Fiscal Year 2018

About Blue Ridge Community and Technical College

Blue Ridge Community and Technical College (the “College”) is a State-supported institution within the West Virginia System of Higher Education Policy. The College is under the authority of the West Virginia Council for Community and Technical College Education (the “Council”).

The College offers associate degrees, workforce development programs, and collaborative programs in the government, business and industry sectors. The College achieved separate accreditation during fiscal year 2005, and became a completely separate entity for financial reporting purposes on July 1, 2006.

Overview of the Financial Statements and Financial Analysis

The discussion and analysis of the College’s financial statements provides an overview of its financial activities for the three years ended June 30, 2018, with a focus on 2018, and is required supplemental information.

The College’s annual report consists of three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These statements provide insight on the financial condition of the College, including operations and cash flow.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point-of-time financial statement. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), deferred inflows and outflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources). From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors, employees, lenders and others. Finally, the Statement of Net Position provides a snapshot of the net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) and their availability for expenditure by the College.

Net position is divided into three major categories. The first category, net investment in capital assets, provides equity in property, plant, and equipment owned by the College, net of any debt related to the acquisition of the capital assets. The second category is restricted net position, which is divided into two categories, nonexpendable and expendable. The College does not currently have nonexpendable restricted assets. Expendable restricted net position resources are available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The third category is unrestricted net position. Unrestricted net position is available to the College for any lawful purpose of the College.

Condensed Schedules of Net Position
As of June 30, 2018, 2017 and 2016
(In thousands of dollars)

	2018 *	2017	2016
Assets			
Cash	\$ 13,512	\$ 12,181	\$ 10,166
Other Current Assets	1,031	763	958
Other Noncurrent Assets	27	27	32
Capital Assets	17,900	17,737	18,316
Total Assets	32,470	30,708	29,472
 Deferred Outflows of Resources	 251	 40	 17
 Liabilities			
Current Liabilities	6,411	5,485	4,728
Noncurrent Liabilities	2,571	1,831	1,737
Total Liabilities	8,982	7,316	6,465
 Deferred Inflows of Resources	 398	 23	 45
 Net Position			
Investment in Capital Assets	17,900	17,737	18,316
Restricted	2,704	2,631	2,376
Unrestricted	2,737	3,041	2,287
Total Net Position	\$ 23,341	\$ 23,409	\$ 22,979

* The 2018 column includes the effects of the implementation of GASB 75.

Total assets of the College increased by \$1.762 million, 5.7%, to a total of approximately \$32.5 million as of June 30 2018. The increase was largely due to increases in cash and other current assets. The liquidity position of the College continues a positive recent trend and remains strong as cash exceeds total current and noncurrent liabilities. The College's quick ratio (cash to current liabilities) is 2.11, 2.22 and 2.15 as of June 30, 2018, 2017 and 2016, respectively. The working capital (current assets to current liabilities) is 2.27, 2.36 and 2.35 as of June 30, 2018, 2017 and 2016, respectively.

Other items of interest related to assets are as follows:

- Approximately 42% of the assets as of June 30, 2018 were held in cash and cash equivalents, compared to 40% and 34% in cash and cash equivalents as of June 30, 2017 and 2016, respectively. The increase in cash and cash equivalents is primarily attributable to an increase in state and local grant award receipts, and accumulation of capital fees.
- Other current assets include due from the Council/Commission; net accounts receivable, which is a combination of student accounts receivable, grants receivable, unbilled charges and other receivable; and prepaid expenses.

- The amount in Due from the Council/Commission as of June 30, 2018 represents \$110,786 related to grants and \$21,096 in interest receivable from interagency funds.
- The net student accounts receivable is \$65,050, \$67,419 and \$185,579 at June 30, 2018, 2017 and 2016, respectively. The bad debt reserve is \$983,521, \$1,137,982 and \$1,502,338 as of June 30, 2018, 2017 and 2016, respectively. In 2017, the College assessed the collectability trend of accounts that remained outstanding from a third party agency to determine the need to write off accounts deemed uncollectable in prior years, totaling \$638,225. In 2018, the College assessed old accounts deemed uncollectible and wrote off \$304,172. The decrease in the allowance over the past two years is a combination of the bad debt write off and the continued efforts made to collect outstanding balances.
- Grants and contracts receivable consists of \$127,494, \$214,377 and \$92,694 at June 30, 2018, 2017 and 2016, respectively. The current year balance primarily represents various amounts due to the College from third party agencies for financial aid disbursed to students for tuition, fees, and textbooks.
- Unbilled charges were \$42,716, \$7,326 and \$86,026 at June 30, 2018, 2017 and 2016, respectively. These balances represent amounts due to the College as a result of federal grant activities which have not been billed. It also includes amounts not drawn for the federal direct loan program.
- Other receivables were \$609,822, \$186,804, and \$187,576 at June 30, 2018, 2017, and 2016, respectively. These balances represent amounts due to the College as a result of private grant matches, catering contracts, and workforce development contracted training. The increase for 2018 is due to heightened activity with workforce development training, specifically with one vendor.
- Prepaid expenses of \$53,376, \$186,870 and \$63,770 at June 30, 2018, 2017 and 2016, respectively, include expenditures that span a minimum period of six months. The current balance mostly represents expenditures for software licensing, membership and accreditation fees, and workforce development training.
- Noncurrent assets are other receivable and capital assets.
 - Other receivable in the amount of \$27,083 is due from employees that were converted from a non-arrears pay cycle to an arrears pay cycle. Nine employees received a “no hardship payment” on 9/30/14 equal to their then-current gross wages, which will be collected from the employee when he or she separates from the College.
 - Construction in Process (CIP) balances at June 30, 2018, 2017 and 2016 were \$4,537, \$50,000 and \$0, respectively. The current CIP balance of \$4,537 is for costs accrued for the expansion of the Pines Opportunity Center in Morgan County, WV. The CIP balance during 2017 of \$50,000 was for costs accrued for the expansion of the Pines Opportunity Center in Morgan County, WV. The CIP during 2016 was completed as of the end of the year resulting in a \$0 balance.
 - Fixed asset additions, inclusive of CIP transfers, total \$1,192,811 for fiscal year 2018. The majority of the additions, or 86%, were grant funded. Student fees provided for 14% of the additions, mainly in allied health fields. Auxiliary operations provided for the remaining additions of less than 1%.

Items of interest related to liabilities are as follows:

- Current liabilities of \$6,411,526, \$5,484,890 and \$4,728,117 at June 30, 2018, 2017 and 2016 increased by \$926,636 in fiscal year 2018, \$756,773 in fiscal year 2017 and \$718,436 in fiscal year 2016.

- Non-capital asset accounts payable of \$312,202, \$261,912 and \$210,051 at June 30, 2018, 2017 and 2016, respectively, represent typical operating expenses such as supplies and utilities.
- Accrued payroll of \$642,975, \$543,486 and \$448,547 at June 30, 2018, 2017 and 2016, respectively, increased each year. Annual years of service increase of \$60 for each year served is provided by the State. This, combined with increased grant activity and a growing payroll expense, can be attributed to the payroll increase for 2018.
- Due to Council/Commission and State agencies amounts reported of \$21,903, \$32,723 and \$12,978 at June 30, 2018, 2017 and 2016, respectively, represent a combination of amounts due for services the state provides the College and for West Virginia financial aid grants. The 2018 balance includes unused grant funds of \$16,081 from HEAPS and \$2,678 from WVDHHR that are returned to the state. The 2017 balance included unused grant funds of \$22,716 from HEAPS and \$7,897 from WVDHHR that are returned to the state. The 2016 balance included unused grant funds of \$7,331 from WV Higher Education and \$4,653 from HEAPS that are returned to the state.
- Accrued annual leave, or compensated absences, total \$604,343, \$542,356 and \$545,110 at June 30, 2018, 2017 and 2016, respectively.
- Unearned revenues were \$4,686,260, \$4,036,575 and \$3,507,414 at June 30, 2018, 2017 and 2016, respectively. The balance is largely driven by grants awarded to the College by the Council. The College applies for these grants on behalf of local businesses for workforce training and for creating and sustaining technical programs. Grant awards vary from year to year depending on market demand and the college's desire to create new programs. The major driver of unearned revenue is related to new grants awarded to the College. During FY18, the college received new state grants totaling \$3,159,800 and expended \$2,484,255 in total state grants. This resulted in a net increase in unearned state grant revenue of \$675,545. The summer school component of unearned revenue for FY18 is \$226,667, which is approximately 44% of the total summer term revenue. The deferral calculation is driven by the dates of the three summer terms.
- Noncurrent Liabilities include:
 - Other post-employment benefits (OPEB) accrued at June 30, 2018, 2017 and 2016 total \$2,487,633, \$1,723,457 and \$1,657,329, respectively. The liability is a product of the number of employees enrolled in the health insurance program and the PEIA actuarially determined amount per person. The College implemented GASB Statement 75 during fiscal 2018.
 - The net pension liability at June 30, 2018 totals \$82,954 and has decreased from the 2017 balance by \$24,741. The net pension liability at June 30, 2017 totaled \$107,695 and has increased from the 2016 balance by \$28,202. The net pension liability at June 30, 2016 totaled \$79,493 and has increased from the 2015 balance by \$3,595. The net pension liability at June 30, 2015 totaled \$75,898. The College implemented GASB Statement 68 during fiscal 2015. The liability is reliant on the number of employees continuing on the West Virginia Teachers' Retirement System (TRS) which was closed to new participants effective July 1, 1991. TRS is a cost-sharing, defined benefit, public employee retirement system with contribution rates established annually by the West Virginia State Legislature.

Statement of Revenues, Expenses, and Changes in Net Position

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

In general, operating revenues are received for goods and services rendered to customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided resulting in operating revenues, and to accomplish the mission of the College. Revenues received for which goods and services are not provided are reported as non-operating revenues. For example, state appropriations are provided by the legislature to the College without the legislature directly receiving commensurate goods and services for those revenues and are, therefore reported as non-operating revenues.

Condensed Schedules of Revenues, Expenses, and Changes in Net Position For the Years Ended June 30, 2018, 2017 and 2016 (In thousands of dollars)

	2018 *	2017	2016
Operating Revenues	\$ 11,852	\$ 9,976	\$ 9,565
Operating Expenses	19,637	18,630	18,479
Operating Loss	(7,785)	(8,654)	(8,914)
Nonoperating Revenues - Net	8,725	9,036	8,938
Increase in Net Position	940	382	24
Capital Payments Made/ Expenses			
Incurred on Behalf of College	-	48	2
Increase in Net Position	940	430	26
Net Position - Beginning of Year	23,409	22,979	22,953
Cumulative Effect of Change in Accounting Principle	(1,008)	-	-
Net Position - Beginning of Year restated	22,401	22,979	22,953
Net Position - End of Year	\$ 23,341	\$ 23,409	\$ 22,979

* The 2018 column includes the effects of the implementation of GASB 75.

Operating Revenues

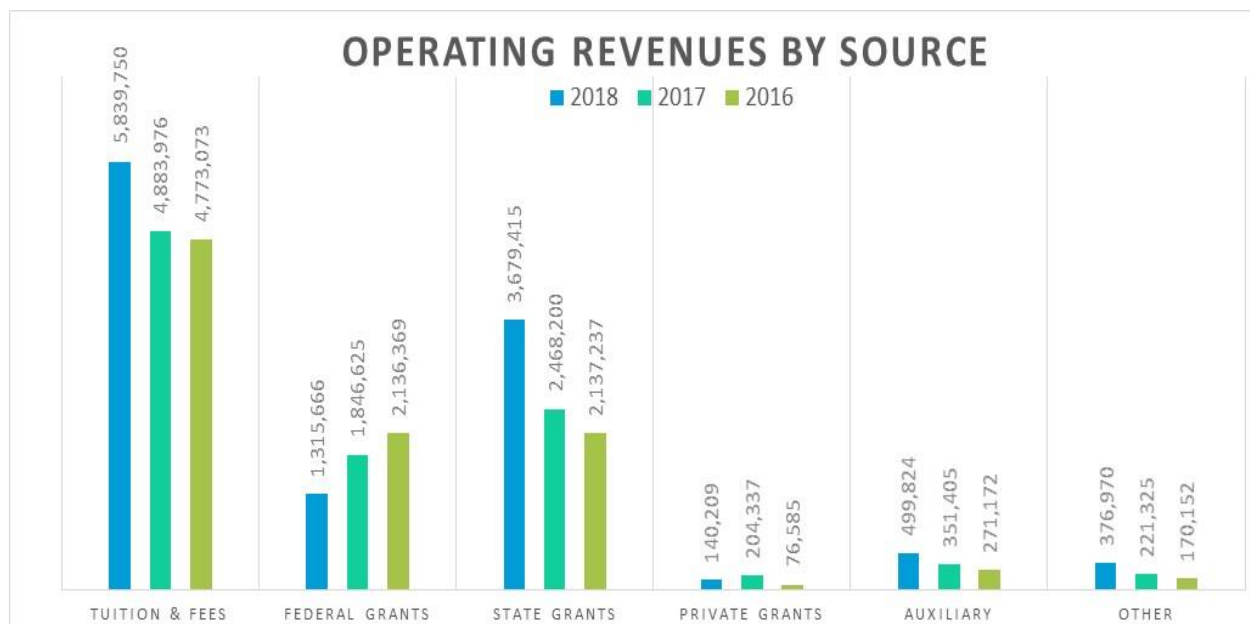
Nearly half, 49.3%, of the operating revenue for the College is derived from tuition and fee assessments. Federal grants provide funding for varying degrees of technical education support and grant funds for students. State grants provide funding for new technical program activities, business and industry workforce development, and sustainability funds for high cost programs. The following is an overview of revenues and their sources:

- Student tuition and fees – net of scholarship allowance increased 19.6% from 2017 and 22.3% from 2016. This revenue category can be segregated by two types of tuition and fee revenues –

academic and workforce development. The academic revenues decreased by approximately \$84,430, or 2.2%, from 2017. The academic revenues decreased by approximately \$160,000, or 4%, since 2016. The fiscal year 2018 tuition rate increased by 4.35%. Workforce development revenue, which is generated by Career Advancement courses and contracted training with local employers, increased by \$1,040,204 and \$1,226,783 from 2017 and 2016, respectively, and continues to show measurable growth. The significant increase is due to elevated contracted training, specific to a new employer in the Eastern Panhandle.

- Revenues from federal sources totaling \$1,315,666 consists of 4.4% Department of Labor project, *Bridging the Gap* funds, 54.4% Department of Labor project, *Heroes for Hire* funds, 26.8% Carl D. Perkins Act funds, 9.4% student financial aid grants, 4.5% Department of Health and Human Resources, and .5% Department of Agriculture.
- State grants in the form of WV student financial aid grants make up approximately 32%, or \$1,195,159 of total revenues reported as State Contracts and Grants. WV Advance, Technical Program, and HB3009 grants make up the remaining 68%, or \$2,484,256.

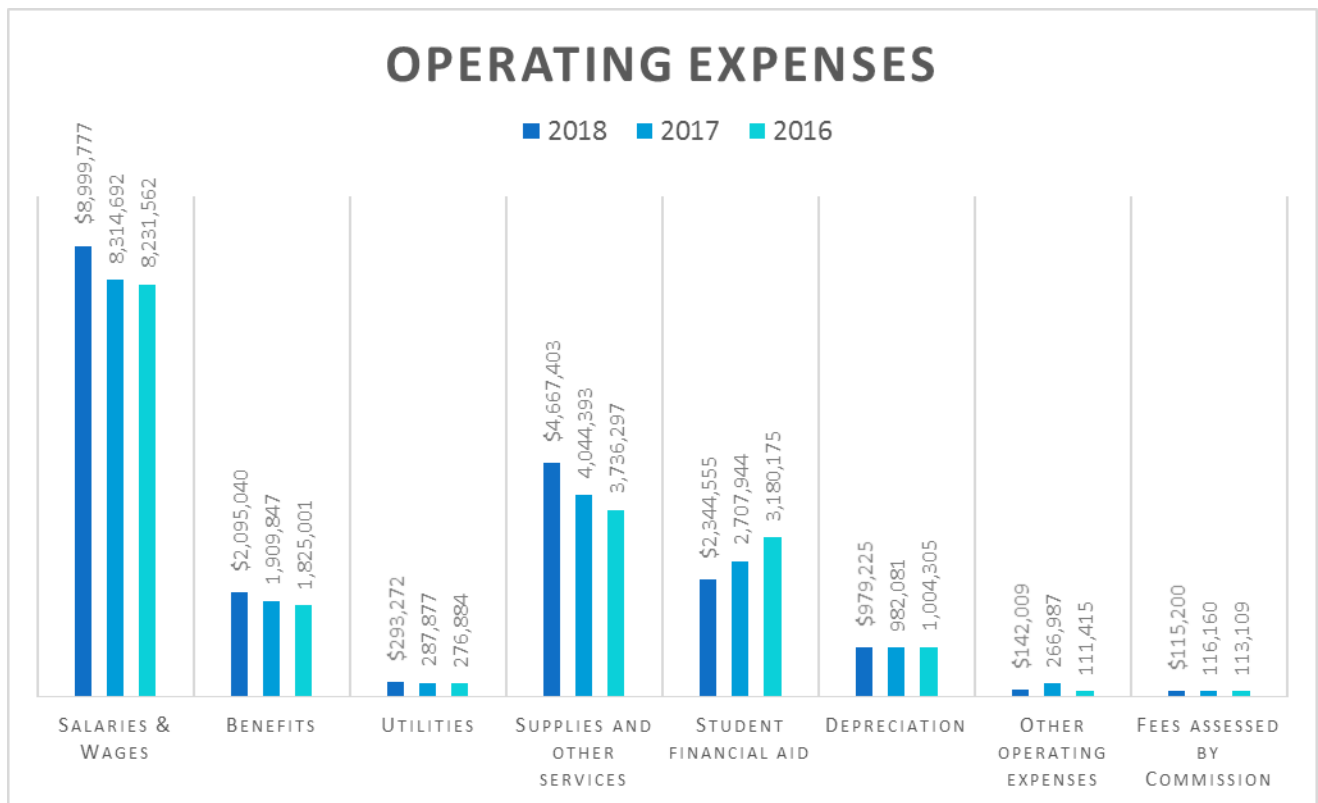
Operating revenues are up 18.8%, primarily due to state grants and contracted training. Blue Ridge CTC's FY18 Fall FTEs increased from the FY17 Fall end of term FTEs by 84 full time equivalent students. The FTEs for FY18 and FY17 Fall semesters were 1,916 and 1,832, respectively. Revenue increased in large part due to a 4.35% increase in tuition rate, along with significant gains in contracted training and career advancement, state grants, and auxiliary enterprise revenues.



Operating Expenses

Operating expenses increased by 5.4% from 2017 to 2018. The 2018 expenses represent the largest increase in five years. The increase in operating expense is represented by an increase of \$870,278 or 9% in salaries and benefits, and an increase in supplies by \$623,010 or 15%. Expenses related to student financial aid decreased by \$363,389 or 13%, and has now decreased four consecutive years. Student scholarships account for 12%, 15% and 17% of the operating expenses in fiscal years 2018, 2017 and 2016, respectively. Over half, 56.5%, of the fiscal year 2018 operating expenses were incurred for personnel services and benefits. Supplies and other services represent 24% of fiscal 2018 operating expenses. Utilities experienced a slight increase of nearly \$5,400 or 2% from year-to-year. Rental

expense slightly decreased in 2018 by \$7,060 or 2%. Other operating expense represents the estimated bad debt expense that is accrued annually and additional amounts from student account balances that were written off during the year. The 2018 accrual decreased the allowance for doubtful accounts balance by approximately 14%. The decrease is a result of bad debt write off of \$304,172 and analysis of current receivables collectability. This calculation is an analysis of the financial aid that the College returns to the Department of Education when the College determines that the student is no longer entitled to the funds. The return of aid results in a receivable balance on the student's account. Fees assessed by the Commission are funds remitted to Higher Education Policy Commission (HEPC) for the Higher Education Resource Assessment (HERA). This fee is a percentage of the previous year's tuition and fee revenues.



Non-operating Revenue (Expense)

The net non-operating revenues in fiscal year 2018 decreased by \$310,946 from fiscal year 2017, largely due to a decrease in the Federal Pell Grant funds of \$404,504.

Revenue through state appropriations remained constant at \$4,880,509. Investment income in fiscal year 2018 increased by \$75,585 from 2017. Fees assessed by the Commission decreased by \$21 from 2017 and a loss on disposal decreased by \$17,952, bringing the net non-operating revenues decrease to \$310,946. The non-operating Commission fees are remitted to HEPC for a capital assessment.

Capital Payments Made on Behalf of College

Payments have been made on behalf of the College in all but two years since 2009, where the funds originated from bonds issued by the HEPC. A total of \$13,500,000 was available from this source for the construction and furnishing of the College's headquarter facility. Payments amounted to \$51 in 2018, \$332 in 2017 and \$1,885 in 2016. All payments have been in conjunction with the acquisition of a permanent main campus. Total payments to date made on behalf of the College equal \$13,096,315.

The College did not receive donations for fiscal year 2018. Donations to support technical academic programs were received in fiscal year 2017, totaling \$48,000.

Statement of Cash Flows

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 part deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital related financing activities. This section deals with 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 the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash provided by (used in) operating activities to the operating income (loss) reflected in the Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Schedules of Cash Flows
For the Year Ended June 30, 2018, 2017 and 2016
(In thousands of dollars)

	2018	2017	2016
Cash Provided by (Used in):			
Operating Activities	\$ (6,329)	\$ (6,731)	\$ (6,999)
Noncapital Financing Activities	8,570	8,975	8,923
Capital and Related Financing Activities	(1,067)	(310)	(779)
Investing Activities	157	81	31
Increase in Cash and Cash Equivalents	1,331	2,015	1,176
Cash and Cash Equivalents - Beginning of Year	12,181	10,166	8,990
Cash and Cash Equivalents - End of Year	<u>\$ 13,512</u>	<u>\$ 12,181</u>	<u>\$ 10,166</u>

Cash used in 2018 operating activities was less than 2017 and 2016 by \$402,000 and \$670,000, respectively. Cash inflows increased by approximately \$1,240,762 and cash outflows in the form of payments to suppliers, utilities and employees increased by \$1,202,643. Payments for scholarships and fellowships decreased by \$363,389. This decrease was driven by the Pell expense decrease of \$404,504. Cash expenditures for the purchase of capital assets increased in 2018 mostly due to equipment purchases that were grant funded.

Cash used in 2017 operating activities was less than 2016 by \$268,000. Cash inflows increased by approximately \$33,000 and cash outflows in the form of payments to suppliers, utilities and employees increased by \$234,906. Payments for scholarships and fellowships decreased by \$472,231. This decrease was driven by the Pell expense decrease of \$405,334. Cash expenditures for the purchase of capital assets was less in 2017 due to acquiring fewer assets and payments for capital assets not yet complete as of June 30, 2017.

Capital Asset Activity

2018:

CIP projects converted to capitalized assets during 2018 include leasehold improvements for the Pines Opportunity Center in Morgan County, WV and building improvements for the greenhouse at the main campus totaling \$142,302. Significant fixed asset equipment additions during fiscal year 2018 totaling \$1,045,921 were added at the Technology Center and main campus. These fixed assets are primarily for classroom, academic lab use, and administrative information technology infrastructure.. Computer equipment totaling \$77,454 was purchased to support administrative IT equipment. Research and education totaling \$952,695 was used to support Mechatronics, Nursing, and Culinary technology programming and labs. The majority, 88 percent, of the additions were grant funded. Computer equipment to support the Mechatronics lab, \$10,616, was funded by state grants. The remaining fixed asset additions were other capital equipment totaling \$5,157 was purchased to support the headquarter's culinary service, and land improvements \$51. The remaining \$4,537 for CIP is for construction at the Morgan County Pines Opportunity Center.

2017:

CIP projects converted to capitalized assets during 2017 include leasehold improvements for the Bruin Café, Mechatronics office, Area L at the Technology Center, and leasehold improvements for the greenhouse at the main campus totaling \$78,169. Significant fixed asset additions during fiscal year 2017 totaling \$293,544 were added at the Technology Center and main campus. These fixed assets are primarily for classroom and lab use. Computer equipment totaling \$54,878 was purchased to support administrative IT equipment and distance learning support services. Computer software totaling \$630 was funded by the Department of Labor *Heroes for Hire* grant. Research and education totaling \$157,406, all funded through state or local grants, were used to support technology programming and labs. Other capital equipment totaling \$32,630 was purchased to support academic labs, marketing, and facilities at the main campus. The remaining fixed asset additions were drone donation \$23,000, bucket truck donation \$25,000, and land improvements \$332. The final \$50,000 for CIP is for construction at the Morgan County Pines Opportunity Center.

Economic Outlook

The current fiscal year marked the end of the Department of Labor's *Heroes for Hire* grant program activities and brought the conclusion of grant reporting activities for Department of Labor's *Bridging the Gap* federal grant. The college will utilize a combination of tuition and state grant awards to sustain the services and academic programming developed with the two Department of Labor grant projects. Like fiscal year 2018, the significant activities with the Procter and Gamble (P&G) leadership team and the West Virginia Community and Technical College System's financial support for innovative, technical-focused academic programs have been integral to the sustainability of these programs in the short term.

Continuing in the second year of the federally-imposed Heightened Cash Monitoring 1 (HCM1) sanction issued by the Department of Education to all 19 public colleges and universities in the state, the college successfully maintained its cash balance and effectively processed financial aid. With the current strength of its cash position, the college does not anticipate any financial obstacles to meeting the HCM1 requirements for the upcoming academic year.

Although insufficient state funding challenges the budget to expand and meet the diverse and growing needs served by the college's mission, various revenue streams are pursued including tuition, state, local, and federal grants, continuing education programs, and workforce development contracts. Through strategic and targeted opportunities as well as responsible spending practices, the college has a positive outlook for fiscal year 2019.

The college added five new academic programs, including Database Management, Engineering Technology, Heavy Equipment Technician, Catering and Hospitality Management, and Plastics Engineering Technology to address industry need and diversification of program offerings to successfully educate the region and place graduates in high-demand technical employment. Moreover, the college continues to expand and upgrade space at both off-site locations, the Tech Center and Pines Opportunity Center, to provide space for the newly developed academic programs.

The number of high school students enrolled in the college's dual-enrollment programs, providing career and degree pathways for high school students at a discounted tuition rate, increased from 298 to 432 students, representing an increase of nearly 45 percent. While providing a valuable service for the students, this focused enrollment strategy also strives to retain students and encourage degree completion and support the college's budget. Other positive measures paint an encouraging outlook and illustrate efforts made to strengthen the organization, including a 4.6 percent increase in year-to-year, full-time equivalent (FTE) enrollment, a 1.2 percent increase in year-to-year headcount, and a decreasing figure for three-year default rate.

While the College continues to examine existing resources, expand services, and address ever-increasing operational costs to meet the needs for a comprehensive community college, long-term sustainability will be further challenged if state funding through appropriation or grant awards is not increased to support revenue from tuition and fees. The state is aware of the issue and has recently appointed a Blue Ribbon Commission on Four-Year Higher Education to address financial stability for four-year colleges and universities. It will be prudent for the community college system to closely review recommendations and decisions made to understand how changes in the West Virginia Higher Education Policy Commission and West Virginia Community and Technical College System might affect college programming and financial sustainability.

Requests for information may be directed to:

Chief Financial Officer
Blue Ridge Community and Technical College
13650 Apple Harvest Drive
Martinsburg, WV 25403

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 13,512,433	\$ 12,180,926
Due from the Council/Commission	131,882	100,062
Accounts receivable — net	845,082	475,926
Prepaid expenses	53,376	186,870
Total current assets	<u>14,542,773</u>	<u>12,943,784</u>
NONCURRENT ASSETS:		
Other receivable	27,083	27,083
Capital assets — net	17,900,179	17,737,254
Total noncurrent assets	<u>17,927,262</u>	<u>17,764,337</u>
Total assets	<u>32,470,035</u>	<u>30,708,121</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	26,011	39,824
OPEB related	225,347	-
Total deferred outflows of resources	<u>251,358</u>	<u>39,824</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 32,721,393</u>	<u>\$ 30,747,945</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 456,045	\$ 327,741
Accrued liabilities	642,975	543,486
Due to the Council/Commission	16,081	22,716
Due to other state agencies	5,822	10,007
Compensated absences	604,343	542,356
Service concession arrangement liability	-	2,009
Unearned revenue	4,686,260	4,036,575
Total current liabilities	<u>6,411,526</u>	<u>5,484,890</u>
NONCURRENT LIABILITIES:		
Net OPEB liability	2,487,633	1,723,457
Net pension liability	82,954	107,695
Total noncurrent liabilities	<u>2,570,587</u>	<u>1,831,152</u>
Total liabilities	<u>8,982,113</u>	<u>7,316,042</u>
DEFERRED INFLOWS OF RESOURCES:		
Service concession arrangement	-	17,991
Pension related	13,285	4,659
OPEB related	384,687	-
Total deferred inflows of resources	<u>397,972</u>	<u>22,650</u>
NET POSITION:		
Investment in capital assets	17,900,179	17,737,254
Restricted for — expendable — other	2,704,381	2,630,947
Unrestricted	2,736,748	3,041,052
Total net position	<u>23,341,308</u>	<u>23,409,253</u>
TOTAL	<u>\$ 32,721,393</u>	<u>\$ 30,747,945</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of \$2,674,825 and \$2,870,679 in 2018 and 2017, respectively	\$ 5,839,750	\$ 4,883,976
Contracts and grants:		
Federal	1,315,666	1,846,625
State	3,679,415	2,468,200
Private	140,209	204,337
Auxiliary enterprise revenue	499,824	351,405
Other operating revenues	<u>376,970</u>	<u>221,325</u>
Total operating revenues	<u>11,851,834</u>	<u>9,975,868</u>
OPERATING EXPENSES:		
Salaries and wages	8,999,777	8,314,692
Benefits	2,095,040	1,909,847
Utilities	293,272	287,877
Supplies and other services	4,667,403	4,044,393
Student financial aid — scholarships and fellowships	2,344,555	2,707,944
Depreciation	979,225	982,081
Other operating expenses	142,009	266,987
Fees assessed by the Commission for operations	<u>115,200</u>	<u>116,160</u>
Total operating expenses	<u>19,636,481</u>	<u>18,629,981</u>
OPERATING LOSS	<u>(7,784,647)</u>	<u>(8,654,113)</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	4,880,509	4,880,509
Federal Pell Grant	3,689,994	4,094,498
Investment income	156,874	81,289
Fees assessed by the Commission	(1,763)	(1,784)
Loss on disposals	<u>(661)</u>	<u>(18,613)</u>
Net nonoperating revenues	<u>8,724,953</u>	<u>9,035,899</u>
INCREASE IN NET POSITION BEFORE OTHER REVENUE, EXPENSES, GAINS, OR LOSSES	<u>940,306</u>	<u>381,786</u>
OTHER REVENUES:		
Capital Asset Donations	-	48,000
Capital Payments made and expenses incurred on behalf of the College	<u>51</u>	<u>332</u>
Total other revenues	<u>51</u>	<u>48,332</u>
INCREASE IN NET POSITION	940,357	430,118
NET POSITION — Beginning of year	23,409,253	22,979,135
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	<u>(1,008,302)</u>	<u>-</u>
NET POSITION — Beginning of year, restated	<u>22,400,951</u>	<u>22,979,135</u>
NET POSITION — End of year	<u>\$ 23,341,308</u>	<u>\$ 23,409,253</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 5,682,879	\$ 4,815,210
Contracts and grants	5,398,861	5,173,431
Payments to and on behalf of employees	(10,844,889)	(10,046,191)
Payments to suppliers	(4,494,438)	(4,095,888)
Payments to utilities	(293,272)	(287,877)
Payments for scholarships and fellowships	(2,344,555)	(2,707,944)
Auxiliary enterprise charges	499,824	351,405
Fees retained by Commission	(115,200)	(116,160)
Other receipts - net	181,430	182,186
Net cash used in operating activities	<u>(6,329,360)</u>	<u>(6,731,828)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	4,880,509	4,880,509
Federal Pell Grant	3,689,994	4,094,498
Federal student loan program - direct lending receipts	4,926,476	5,526,494
Federal student loan program - direct lending payments	(4,926,476)	(5,526,494)
Net cash provided by noncapital financing activities	<u>8,570,503</u>	<u>8,975,007</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(1,064,747)	(307,884)
Fees assessed by the Commission	(1,763)	(1,784)
Net cash used in capital financing activities	<u>(1,066,510)</u>	<u>(309,668)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	156,874	81,289
INCREASE IN CASH AND CASH EQUIVALENTS	1,331,507	2,014,800
CASH AND CASH EQUIVALENTS - Beginning of year	12,180,926	10,166,126
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 13,512,433</u>	<u>\$ 12,180,926</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (7,784,647)	\$ (8,654,113)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	979,225	982,081
Amortization of Service Concession Arrangement	(20,000)	(20,000)
Bad debt expense	(154,461)	(364,356)
Effect of changes in operating assets and liabilities:		
Accounts receivable, net	(214,695)	444,792
Due from Council/Commission	(31,820)	242,893
Prepaid expenses	133,494	(123,100)
Accounts payable	50,291	51,860
Accrued liabilities	99,489	94,939
Due to Council/Commission/other state agencies	(10,820)	19,745
Compensated absences	61,987	(2,754)
Net pension liability	(2,302)	896
Other postemployment benefits liability	(84,786)	66,128
Unearned revenue	649,685	529,161
Net cash used in operating activities	<u>\$ (6,329,360)</u>	<u>\$ (6,731,828)</u>
NONCASH TRANSACTIONS:		
Capital expenses in accounts payable	\$ 143,843	\$ 65,831
Capital Asset Donations	<u>\$ -</u>	<u>\$ 48,000</u>
Capital payments made and expenses incurred on behalf of the College	<u>\$ 51</u>	<u>\$ 332</u>

The Accompanying Notes Are An Integral Part of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2018 and 2017

ASSETS

	2018	2017
ASSETS		
Cash and Cash Equivalents	222,752	467,523
Investments	568,584	258,425
Pledges Receivable	15,000	15,000
Other Assets	5,869	5,498
	<hr/>	<hr/>
Total Assets	\$ 812,205	\$ 746,446
	<hr/>	<hr/>

LIABILITIES AND NET ASSETS

LIABILITIES

Deferred Revenue	\$ 40	\$ 80
Due to College	1,100	-

NET ASSETS

Unrestricted	135,522	115,328
Temporarily Restricted	175,543	131,038
Permanently Restricted	500,000	500,000
	<hr/>	<hr/>
Total Net Assets	811,065	746,366
	<hr/>	<hr/>

Total Liabilities and Net Assets	\$ 812,205	\$ 746,446
	<hr/>	<hr/>

The Accompanying Notes Are An Integral Part Of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 AND 2017

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Temporarily		Permanently	Total	Temporarily		Permanently	Total
	Unrestricted	Restricted	Restricted		Unrestricted	Restricted	Restricted	
REVENUES, GAINS, AND PUBLIC SUPPORT								
Contributions	\$ 2,455	\$ 71,726	\$ -	\$ 74,181	\$ 1,521	\$ 38,220	\$ -	\$ 39,741
Special Events Income, Net of Direct Costs of \$9,711 and \$28,239 in 2017 and 2016, Respectively	19,330	964	-	20,294	9,395	-	-	9,395
Contributed Goods and Services	-	9,105	-	9,105	6,160	29,000	-	35,160
Interest and Dividends	352	11,146	-	11,498	-	10,904	-	10,904
Net Unrealized Gains/(Losses)	-	10,101	-	10,101	-	-	-	-
Net Assets Released from Restriction	58,537	(58,537)	-	-	36,800	(36,800)	-	-
Total Revenues, Gains and Public Support	80,674	44,505	-	125,179	53,876	41,324	-	95,200
EXPENSES								
Program Services:								
Benefits Paid To or For Members	-	-	-	-	101	-	-	101
Support to College	1,191	-	-	1,191	30,621	-	-	30,621
Scholarships	42,144	-	-	42,144	16,391	-	-	16,391
Awards	11,470	-	-	11,470	-	-	-	-
Total Program Services	54,805	-	-	54,805	47,113	-	-	47,113
Management and General	5,675	-	-	5,675	586	-	-	586
Total Expenses	60,480	-	-	60,480	47,699	-	-	47,699
CHANGES IN NET ASSETS	20,194	44,505	-	64,699	6,177	41,324	-	47,501
Net Assets - Beginning of Year	115,328	131,038	500,000	746,366	109,151	89,714	500,000	698,865
NET ASSETS - END OF YEAR	\$ 135,522	\$ 175,543	\$ 500,000	\$ 811,065	\$ 115,328	\$ 131,038	\$ 500,000	\$ 746,366

The Accompanying Notes Are An Integral Part Of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

1. ORGANIZATION

Blue Ridge Community and Technical College (the “College”) is governed by Blue Ridge Technical College Board of Governors (the “Board”). The Board was established by Senate Bill 448 (“S.B. 448”).

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The accompanying financial statements include the discretely presented Blue Ridge Community and Technical College Foundation because, based on the criteria provided by GASB Statements No. 39 and 61, the economic resources received or held by the related Foundation to which the College, or its component units, is entitled or has the ability to otherwise access, is significant to the College.

The audited financial statements of Blue Ridge Community and Technical College Foundation, Inc. (the “Foundation”) are discretely presented here with the College’s financial statements for the fiscal years ended June 30, 2018 and 2017. No modifications have been made to the Foundation’s audited financial information as it is presented herein (see also Note 17).

Financial Statement Presentation — GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a combined basis to focus on the College as a whole. Net Position is defined as an organization’s worth after all debts and liabilities have been deducted from its gross assets. Net position is classified into three categories according to external restrictions or availability of assets for satisfaction of College obligations. The College’s net position is classified as follows:

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

Restricted Net Position — This category is comprised of two components, *Expendable* and *Nonexpendable*.

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

The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees, and Other Money Collected at State Institutions of Higher Education*, of the West Virginia State Code. House Bill No. 101 passed in March 2004, simplified the tuition and fee restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the College. These restrictions are subject to change by future actions of the West Virginia State Legislature.

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 principle. The College does not have any restricted nonexpendable net position at June 30, 2018 and 2017.

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

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

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

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, and grants receivable based on an evaluation of the underlying account, contract, and grant balances, the historical collectability experienced by the College on such balances and such other factors which, in the College's judgment, require consideration in estimating doubtful accounts.

Noncurrent Due From Primary Government — An appropriation due from primary government, that is (1) externally restricted to make debt service payments, long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets, or (3) held for permanently restricted net position, is classified as a noncurrent asset in the statements of net position.

Capital Assets — Capital assets include land, land improvements, buildings and leasehold improvements, and equipment. Capital assets are stated at cost at the date of acquisition or construction, or acquisition 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 years for library books, 50 years for buildings and 3–10 years for furniture and equipment. Leasehold improvements are amortized over the period of the lease. The College uses a capitalization threshold of \$5,000 for capital assets.

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

Compensated Absences and Other Postemployment Benefits (OPEB) — GASB provides standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the College was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of WV. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, WV 25305–0710, or <http://www.wvpeia.com>.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned, and payment becomes probable. The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1 1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For

employees hired after 1988 or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later, no longer receive sick leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple employer cost-sharing plan approved by the State.

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

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

Net Pension Liability – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (TRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported in the TRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ. (See Note 13)

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. The College had deferred outflows of resources related to pensions of \$26,011 and \$39,824 as of June 30, 2018 and 2017, respectively (see Note 13), and deferred outflows of resources related to OPEB of \$225,347 and \$0, respectively (see Note 8).

Deferred Inflows of Resources – Acquisition of net position by the College that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position. As of June 30, 2018, and 2017, the College had deferred service concession arrangements of \$0 and \$17,991, respectively (see Note 15), deferred inflows related to pensions of \$13,285 and \$4,659, respectively (see Note 13), and deferred inflows related to OPEB of \$384,687 and \$0, respectively (see Note 8).

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

policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

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

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

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

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

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

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

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

Federal Financial Assistance Programs — The College facilitates borrowing opportunities to students through the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through institutions like the College. Direct student loan receivables are not included in the College's statements of net position as the loans are repayable directly to the U.S. Department of Education. In 2018 and 2017, the College received and disbursed \$4,926,476 and \$5,526,494, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying

financial statements. In 2018 and 2017, the College received and disbursed \$3,808,440 and \$4,195,018, respectively, under these federal student aid programs.

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

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and 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 by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

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

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

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(GASB)

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal years beginning after June 15, 2017. This statement established standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided

to the employees of state and local governmental employers through other postemployment benefit plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also established standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are not administered through trusts that meet certain criteria. The balance of the net OPEB liability and related deferred outflows of resources and deferred inflows of resources at July 1, 2017 is reported on the Statement of Revenues, Expenses, and Changes in Net Position as a restatement to the 2017 Net position—beginning of year. The WVRHBT was not able to provide sufficient information to restate the financial statements for the period ending June 30, 2017.

	2018
Net position - beginning of year, as previously stated	\$ 23,409,253
Balance of the net OPEB liability and related deferred	
outflows of resources and deferred inflows of resources	(1,008,302)
Net position - beginning of year, as restated	\$ 22,400,951

The GASB has also issued Statement No. 85, *Omnibus 2017*, which is effective for fiscal years beginning after June 15, 2017. Statement No. 85 addresses practice issues that have been identified during implementation of certain GASB statements. The adoption of this standard had no effect on the College's financial statements, except as noted in the other recently adopted GASB's.

Recent Statements Issued by the Governmental Accounting Standards Board(GASB) –

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

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

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

The GASB has also issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is effective for fiscal years beginning after June 15, 2018. Statement No. 88's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It clarifies which liabilities governments should include when disclosing information related to debt. The College has not yet determined the effect that the adoption of GASB Statement No. 88 may have on its financial statements.

The GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is effective for fiscal years beginning after December 15, 2019. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The College has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

The GASB has also issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*, which is effective for fiscal years beginning after December 15, 2018. Statement No. 90's primary objective is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The College has not yet determined the effect that the adoption of GASB Statement No. 90 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

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

	June 30, 2018		
	Current	Noncurrent	Total
State Treasurer	\$ 13,293,461	\$ -	\$ 13,293,461
In Bank	218,972	-	218,972
Total	<u>\$ 13,512,433</u>	<u>\$ -</u>	<u>\$ 13,512,433</u>
	June 30, 2017		
	Current	Noncurrent	Total
State Treasurer	\$ 11,800,853	\$ -	\$ 11,800,853
In Bank	380,073	-	380,073
Total	<u>\$ 12,180,926</u>	<u>\$ -</u>	<u>\$ 12,180,926</u>

The combined carrying amount of cash in bank at June 30, 2018 and 2017, was \$218,972 and \$380,073 as compared with the combined bank balance of \$308,888 and \$470,252, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Non-interest-bearing accounts are 100% insured through December 31, 2018.

Amounts with the State Treasurer as of June 30, 2018 and 2017, are comprised of two investment pools: the WV Money Market Pool, and the WV Short Term Bond Pool, and certain amounts of uninvested cash. The amount of uninvested cash is \$1,125,753 at June 30, 2018.

Cash on deposit with the Treasurer includes deposits in the State Treasury bank account, the WV Money Market Pool, and the WV Short Term Bond Pool. Deposits in the bank account are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the bank in the name of the State. Deposits in the WV Money Market Pool, and the WV Short Term Bond Pool are pooled by the Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (the BTI). These funds are transferred to the BTI, and then the BTI invests in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures and trust agreements when applicable. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. 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 Legislature and is subject to oversight by the 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 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 position funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual audited financial report. A copy of that annual audited financial report can be obtained from the following address: 1900 Kanawha Blvd. East, Room E-122, Charleston, WV 25305 or <http://www.wvbt.com>.

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	2018		2017	
	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	\$ 11,891,816	AAAm	\$ 10,960,621	AAAm
WV Short Term Bond Pool	\$ 275,892	Not Rated	\$ 252,291	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 and the WV Government Money Market Pool:

External Pool	2018		2017	
	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	\$ 11,891,816	34	\$ 10,960,621	36

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

External Pool	2018		2017	
	Carrying Value	Effective Duration (Days)	Carrying Value	Effective Duration (Days)
WV Short Term Bond Pool	\$ 275,892	372	\$ 252,291	426

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss arising from a large position in a single asset or market exposure. The College has no risk exposure.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The College has no risk exposure.

Foreign Currency Risk

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

4. DUE FROM STATE AGENCIES

Due from state agencies is reflected in the statements of net position as either Due from the Council/Commission if from the West Virginia Higher Education Policy Commission (WVHEPC) or the West Virginia Community and Technical College System (WVCTCS), or included as a component in Accounts receivable in the applicable category in Note 5. Due from state agencies as of June 30, 2018 and 2017, is as follows:

	2018	2017
WVHEPC	\$ 21,096	\$ 13,748
WVCTCS	<u>110,786</u>	<u>86,314</u>
Due to Council/Commission	<u>131,882</u>	<u>100,062</u>
Included in Accounts Receivable components (see Note 5)		
WV Department of Education	2,835	-
Mountwest CTC	1,875	-
State of WV Division of Rehabilitation services	1,312	-

5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018 and 2017, is as follows:

	2018	2017
Student tuition and fees — net of allowance for doubtful accounts of \$983,521 and \$1,137,982 in 2018 and 2017, respectively	\$ 65,050	\$ 67,419
Other receivables	609,822	186,804
Unbilled charges	42,716	7,326
Financial aid grants receivable	<u>127,494</u>	<u>214,377</u>
	<u>\$ 845,082</u>	<u>\$ 475,926</u>

6. CAPITAL ASSETS

Summary of capital assets transactions for the College as of June 30, 2018 and 2017, is as follows:

	2018			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,605,550	\$ -	\$ -	\$ 1,605,550
Construction in progress	50,000	96,839	(142,302)	4,537
Total capital assets not being depreciated	<u>\$ 1,655,550</u>	<u>\$ 96,839</u>	<u>\$ (142,302)</u>	<u>\$ 1,610,087</u>
Capital assets being depreciated:				
Land Improvements	\$ 665,440	\$ 51	\$ -	\$ 665,491
Buildings/Leasehold improvements	17,652,488	142,302	-	17,794,790
Library books	1,492	-	-	1,492
Equipment	4,175,946	1,045,921	(224,589)	4,997,278
Total capital assets being depreciated	<u>22,495,366</u>	<u>1,188,274</u>	<u>(224,589)</u>	<u>23,459,051</u>
Less accumulated depreciation for:				
Land Improvements	155,272	44,232	-	199,504
Buildings/Leasehold improvements	3,125,538	526,520	-	3,652,058
Library books	1,492	-	-	1,492
Equipment	3,131,360	408,473	(223,928)	3,315,905
Total accumulated depreciation	<u>6,413,662</u>	<u>979,225</u>	<u>(223,928)</u>	<u>7,168,959</u>
Capital assets being depreciated — net	<u>\$ 16,081,704</u>	<u>\$ 209,049</u>	<u>\$ (661)</u>	<u>\$ 16,290,092</u>
Capital assets — net	<u>\$ 17,737,254</u>	<u>\$ 305,888</u>	<u>\$ (142,963)</u>	<u>\$ 17,900,179</u>

CAPITAL ASSETS (Continued)

	2017			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,605,550	\$ -	\$ -	\$ 1,605,550
Construction in progress	-	128,169	(78,169)	50,000
Total capital assets not being depreciated	<u>\$ 1,605,550</u>	<u>\$ 128,169</u>	<u>\$ (78,169)</u>	<u>\$ 1,655,550</u>
Capital assets being depreciated:				
Land Improvements	\$ 665,108	\$ 332	\$ -	\$ 665,440
Buildings/Leasehold improvements	17,601,386	78,169	(27,067)	17,652,488
Library books	1,492	-	-	1,492
Equipment	4,081,513	293,544	(199,111)	4,175,946
Total capital assets being depreciated	<u>22,349,499</u>	<u>372,045</u>	<u>(226,178)</u>	<u>22,495,366</u>
Less accumulated depreciation for:				
Land Improvements	111,040	44,232	-	155,272
Buildings/Leasehold improvements	2,548,198	589,971	(12,631)	3,125,538
Library books	1,492	-	-	1,492
Equipment	<u>2,978,417</u>	<u>347,877</u>	<u>(194,934)</u>	<u>3,131,360</u>
Total accumulated depreciation	<u>5,639,147</u>	<u>982,080</u>	<u>(207,565)</u>	<u>6,413,662</u>
Capital assets being depreciated — net	<u>\$ 16,710,352</u>	<u>\$ (610,035)</u>	<u>\$ (18,613)</u>	<u>\$ 16,081,704</u>
Capital assets — net	<u>\$ 18,315,902</u>	<u>\$ (481,866)</u>	<u>\$ (96,782)</u>	<u>\$ 17,737,254</u>

7. DUE TO STATE AGENCIES

Due to state agencies is reflected in the statements of net position as either Due to the Council/Commission if to West Virginia Higher Education Policy Commission (WVHEPC) or the West Virginia Community and Technical College System (WVCTCS), or reflected as Due to other state agencies. Due to state agencies as of June 30, 2018 and 2017, is as follows:

	2018	2017
WVHEPC	<u>\$ 16,081</u>	<u>\$ 22,716</u>
WV State Tax Dept	1,739	1,526
WV Dept of Health and Human Resources	2,678	7,897
WV State Treasurers Office	25	174
Department of Administration - Central Mail	77	41
WV Division of Labor	-	50
WV Attorney General	54	-
Public Employees Insurance Agency (PEIA)	100	-
Public Employees Insurance Agency (PEIA-RHBT)	732	-
WVU Health Science Center	-	100
WVNET	<u>417</u>	<u>219</u>
Total Due to other state agencies	<u>\$ 5,822</u>	<u>\$ 10,007</u>

8. OTHER POSTEMPLOYMENT BENEFITS

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

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

OPEB	<u>2018</u>
Net OPEB Liability	\$ 2,487,633
Deferred Outflows of Resources	\$ 225,347
Deferred Inflows of Resources	\$ 384,687
Revenues	\$ 156,853
OPEB Expense	\$ 72,067
Contributions Made by the College	\$ 225,347

Plan Description

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

labor, education, public employees and public retirees. Four remaining members represent the public-at-large.

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

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

Benefits Provided

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

Contributions

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

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

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

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

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

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

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

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

Assumptions

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

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of the long-term geometric rates for each major asset class are summarized below.

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

June 30, 2017	
Asset Class	Long-term Expected Real Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

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

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, 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:

2018			
	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB Liability	\$ 2,896,564	\$ 2,487,633	\$ 2,147,698

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

2018			
	Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
Net OPEB Liability	\$ 2,089,647	\$ 2,487,633	\$ 2,974,392

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

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

At June 30, 2018, the amount recognized as the College's proportionate share of the net OPEB liability was approximately \$2,487,633. At June 30, 2018, the nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is \$510,963 and the total net OPEB liability attributable to the College is \$2,998,596

The allocation percentage assigned to each contributing employer is based on the employer's proportionate share of employer contributions to the RHBT for the fiscal years ended June 30, 2017 and June 30, 2016. Employer contributions are recognized when due. At June 30, 2017, the College's proportion was 0.101164884%, a decrease of 0.017206659% from its proportion of 0.118371543% calculated as of June 30, 2016.

For the year ended June 30, 2018, the College recognized OPEB expense of \$72,067. Of this amount, \$(84,786) was recognized as the College's proportionate share of the OPEB expense, and \$156,853 as the amount of OPEB expense attributed to special funding. The College also recognized revenue of \$156,853 for support provided by the State.

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

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ -	\$ 336,653
Net difference between projected and actual investment earnings	-	39,704
Differences between expected and actual experience	-	8,330
Contributions after the measurement date	225,347	
Total	\$ 225,347	\$ 384,687

The College will recognize the \$225,347 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended	Amortization
June 30, 2019	\$ (102,813)
June 30, 2020	(102,813)
June 30, 2021	(102,813)
June 30, 2022	(76,248)
	<u>\$ (384,687)</u>

9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

The Municipal Bond Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the

Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution. Although the bonds remain as capital obligations of the Commission, an estimate of the obligation of each institution was reported as a long-term payable by each institution and as a receivable by the Commission, The College has no liability to the Commission at June 30, 2018 and 2017.

10. LEASES AND AMOUNT DUE TO BERKELEY BUSINESS PARK ASSOCIATES, L.C. AND MORGAN COUNTY COMMISSION

The College leases space at two locations as of June 30, 2018, which are accounted for as operating leases.

Future annual scheduled lease payments on operating leases for the 5 years subsequent to June 30, 2018 and then remaining in increments of 5 years, are as follows:

Year Ending June 30,	Berkeley Business Park	Morgan County Commission	Total
2019	\$ 359,466	\$ 63,240	\$ 422,706
2020	366,246	64,504	430,750
2021	373,161	65,795	438,956
2022	380,214	67,110	447,324
2023	383,103	-	383,103
2024-2025	<u>131,516</u>	<u>-</u>	<u>131,516</u>
Total	<u>\$ 1,993,706</u>	<u>\$ 260,649</u>	<u>\$ 2,254,355</u>

Total lease expense for the years ended June 30, 2018 and 2017, was \$363,703 and \$371,378, respectively.

The College does not have any non-cancellable leases.

11. UNRESTRICTED NET POSITION

The College did not have any designated unrestricted net position as of June 30, 2018 or 2017.

	<u>2018</u>	<u>2017</u>
Total unrestricted net position before OPEB liability	\$ 5,224,381	\$ 4,764,509
Less OPEB liability	<u>(2,487,633)</u>	<u>(1,723,457)</u>
Total unrestricted net position	<u>\$ 2,736,748</u>	<u>\$ 3,041,052</u>

12. DEFINED CONTRIBUTION PLANS

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

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

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 this plan 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.

DEFINED CONTRIBUTION PLANS

Educators Money			
Source of contributions:	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employee	\$ 1,696	\$ 1,650	\$ 1,715
Employer	<u>1,696</u>	<u>1,650</u>	<u>1,715</u>
Total contributions	<u>\$ 3,392</u>	<u>\$ 3,300</u>	<u>\$ 3,430</u>

TIAA-CREF			
Source of contributions:	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employee	\$ 446,446	\$ 418,028	\$ 411,039
Employer	<u>446,446</u>	<u>418,028</u>	<u>411,039</u>
Total contributions	<u>\$ 892,892</u>	<u>\$ 836,056</u>	<u>\$ 822,078</u>

The following is the covered payroll by plan for the year ended June 30:

BENEFITS ELIGIBLE PAYROLL

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employees' Salaries-TIAA-CREF	\$ 7,440,769	\$ 6,967,137	\$ 6,850,651
Employees' Salaries-Educators Money	<u>28,268</u>	<u>27,494</u>	<u>28,588</u>
Total	<u>\$ 7,469,037</u>	<u>\$ 6,994,631</u>	<u>\$ 6,879,239</u>

13. DEFINED BENEFIT PENSION PLAN

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

Following is the College's pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal years ended June 30, 2018 and 2017, respectively:

TRS	<u>2018</u>	<u>2017</u>
Net Pension Liability	\$ 82,954	\$ 107,695
Deferred Outflows of Resources	\$ 26,011	\$ 39,824
Deferred Inflows of Resources	\$ 13,285	\$ 4,659
Revenues	\$ 18,687	\$ 19,139
Pension Expense	\$ 16,385	\$ 20,035
Contributions Made by the College	\$ 9,993	\$ 10,109

TRS

Plan Description

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

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

Benefits Provided

TRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service. A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. Terminated members with at least five, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the 5 highest fiscal years of earnings during the last 15 fiscal years of earnings. Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan, including contribution rates, to the State Legislature.

Contributions

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

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

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

1. 15% of gross salary of their TRS State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll of members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by State residents; and
5. under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2017 and 2016, the College's proportionate share attributable to this special funding subsidy was \$82,954 and \$107,695, respectively.

The College's contributions to TRS for the years ended June 30, 2018, 2017 and 2016, were \$9,993, \$10,109 and \$10,159, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2016 and 2015 and rolled forward to June 30, 2017 and 2016, respectively. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.00-6.00% and 3.00-6.00%, respectively, and non-teachers 3.00-6.50% and 3.00-6.50%, respectively, based on age.
- Inflation rate of 3.0% and 3.0%, respectively.
- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers .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 State Legislature. However, the retirement system makes no automatic provision for such increases.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term arithmetic real rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2017 and 2016, are summarized below.

June 30, 2017		
Asset Class	Long-term Expected Real	
	Rate of Return	Target Allocation
US equity	7.0%	27.5%
International equity	7.7%	27.5%
Core fixed income	2.7%	7.5%
High-yield fixed income	5.5%	7.5%
TIPS	2.7%	0.0%
Real estate	7.0%	10.0%
Private equity	9.4%	10.0%
Hedge funds	4.7%	10.0%

June 30, 2016		
Asset Class	Long-term Expected Real	
	Rate of Return	Target Allocation
US equity	7.0%	27.5%
International equity	7.7%	27.5%
Core fixed income	2.7%	7.5%
High-yield fixed income	5.5%	7.5%
TIPS	2.7%	0.0%
Real estate	7.0%	10.0%
Private equity	9.4%	10.0%
Hedge funds	4.7%	10.0%

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the College's proportionate share of the TRS net pension liability as of June 30, 2018 and 2017, respectively, calculated using the discount rate of 7.50%, as well as what the College's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

2018			
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability	\$ 109,212	\$ 82,954	\$ 60,518

2017			
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability	\$ 136,221	\$ 107,695	\$ 83,280

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

The TRS net pension liability was measured as of June 30, 2017 and 2016. The total pension liability was determined by an actuarial valuation as of June 30, 2016 and 2015 and rolled forward to the respective measurement dates.

At June 30, 2018 and 2017, the College's proportionate share of the TRS net pension liability was \$266,408 and \$312,826, respectively. Of this amount, the College recognized approximately \$82,954 and \$107,695, respectively as its proportionate share on the Statement of Net Position. The remainder of \$183,454 and \$205,131, respectively denotes the College's proportionate share of net pension liability attributable to the special funding situation.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to TRS for each of the fiscal years ended June 30, 2017, 2016 and 2015. Employer contributions are recognized when due. At June 30, 2017, the College's proportion was 0.002401%, a decrease of .00022% from its proportion of 0.002620% calculated as of June 30, 2016. At June 30, 2016, the College's proportion was 0.002620%, an increase of 0.00033% from its proportion of 0.002294% calculated as of June 30, 2015.

For the year ended June 30, 2018 and 2017, the College recognized TRS pension expense of \$16,385 and \$20,035, respectively. Of this amount, \$(2,302) and \$896, respectively, was recognized as the College's proportionate share of the TRS expense and \$18,687 and \$19,139, respectively, as the amount of pension expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of \$18,687 and \$19,139, respectively, for support provided by the State.

At June 30, 2018 and 2017, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

<u>Deferred Outflows of Resources</u>	<u>2018</u>	<u>2017</u>
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 12,181	\$ 15,606
Contributions after the measurement date	9,993	10,109
Differences between expected and actual experience	721	986
Changes in assumptions	3,116	4,260
Net difference between projected and actual investment earnings	-	8,863
Total	<u>\$ 26,011</u>	<u>\$ 39,824</u>

<u>Deferred Inflows of Resources</u>	<u>2018</u>	<u>2017</u>
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 9,200	\$ 4,030
Net difference between projected and actual investment earnings	2,607	-
Differences between expected and actual experience	1,478	629
Total	<u>\$ 13,285</u>	<u>\$ 4,659</u>

The College will recognize the \$9,993 reported as 2018 deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows.

<u>Fiscal Year Ended</u>	<u>Amortization</u>
June 30, 2019	\$ 130
June 30, 2020	2,618
June 30, 2021	2,757
June 30, 2022	(1,215)
June 30, 2023	(1,557)
	<u>\$ 2,733</u>

Payables to the pension plan

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

14. CONTINGENCIES

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

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

15. SERVICE CONCESSION ARRANGEMENTS

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

The College contracts with Barnes & Noble to operate the bookstore located on the main campus. These services provide the College community with a professional bookstore to meet the needs of students, faculty and staff. The College receives commission payments calculated as a contractually agreed percentage of bookstore revenue. The contract began on May 1, 2013 and ended April 30, 2018. As of June 30, 2018 the service concession arrangement liability and deferred inflow of resources was -0-.

16. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Operating expenses within functional classifications for the years ended June 30, 2018 and 2017 are as follows:

	2018	2017
Instruction	\$ 8,474,215	\$ 6,865,236
Academic support	711,403	712,819
Student services	1,695,917	1,514,969
General institutional support	3,448,808	4,026,009
Operations and maintenance of plant	1,526,270	1,407,805
Student financial aid	2,265,491	2,707,944
Depreciation	979,225	982,081
Auxiliary	419,952	296,958
Other	115,200	116,160
Total	<u>\$ 19,636,481</u>	<u>\$ 18,629,981</u>

17. COMPONENT UNIT'S DISCLOSURES

The notes taken directly from the audited financial statements of the Foundation are as follows:

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Blue Ridge Community and Technical College Foundation, Inc. (the Foundation) was incorporated under the laws of West Virginia on January 14, 2011 and commenced operations on June 1, 2011. The Foundation was formed for the purposes of providing scholarships to students, administering funds restricted for special college programs, and providing special awards and grants to students attending Blue Ridge Community and Technical College (the College) located in Martinsburg, West Virginia.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that will be maintained permanently by the Foundation. The donors of these assets generally permit the Foundation to use the income earned on the related investments for specific purposes.

Use of Estimates in Preparing Financial Statements

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 amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less at date of purchase to be cash equivalents. At June 30, 2018 and 2017, this included \$107,205 and \$1,262, respectively of money market funds.

Investments

The Foundation's investments are carried at fair value. Realized and unrealized gains and losses and investment income are recorded on the Statement of Activities as either unrestricted or temporarily restricted depending upon whether the terms of the gift impose restrictions on the current use of the net income or net gains.

Contributions

Contributions receivable represent unconditional promises to give from various contributors including individuals, local businesses and state and local governments. Contributions receivable in excess of one year have been discounted and all contributions receivable are recorded at fair value as of June 30, 2018 and 2017.

Contributions of temporarily restricted net assets that are received and expended in the same fiscal year are treated as temporarily restricted revenue and net assets released from restriction in that year.

Permanently Restricted Contributions

Contributions subject to donor-imposed stipulations that must be maintained in perpetuity by the Foundation are included in permanently restricted net assets. Generally, the donors of these assets permit the Foundation to use all or part of the income earned and capital gains on related investments, if any, for general or specific purposes.

Temporarily Restricted Contributions

Contributions subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time are included in temporarily restricted net assets.

Unrestricted Contributions

Contributions not subject to donor-imposed stipulations, or whose restrictions have been satisfied, are recorded as unrestricted net assets.

Deferred Revenue

The Foundation holds events each year in July and September. All donations and fees paid for these events prior to year-end are recognized as deferred revenue.

Functional Expense Allocations

Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

Tax Status

The Foundation has been recognized by the IRS as a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code.

The Foundation follows generally accepted accounting principles, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The Foundation's policy is to charge penalties and interest to income tax expense as incurred. The Foundation's federal and state income tax returns are subject to examination by the IRS and state tax authorities, generally for a period of three years after the returns are filed.

Contributed Services

The Foundation utilizes time contributed by employees of the College. The employee time is provided at no cost to the Foundation and are not deemed significant. There are no amounts for contributed services in the financial statements.

NOTE 2 CONCENTRATIONS OF CREDIT RISK

The Foundation maintains all of its cash in one commercial bank located in Martinsburg, West Virginia. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. At June 30, 2018 and 2017, the Foundation had \$0 and \$216,365 in excess of the FDIC insured limit, respectively. The Foundation continually assesses the financial strength of this institution to mitigate its credit risk.

NOTE 3 INVESTMENTS

The following is a summary of available-for-sale securities as of June 30, 2018:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity Securities and Mutual Funds	\$ 508,705	\$ 17,702	\$ 6,659	\$ 519,748
Corporate Bonds	49,779	-	942	48,837
	<u>\$ 558,483</u>	<u>\$ 17,702</u>	<u>\$ 7,601</u>	<u>\$ 568,584</u>

The following is a summary of available-for-sale securities as of June 30, 2017:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity Securities and Mutual Funds	\$ 200,606	\$ 7,606	\$ -	\$ 208,212
Corporate Bonds	49,781	432	-	50,213
	<u>\$ 250,387</u>	<u>\$ 8,038</u>	<u>\$ -</u>	<u>\$ 258,425</u>

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the Foundation uses the valuation approaches within FASB's *Fair Value Measurements*. As defined in *Fair Value Measurements*, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Management utilizes market data or assumptions that market participants would use in pricing the asset and liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

These inputs can be readily observable, market corroborated or generally unobservable. Management primarily applies the market approach for recurring fair value measurements and attempts to utilize the best available information.

Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and lowest priority to unobservable inputs (Level 3 measurements).

The three Levels of fair value hierarchy defined by Fair Value Measurements are as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices which are observable for the assets or liabilities;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Pricing inputs include significant inputs that are generally not observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

Equity securities and mutual funds, corporate bonds and money market funds are listed on a national market or exchange and are valued at the last sales price, or, if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange.

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money Market	\$ 107,205	\$ -	\$ -	\$ 107,205
Total Money Market	\$ 107,205	\$ -	\$ -	\$ 107,205
Investments				
Equity Securities and Mutual Funds				
Equity International	\$ 54,781	\$ -	\$ -	\$ 54,781
Equity Domestic Large Cap	220,319	-	-	220,319
Equity Domestic Mid Cap	11,698	-	-	11,698
Equity Domestic Small Cap	11,843	-	-	11,843
Equity Index Funds	39,414	-	-	39,414
Fixed Income	135,269	-	-	135,269
Fixed Income US Government	46,424	-	-	46,424
Corporate Bonds	48,837	-	-	48,837
Total Investments	\$ 568,584	\$ -	\$ -	\$ 568,584

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2017:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money Market	\$ 1,262	\$ -	\$ -	\$ 1,262
Total Money Market	\$ 1,262	\$ -	\$ -	\$ 1,262
Investments				
Equity Securities and Mutual Funds				
Equity International	\$ 34,443	\$ -	\$ -	\$ 34,443
Equity Domestic Large Cap	70,441	-	-	70,441
Equity Domestic Mid Cap	5,369	-	-	5,369
Equity Domestic Small Cap	9,319	-	-	9,319
Equity Index Funds	32,052	-	-	32,052
Fixed Income	50,704	-	-	50,704
Fixed Income US Government	5,884	-	-	5,884
Corporate Bonds	50,213	-	-	50,213
Total Investments	\$ 258,425	\$ -	\$ -	\$ 258,425

NOTE 5 ENDOWMENTS

The Foundation's endowments consist of a fund established to support a variety of scholarships at Blue Ridge Community and Technical College. The endowments include donor restricted funds. Net assets associated with endowment funds are classified and reported as permanently restricted net assets based on the donor-imposed restrictions. The classification is based on the board's interpretation of West Virginia's statutes that govern such endowments and its interpretations of donor intent and the related endowment bylaws.

The Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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. Consequently, the Foundation classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation's Board. In accordance with SPMIFA, the Foundation 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 purpose of the Foundation and the 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 Foundation;
7. The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce results similar to the S&P 500 index while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

The Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Foundation targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints.

NOTE 5 ENDOWMENTS (CONTINUED)

The Foundation had the following changes in the endowment net assets during the years ended June 30, 2018 and 2017:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 10,962	\$ 500,000	\$ 510,962
Contributions	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets after Contributions and Expenditures	-	10,962	500,000	510,962
Investment Return	-	21,599	-	21,599
Interest and Dividend Income, Net of Fees	-	-	-	-
Net Depreciation Realized and Unrealized	-	-	-	-
Transfers and Adjustments	-	-	-	-
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 32,561</u>	<u>\$ 500,000</u>	<u>\$ 532,561</u>

	2017			
	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 58	\$ 500,000	\$ 500,058
Contributions	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets after Contributions and Expenditures	-	58	500,000	500,058
Investment Return	-	10,904	-	10,904
Interest and Dividend Income, Net of Fees	-	-	-	-
Net Depreciation Realized and Unrealized	-	-	-	-
Transfers and Adjustments	-	-	-	-
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 10,962</u>	<u>\$ 500,000</u>	<u>\$ 510,962</u>

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30 are restricted for the following purposes:

	2018	2017
Scholarships	<u>\$ 175,543</u>	<u>\$ 131,038</u>

Net assets released from restrictions were as follows:

	2018	2017
Scholarships	<u>\$ 58,537</u>	<u>\$ 36,800</u>

NOTE 7 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 20, 2018, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2018, but prior to September 20, 2018, that provided additional evidence about conditions that existed at June 30, 2018 have been recognized in the financial statements for the year ended June 30, 2018. Events or transactions that provided evidence about conditions that did not exist at June 30, 2018, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net OPEB Liability

Measurement Date	College's Proportionate Share as a Percentage of Net OPEB Liability	College's Proportionate Share	State's Proportionate Share	Total Proportionate Share	College's Covered Employee Payroll	College's Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
June 30, 2017	0.101164884%	\$ 2,487,633	\$ 510,963	\$ 2,998,596	\$ 2,224,677	111.82%	25.10%

Schedule of Employer Contributions

Measurement Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 2017	\$ 207,791	\$ 207,791	\$ -	\$ 2,224,677	9.34%

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS

Schedule of Proportionate Share of TRS Net Pension Liability:

Measurement Date	College's Proportionate Share as a Percentage of Net Pension Liability	College's Proportionate Share	State's Proportionate Share	Total Proportionate Share	College's Covered Employee Payroll	College's Proportionate Share as a Percentage of Covered Payroll	College's Plan Fiduciary Net Position as a Percentage of Total Pension
June 30, 2017	0.002401%	\$ 82,954	\$ 183,454	\$ 266,408	\$ 67,392	123.09%	67.85%
June 30, 2016	0.002620%	\$ 107,695	\$ 205,131	\$ 312,826	\$ 67,725	159.02%	61.42%
June 30, 2015	0.002294%	\$ 79,493	\$ 181,342	\$ 260,835	\$ 69,526	114.34%	66.25%
June 30, 2014	0.002074%	\$ 75,898	\$ 171,484	\$ 247,382	\$ 67,561	112.34%	65.95%

Schedule of Employer Contributions:

Year End	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a percentage of Covered Payroll
June 30, 2018	\$ 9,993	\$ 9,993	\$ -	\$ 66,622	15.00%
June 30, 2017	\$ 9,940	\$ 10,109	\$ (169)	\$ 67,392	15.00%
June 30, 2016	\$ 10,157	\$ 10,159	\$ (2)	\$ 67,725	15.00%
June 30, 2015	\$ 10,431	\$ 10,429	\$ 2	\$ 69,526	15.00%
June 30, 2014	\$ 9,436	\$ 10,134	\$ (698)	\$ 67,561	15.00%

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

Notes to Required Supplementary Information For the Years Ended June 30, 2018 and 2017

There are no factors that affect trends in the amounts reported, such as change in benefit terms or assumptions. With only four years reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report.

(Auditors to insert report)

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

(Auditors to insert report) – Page 2

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