# Eastern West Virginia
# Community and Technical College

Financial Statements
Years Ended June 30, 2018 and 2017
and
Independent Auditor's Reports

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

# EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

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# INDEPENDENT AUDITOR'S REPORT

Board of Governors
Eastern West Virginia Community and Technical College
Moorefield, West Virginia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Eastern West Virginia Community and Technical College (the College), a component unit of the West Virginia Council for Community and Technical College Education, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

The Virginia Center • 1411 Virginia Street, East • Suite 100 • Charleston, WV 25301
Phone (304) 343-4126 or 1(800) 788-3844 • Fax (304) 343-8008

Wharf District • 68 Clay Street • Suite C • Morgantown, WV 26501
Phone (304) 554-3371 • Fax (304) 554-3410

Towne Square • 201 Third Street • PO Box 149 • Parkersburg, WV 26102
Phone (304) 485-6584 • Fax (304) 485-0971

www.suttlecpas.com • E-mail: cpa@suttlecpas.com
A Professional Limited Liability Company

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the College, as of June 30, 2018 and 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As described in Note 3 to the financial statements, in 2018, the College adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 11, the schedule of proportionate share of the net OPEB liability and schedule of OPEB contributions, and related footnote on pages 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 5, 2018

**MANAGEMENT DISCUSSION AND ANALYSIS**
**YEAR ENDED JUNE 30, 2018**

## Overview of the Financial Statements and Financial Analysis

The Governmental Accounting Standards Board (GASB) issued directives for presentation of college and university financial statements which were adopted in Fiscal Year 2002 by Eastern West Virginia Community and Technical College (Eastern or the College). The previous reporting format presented financial balances and activities by fund groups. The current format places emphasis on the overall economic resources of the College.

The discussion and analysis of Eastern West Virginia Community and Technical College's financial statements provides an overview of the College's financial activities for the fiscal years ended June 30, 2018, 2017 and 2016. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

## Using this report

The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the Statement of Net Position is designed to present the College's financial position as of a point in time. This statement combines current financial resources (short-term spendable resources) with capital assets and other long-term resources. The Statement of Revenues, Expenses, and Changes in Net Position, emphasizes the change in net position over the year to indicate whether there has been improvement or erosion of the College's financial health.

## The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the College's finances is, "Is the College as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the College as a whole and on its activities in a way that helps answer this question. The relationship between revenues and expenses may be thought of as the College's operating results.

These two statements report the College's net position and the changes that occur in them during the year. You can think of the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position is one indicator of whether its financial health is improving or deteriorating.

You will need to consider many other nonfinancial factors, such as the trend in College recruiting, student retention, enrollment growth, academic or workforce programs created or expanded during the year, and the strength of the instructional services, to accurately assess the overall health of the College. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**MANAGEMENT DISCUSSION AND ANALYSIS**
**YEAR ENDED JUNE 30, 2018**

From the data presented, readers of the Statement of Net Position are able to determine the availability of net position (assets plus deferred outflows minus liabilities minus deferred inflows) for expenditure to continue the operations of the College. They are also able to determine how much the College owes vendors and employees.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the College's equity in buildings, equipment, and library books owned by the College. The next net position category is restricted net position, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position is for the Endowment Program where funds are invested and the earnings are available for expenditure but the original investment (corpus) is not. The College does not currently have nonexpendable restricted net position since all funds of this nature would generally be directed to The Eastern West Virginia Community and Technical College Foundation, Incorporated. Expendable restricted net position is available for expenditure by the College but have a specific purpose (i.e. time or purpose restrictions). The final category is unrestricted net position. Unrestricted net position is available to the College for any lawful purpose of the College.

## Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the College. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflows, liabilities (current and noncurrent), deferred inflows and net position (assets plus deferred outflows minus liabilities minus deferred inflows). The difference between current and noncurrent assets and liabilities are discussed in the footnotes to the financial statements.

### Condensed Schedules of Net Position
### June 30, 2018

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| **Assets:** | | | |
| Current assets | $ 2,461,108 | $ 2,545,306 | $ 2,955,016 |
| Capital assets | 10,662,690 | 10,586,499 | 10,968,231 |
| Noncurrent assets | 304,690 | 305,758 | 281,226 |
| **Total Assets** | 13,428,488 | 13,437,563 | 14,204,273 |
| **Deferred Outflows:** | 54,927 | - | - |
| **Liabilities:** | | | |
| Current liabilities | 737,916 | 1,003,516 | 1,384,720 |
| Noncurrent liabilities | 3,164,986 | 3,154,074 | 3,205,474 |
| **Total Liabilities** | 3,902,902 | 4,157,590 | 4,590,194 |
| **Deferred Inflows:** | 190,367 | - | - |
| **Net Position:** | | | |
| Net investment in capital assets | 8,175,358 | 8,099,899 | 8,414,966 |
| Restricted-expendable | 294,564 | 298,147 | 272,044 |
| Unrestricted | 920,224 | 881,927 | 927,269 |
| **Total Net Position** | $ 9,390,146 | $ 9,279,973 | $ 9,614,279 |

**MANAGEMENT DISCUSSION AND ANALYSIS**
**YEAR ENDED JUNE 30, 2018**

Financial Highlights:

- *Assets*

  Current assets as of June 30, 2018 decreased $84,198 from June 30, 2017. Cash decreased by $187,796. Accounts receivable increased $99,891 from June 30, 2017 to June 30, 2018.

  Capital assets showed an increase of $76,191 from June 30, 2017 to June 30, 2018.

  Total non-current assets showed an increase of $75,123 from June 30, 2017 to June 30, 2018.

- *Liabilities*

  Current liabilities as of June 30, 2018 decreased by $265,600 from the previous year. Accounts payable reflected an increase of $18,016 from June 30, 2017 to June 30, 2018. Unearned revenue decreased by $221,375 from June 30, 2017 and June 30, 2018.

  Noncurrent or long-term liabilities represent accrued compensated absences, other post-employment benefits liability (OPEB) and long-term liabilities for capital projects. Included in compensated absences are employees' balances of annual leave which are in excess of one year's annual leave rate for June 30, 2018 and 2017. Noncurrent liabilities increased by $10,912 from June 30, 2017 to June 30, 2018.

- *Net Position*

  Net investment in capital assets reports an increase of $75,459 between June 30, 2018 and June 30, 2017.

  Restricted net position shows a decrease of $3,583 between June 30, 2018 and June 30, 2017.

  Unrestricted net position increased by $38,297 as of June 30, 2018 in comparison to June 30, 2017.

  In total, net position as of June 30, 2018 increased by $110,173 from June 30, 2017.

**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 the statement is to present the revenues generated and expenses incurred by the College, both operating and non-operating. In addition, any other revenues, expenses, gains or losses are also reflected in this financial statement.

*Operating revenues* are generated by providing goods and services to the College's customers and constituencies and in the form of federally-funded and state-funded grants. *Operating expenses* are expenses incurred by the College in order to generate operating revenue and to carry out the mission of the College.

**MANAGEMENT DISCUSSION AND ANALYSIS**
**YEAR ENDED JUNE 30, 2018**

*Nonoperating revenue* is revenue received for which goods and services are not provided. For example, state appropriations are nonoperating because the West Virginia Legislature provides them to the College without the West Virginia Legislature directly receiving commensurate goods and services for those revenues.

**Condensed Schedules of Revenues, Expenses, and Changes in Net Position**
**Years Ended June 30,**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Operating revenues | $ 2,959,474 | $ 2,010,049 | $ 2,365,647 |
| Operating expenses | 5,346,878 | 5,103,977 | 5,770,946 |
| Operating loss | (2,387,404) | (3,093,928) | (3,405,299) |
| Nonoperating revenues | 2,641,060 | 2,759,622 | 3,223,122 |
| Income (loss) before other revenues, expenses, gain or losses | 253,656 | (334,306) | (182,177) |
| Capital projects and bond proceeds | 3,686 | - | - |
| Payments made and expenses incurred on behalf of the college | 45,585 | - | - |
| Increase (decrease) in net position before cumulative effect of adoption of accounting principle | 302,927 | (334,306) | (182,177) |
| Cumulative effect of adoption of accounting principle | (192,754) | - | - |
| Increase (decrease) in net position | 110,173 | (334,306) | (182,177) |
| Net Position - Beginning of year | 9,279,973 | 9,614,279 | 9,796,456 |
| Net Position - End of year | $ 9,390,146 | $ 9,279,973 | $ 9,614,279 |

Financial Highlights:

Operating revenues increased by $949,425 in fiscal year 2018 as compared to fiscal year 2017. Net tuition and fee revenue increased in 2018 by $32,120. The scholarship allowance amount decreased by $113,091 in 2018 as compared to 2017. Revenue from grants and contracts reflected an increase of $827,742 during this period. Grants and contracts are cyclical by nature and cannot be relied upon for sustained revenue from one year to the next.

Operating expenses in fiscal year 2018 increased by $242,901 from fiscal year 2017. Wages decreased in 2018 by $264,840 as a result of vacancies and employee turnover. Benefits decreased by $38,310 due to the adoption of a new accounting principle concerning the treatment of OPEB expenses. Other operating expenses increased by $546,051. This was mostly due to an increase of $485,368 in supplies and services from 2017 to 2018.

Nonoperating revenue decreased by $118,562 in fiscal year 2018 as compared to fiscal year 2017. State appropriations decreased by $45,222 in fiscal year 2018 as compared to fiscal year 2017. Federal Pell grants decreased by $79,051 in fiscal year 2018.

Other nonoperating revenues in fiscal year 2018 increased by $5,711 from year 2017. The increase was due to additional investment income.

In fiscal year 2018, a new accounting principal (GASB 75) was adopted to modify the method of recording OPEB expenses and liabilities. The cumulative effect of the adoption of GASB 75 was a decrease in net position of $192,754. Total increase in net position from June 30, 2017 to June 30, 2018 was $110,173.

**Statement of Cash Flows**

The final statement presented by the College is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. Another way to assess the financial health of a College is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. For the year ended June 30, 2018, the net cash used by operating activities (approximately $3.1 million) indicates that the College used more cash for instructional and administrative costs than it received from sources such as student tuition and certain federal and state grants.

The Statement of Cash Flows is divided into five sections.

The ***first section*** reflects cash in-flows/out-flows generated from operating activities. The ***second section*** reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for nonoperating, non-investing, and noncapital financing purposes. The ***third section*** deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The ***fourth section*** reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The ***fifth section*** reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

**MANAGEMENT DISCUSSION AND ANALYSIS**
**YEAR ENDED JUNE 30, 2018**

**Condensed Schedules of Cash Flows**
**Years Ended June 30,**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Cash (used in) provided by: | | | |
| Operating activities | $ (2,198,586) | $ (3,092,669) | $ (2,489,049) |
| Noncapital financing activities | 2,617,439 | 2,741,712 | 3,215,234 |
| Capital and related financing activities | (630,333) | (201,609) | (633,762) |
| Investing activities | 22,616 | 17,307 | 7,888 |
| (Decrease) increase in cash and cash equivalents | (188,864) | (535,259) | 100,311 |
| Cash and cash equivalents - Beginning of year | 2,465,369 | 3,000,628 | 2,900,317 |
| Cash and cash equivalents - End of year | $ 2,276,505 | $ 2,465,369 | $ 3,000,628 |

Financial Highlights:

Cash flows used in operating activities decreased by $894,083 in fiscal year 2018 from the previous year. Cash flow from grants and contracts increased $1,004,172 from fiscal 2017 to fiscal 2018. Cash flows for payments to suppliers increased $549,309 in fiscal 2018 as compared to fiscal 2017.

Cash flows from noncapital financing activities decreased by $124,273 in fiscal year 2018 as compared to fiscal year 2017. This is as a result in part of decreases in 2018 in State Appropriation of $45,222 and a decrease in Federal Pell grants of $79,051.

Cash flows from capital and related financing activities increased in fiscal year 2018 from fiscal year 2017 by $428,724.

Cash flows from investing activities increased in fiscal year 2018 from fiscal year 2017 by $5,309. This increase was due to earning interest on investments.

Overall cash decreased by $188,864 in fiscal year 2018 as compared to fiscal year 2017.

## Capital Activity

The College has agreements with the West Virginia Development Office (WVDO) totaling $619,932. These funds were used to construct a sewer system and access road for the College's facility. The College will repay the WVDO "if non-operating funds become available" or "when an appropriate non-operating income stream is established" or "if the College sells or disposes of the two acres of property." The amount owed to the WVDO, in the event that one of the two previous conditions are met, is recorded as a noncurrent liability in the Statement of Net Position.

**MANAGEMENT DISCUSSION AND ANALYSIS**
**YEAR ENDED JUNE 30, 2018**

Eastern awarded a contract to Harbel Construction, Inc, to construct a new wing in June 2016. The project was for a 7,500 square foot wing to accommodate additional classroom space for approximately $3,000,000. Eastern entered into a $2,000,000 financial assistance agreement with WVDO to finance the project and the expansion project was substantially complete in the summer of 2017. Eastern began quarterly payments to WVDO in fall 2017.

West Virginia University completed two energy assessments for the Moorfield campus and Technology Center in Petersburg, WV. Eastern has been awarded beginning in fiscal year 2018 a ten year loan from the Higher Education Policy Commission (HEPC) for $75,000 to implement energy projects that will assist with reducing utilities. The annual payments will be funded by capital fees. In spring of 2018, Eastern used the proceeds of this loan to replace the fluorescent lights at the Petersburg Technology Center with LED lights.

Also in spring of 2018, Eastern broke ground on an additional student parking lot at the front entrance of the college. The parking lot was funded by a $67,568 grant from the West Virginia Department of Environmental Protection. Per the terms of the grant, the amount awarded will be matched by the remaining proceeds from the WVDO financial assistance agreement mentioned above.

The college is investigating the application of solar lighting for parking, a solar canopy, a wind turbine and other energy related projects to promote the College as a demonstration site for a variety of renewable energy projects.

Eastern submitted capital projects to HEPC to complete the following projects:

- HVAC improvements to reduce utility expenses.
- West Wing portico
- Mountain Skyway Center

## Economic Outlook

The College implemented a revised tuition rate of $143 per credit hour for fiscal year 2018. Fiscal year 2018 year to date actual tuition and fees revenue totaled $740,973 (net of scholarship allowance). In response to decreasing enrollment, the Board of Governors decided not to increase tuition from its current rate of $143 for fiscal year 2019. Eastern recognizes continuing to increase tuition rates and student fees is not a wise business plan and a decline in fall 2018 enrollment creates additional pressures on resources. Additionally, the increase in state appropriations for fiscal year 2019 further justifies this decision. Nevertheless, the college is seeking other sources of revenue to support its mission and special initiatives. Eastern will continue to seek and apply for grant funding to help support its programs, but the lack of sufficient funding in the form of state appropriations is alarming. For this reason, Eastern is requesting a supplemental appropriation from the state for fiscal year 2019 which will increase base funding. The college continues to abide by the 2015-2020 Strategic Plan and improving resources is one of the five goals.

### Contacting the College’s Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of Eastern West Virginia Community and Technical College and to show the College’s accountability for the money it receives. If you have questions about this report or need additional financial information contact the Chief Financial Officer at Eastern West Virginia Community and Technical College 316 Eastern Drive, Moorefield, West Virginia 26836 or call (304) 434-8000.

# EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
## STATEMENTS OF NET POSITION
## JUNE 30, 2018 AND 2017

| | 2018 | 2017 |
|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 1,980,984 | $ 2,168,780 |
| Accounts receivable, net of allowance for doubtful accounts | 476,417 | 376,526 |
| Prepaid assets | 3,707 | - |
| Total current assets | 2,461,108 | 2,545,306 |
| NONCURRENT ASSETS: | | |
| Cash and cash equivalents | 295,521 | 296,589 |
| Other non current assets | 9,169 | 9,169 |
| Capital assets, net of accumulated depreciation | 10,662,690 | 10,586,499 |
| Total noncurrent assets | 10,967,380 | 10,892,257 |
| Total assets | 13,428,488 | 13,437,563 |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Total deferred outflows of resources | 54,927 | - |
| TOTAL | $ 13,483,415 | $ 13,437,563 |
| **LIABILITIES, DEFERRED INFLOWS, AND NET POSITION** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 173,220 | $ 155,204 |
| Amount due to the Commission | 14,762 | 3,348 |
| Amount due to Other State Agencies | 15,631 | 25,390 |
| Retainages payable | 141,665 | 141,665 |
| Accrued liabilities and deposits | 90,237 | 140,211 |
| Compensated absences — current portion | 82,793 | 104,215 |
| Funds due to West Virginia Development Office - current portion | 66,668 | 66,668 |
| Funds due to HEPC - current portion | 7,500 | - |
| Unearned revenue | 145,440 | 366,815 |
| Total current liabilities | 737,916 | 1,003,516 |
| NONCURRENT LIABILITIES: | | |
| Compensated absences | 28,758 | 33,118 |
| Other post employment benefits liability | 722,965 | 701,026 |
| Funds due to West Virginia Development Office | 2,353,263 | 2,419,930 |
| Funds due to HEPC | 60,000 | - |
| Total noncurrent liabilities | 3,164,986 | 3,154,074 |
| Total liabilities | 3,902,902 | 4,157,590 |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Total deferred inflows of resources | 190,367 | - |
| NET POSITION: | | |
| Net investment in capital assets | 8,175,358 | 8,099,899 |
| Restricted for - expendable - capital projects | 294,564 | 298,147 |
| Unrestricted | 920,224 | 881,927 |
| Total net position | 9,390,146 | 9,279,973 |
| TOTAL | $ 13,483,415 | $ 13,437,563 |

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

| | 2018 | 2017 |
|---|---|---|
| OPERATING REVENUES: | | |
| Student tuition and fees — net of scholarship allowance of $481,818 and $594,909 in 2018 and 2017, respectively | $ 740,973 | $ 708,853 |
| Contracts and grants: | | |
| Federal | 1,263,515 | 480,538 |
| State | 855,182 | 810,943 |
| Private | 5,443 | 4,917 |
| Sales and services of educational activities | 1,048 | 185 |
| Court settlement | 70,000 | - |
| Miscellaneous | 23,313 | 4,613 |
| Total operating revenues | 2,959,474 | 2,010,049 |
| OPERATING EXPENSES: | | |
| Salaries and wages | 1,748,409 | 2,013,249 |
| Benefits | 451,108 | 489,418 |
| Supplies and other services | 2,073,010 | 1,587,642 |
| Utilities | 112,377 | 120,680 |
| Student financial aid — scholarships | 384,200 | 350,160 |
| Depreciation | 558,661 | 521,185 |
| Fees assessed by the Commission for operations | 19,113 | 21,643 |
| Total operating expenses | 5,346,878 | 5,103,977 |
| OPERATING LOSS | (2,387,404) | (3,093,928) |
| NONOPERATING REVENUES: | | |
| State appropriations | 1,751,421 | 1,796,643 |
| Federal Pell grants | 866,018 | 945,069 |
| Investment income | 23,621 | 17,910 |
| Total nonoperating revenues | 2,641,060 | 2,759,622 |
| INCREASE (DECREASE) IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES | 253,656 | (334,306) |
| BOND PROCEEDS | 3,686 | - |
| PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF THE COLLEGE | 45,585 | - |
| INCREASE (DECREASE) IN NET POSITION BEFORE CUMULATIVE EFFECT | 302,927 | (334,306) |
| CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE | (192,754) | - |
| INCREASE (DECREASE) IN NET POSITION | 110,173 | (334,306) |
| NET POSITION - Beginning of year | 9,279,973 | 9,614,279 |
| NET POSITION - End of year | $ 9,390,146 | $ 9,279,973 |

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

| | 2018 | 2017 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Student tuition and fees | $ 771,314 | $ 702,935 |
| Contracts and grants | 1,784,952 | 780,780 |
| Payments to and on behalf of employees | (2,265,063) | (2,491,596) |
| Payments to suppliers | (2,068,460) | (1,519,151) |
| Payments to utilities | (112,377) | (120,680) |
| Payments for scholarships | (384,200) | (350,160) |
| Sales and service of educational activities | 1,048 | 15,875 |
| Fees retained by the Commission | (19,113) | (21,643) |
| Other (payments) receipts, net | 93,313 | (89,029) |
| Net cash used in operating activities | (2,198,586) | (3,092,669) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| State appropriations | 1,751,421 | 1,796,643 |
| Federal Pell grants | 866,018 | 945,069 |
| Federal Direct Loan Program — direct lending receipts | 305,723 | 438,812 |
| Federal Direct Loan Program — direct lending payments | (305,723) | (438,812) |
| Net cash provided by noncapital financing activities | 2,617,439 | 2,741,712 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | |
| Repayments of loans from West Virginia Development Office | (66,667) | (66,667) |
| Capital project proceeds from the Commission | 75,000 | - |
| Repayments of loans from Commission | (7,500) | - |
| Purchases of capital assets | (631,166) | (139,453) |
| Proceeds from sale of capital assets | - | 4,511 |
| Net cash used in capital financing activities | (630,333) | (201,609) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest on investments | 22,616 | 17,307 |
| Net cash provided by investing activities | 22,616 | 17,307 |
| DECREASE IN CASH AND CASH EQUIVALENTS | (188,864) | (535,259) |
| CASH AND CASH EQUIVALENTS - Beginning of year | 2,465,369 | 3,000,628 |
| CASH AND CASH EQUIVALENTS - End of year | $ 2,276,505 | $ 2,465,369 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Operating loss | $ (2,387,404) | $ (3,093,928) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation expense | 558,661 | 521,185 |
| Gain on sale of capital assets | - | (4,511) |
| OPEB expense - special funding situation | 45,585 | - |
| Net effect of change in accounting policy | (192,754) | - |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | (98,886) | (151,662) |
| Prepaid expenses | (3,707) | 306 |
| Other non current assets | - | 1,878 |
| Deferred outflows | (54,927) | - |
| Accounts payable | 8,257 | 68,185 |
| Due to Commission/Council | 11,414 | (5,278) |
| Accrued liabilities and deposits | (49,974) | 3,358 |
| Other postemployment benefits liability | 21,939 | 20,522 |
| Compensated absences | (25,782) | (14,687) |
| Unearned revenue | (221,375) | (438,037) |
| Deferred inflows | 190,367 | - |
| Net cash used in operating activities | $ (2,198,586) | $ (3,092,669) |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION: | | |
| Cash and cash equivalents classified as current | $ 1,980,984 | $ 2,168,780 |
| Cash and cash equivalents classified as noncurrent | 295,521 | 296,589 |
| | $ 2,276,505 | $ 2,465,369 |
| Noncash transactions: | | |
| Capital expenditures in accounts payable | $ 141,665 | $ 141,665 |

The Accompanying Notes Are An Integral
Part Of These Financial Statements

**NOTES TO FINANCIAL STATEMENTS**
**YEARS ENDED JUNE 30, 2018 AND 2017**

## NOTE 1 - ORGANIZATION

Eastern West Virginia Community and Technical College (the College) is governed by the Eastern West Virginia Community and Technical College Governing Board (the Board). The Board was established by Senate Bill 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 its College.

Senate Bill 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 (the State) public policy agenda as it relates to community and technical college education.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America 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 outflows and inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

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

The accompanying financial statements present all funds under the authority of the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related foundation and another affiliate of the College are not part of the College reporting entity and are not included in the accompanying financial statements since the College has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of these entities under GASB.

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

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*Restricted net position - expendable* - This includes resources 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 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.

*Restricted net position - nonexpendable* - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have any restricted nonexpendable net position at June 30, 2018 or 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, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

**Capital Assets -** Capital assets include land, building/improvements, construction in progress, furniture and equipment, and books and materials that are part of a catalogued library. Capital assets are stated at cost at the date of acquisition or construction or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 7 years for library books and 3 to 10 years for furniture and equipment. The College's capitalization threshold is $1,000.

**Unearned Revenue -** Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue.

**NOTES TO FINANCIAL STATEMENTS**
**YEARS ENDED JUNE 30, 2018 AND 2017**

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Compensated Absences and Other Postemployment Benefits (OPEBs) -** GASB provides for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. 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. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), 601 57th Street SE, Charleston, WV 25304 or http://www.wvpeia.wv.gov.

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 9 for further discussion.

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

**Deferred Outflows of Resources -** Consumption of net position by the College that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position.

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

**Risk Management -** The State's Board of Risk and Insurance Management (BRIM) provides general and property and casualty 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 with 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 insurer, the College has transferred its risks related to health, life, prescription drug coverage, and job-related injuries.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 is available. Generally, the College attempts to utilize restricted net position first when practicable.

**Federal Financial Assistance Programs -** Federal Direct 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 approximately $306,000 and $439,000, respectively, under the Federal Direct 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 program. The activity of this program is recorded in the accompanying financial statements. In 2018 and 2017, the College received and disbursed approximately $866,000 and $945,000, respectively, under this federal student aid program.

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

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

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

**Cash Flows -** Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves have 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 expenses during the reporting period. Actual results could differ from those estimates.

**Risks 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.

**Reclassifications -** Certain amounts in the 2017 financial statements, as previously presented, have been reclassified to conform with the 2018 presentation. The reclassifications had no effect on net position or the change in net position.

### Newly Adopted Statements Issued by the Governmental Accounting Standards Board

The College implemented Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The adoption of GASB Statement No. 75 reclassified some items previously reported as expenses as deferred outflows of resources and deferred inflows of resources. This Statement also changed the valuation methodology used to record the net other postemployment benefits liability. See Note 3 for a discussion of the effect and additional disclosures at Note 9.

The College implemented Statement No. 85, *Omnibus 2017*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The adoption of GASB Statement No. 85 had no impact on the June 30, 2018 financial statements.

**NOTES TO FINANCIAL STATEMENTS**
**YEARS ENDED JUNE 30, 2018 AND 2017**

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Recent Statements Issued by the Governmental Accounting Standards Board

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

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

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**NOTE 3 – CHANGE IN ACCOUNTING POLICY AND RESTATEMENT OF BEGINNING NET POSITION**

The College changed its method of accounting for the following items in order to comply with accounting principles generally accepted in the United States of America:

GASB 75 – As of July 1, 2017, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. These statements reclassified some items previously reported as expenses as deferred outflows and deferred inflows of resources. This Statement also changed the valuation methodology used to record the net other post employment benefits (OPEB) liability.

Employer contributions to the West Virginia Retiree Health Benefit Trust Fund (RHBT) made subsequent to the measurement date are recorded as deferred outflows of resources. For the fiscal year ended June 30, 2018, the College reported deferred outflows of resources relating to these payments of $54,927. Additionally, the net difference between the projected and actual investment earnings are required to be recorded as deferred inflows of resources and are amortized over 5 years, the average remaining service life. All other deferred outflows of resources and deferred inflows of resources relating to the OPEB liability are amortized over 4.71 years, the average expected remaining service life. For the fiscal year ended June 30, 2018, the College reported deferred inflows of resources relating to these earnings of $190,367.

| | 2018 |
|---|---|
| Net position - beginning of year, as previously stated | $ 9,279,973 |
| Net effect of change in accounting policy | (192,754) |
| Net position - beginning of year, restated | $ 9,087,219 |

**NOTES TO FINANCIAL STATEMENTS**
**YEARS ENDED JUNE 30, 2018 AND 2017**

## NOTE 4 - CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2018 and 2017, is as follows:

| | 2018 | | |
|---|---|---|---|
| | Current | Noncurrent | Total |
| Cash on deposit with the Treasurer/BTI | $ 1,735,454 | $ 295,521 | $ 2,030,975 |
| Cash in bank | 245,230 | - | 245,230 |
| Cash on hand | 300 | - | 300 |
| | $ 1,980,984 | $ 295,521 | $ 2,276,505 |

| | 2017 | | |
|---|---|---|---|
| | Current | Noncurrent | Total |
| Cash on deposit with the Treasurer/BTI | $ 2,148,449 | $ 296,589 | $ 2,445,038 |
| Cash in bank | 20,031 | - | 20,031 |
| Cash on hand | 300 | - | 300 |
| | $ 2,168,780 | $ 296,589 | $ 2,465,369 |

Cash held by the Treasurer includes $295,521 and $296,589 of restricted cash at June 30, 2018 and 2017, respectively.

The combined carrying amount of cash in the bank at June 30, 2018 and 2017, was $245,230 and $20,031, respectively, as compared with the combined bank balance of $251,951 and $34,402 for the years ended June 30, 2018 and 2017, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.

Amounts with the State Treasurer were $2,030,975 and $2,445,038 as of June 30, 2018 and 2017, respectively. Of these amounts, $1,723,406 and $2,161,103 were invested in the WV Money Market Pool and the WV Short Term Bond Pool as of June 30, 2018 and 2017, respectively. The remainder of the cash held with the State Treasurer was not invested as of June 30, 2018 and 2017.

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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| External Pool | Carrying Value | S & P Rating | Carrying Value | S & P Rating |
| WV Money Market Pool | $ 1,684,329 | AAAm | $ 2,112,478 | AAAm |
| WV Short Term Bond Pool | $ 39,077 | Not Rated | $ 48,625 | Not Rated |

## NOTE 4 - CASH AND CASH EQUIVALENTS (CONTINUED)

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

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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| External Pool | Carrying Value | WAM (Days) | Carrying Value | WAM (Days) |
| WV Money Market Pool | $ 1,684,329 | 34 | $ 2,112,478 | 36 |

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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| External Pool | Carrying Value | Effective Duration (Days) | Carrying Value | Effective Duration (Days) |
| WV Short Term Bond Pool | $ 39,077 | 372 | $ 48,625 | 426 |

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

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

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

*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.

**NOTES TO FINANCIAL STATEMENTS**
**YEARS ENDED JUNE 30, 2018 AND 2017**

## NOTE 5 - ACCOUNTS RECEIVABLE

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

| | 2018 | 2017 |
|---|---|---|
| Student tuition and fees, net of allowance for doubtful accounts of $390,428 and $356,200 in 2018 and 2017, respectively. | $ 50,765 | $ 81,106 |
| Due from Commission/Council | 46,540 | 82,733 |
| Accrued interest receivable | 2,988 | 1,983 |
| Other accounts receivable | 376,124 | 210,704 |
| | $ 476,417 | $ 376,526 |

## NOTE 6 - CAPITAL ASSETS

A summary of capital asset transactions for the College for the years ended June 30, 2018 and 2017, is as follows:

| | 2018 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance |
| Capital assets not being depreciated | | | | |
| Land | $ 210,477 | $ - | $ - | $ 210,477 |
| Construction in progress | - | - | - | - |
| | $ 210,477 | $ - | $ - | $ 210,477 |
| Other capital assets: | | | | |
| Building/improvements | $ 11,009,671 | $ 101,130 | $ - | $ 11,110,801 |
| Equipment | 4,120,034 | 533,722 | 14,497 | 4,639,259 |
| Total other capital assets | 15,129,705 | 634,852 | 14,497 | 15,750,060 |
| Less accumulated depreciation for: | | | | |
| Building/improvements | 1,462,777 | 231,666 | - | 1,694,443 |
| Equipment | 3,290,906 | 326,995 | 14,497 | 3,603,404 |
| Total accumulated depreciation | 4,753,683 | 558,661 | 14,497 | 5,297,847 |
| Other capital assets, net | $ 10,376,022 | $ 76,191 | $ - | $ 10,452,213 |
| Capital asset summary: | | | | |
| Capital assets not being depreciated | $ 210,477 | $ - | $ - | $ 210,477 |
| Other capital assets | 15,129,705 | 634,852 | 14,497 | 15,750,060 |
| Total cost of capital assets | 15,340,182 | 634,852 | 14,497 | 15,960,537 |
| Less accumulated depreciation | 4,753,683 | 558,661 | 14,497 | 5,297,847 |
| Capital assets, net | $ 10,586,499 | $ 76,191 | $ - | $ 10,662,690 |

**NOTES TO FINANCIAL STATEMENTS**
**YEARS ENDED JUNE 30, 2018 AND 2017**

## NOTE 6 - CAPITAL ASSETS (Continued)

| | 2017 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance |
| Capital assets not being depreciated | | | | |
| Land | $ 210,477 | $ - | $ - | $ 210,477 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | $ 210,477 | $ - | $ - | $ 210,477 |
| Other capital assets: | | | | |
| Building/improvements | $ 10,982,308 | $ 27,363 | $ - | $ 11,009,671 |
| Equipment | 4,027,897 | 112,090 | 19,953 | 4,120,034 |
| Total other capital assets | 15,010,205 | 139,453 | 19,953 | 15,129,705 |
| Less accumulated depreciation for: | | | | |
| Building/improvements | 1,209,429 | 253,348 | - | 1,462,777 |
| Equipment | 3,043,022 | 267,837 | 19,953 | 3,290,906 |
| Total accumulated depreciation | 4,252,451 | 521,185 | 19,953 | 4,753,683 |
| Other capital assets, net | $ 10,757,754 | $ (381,732) | $ - | $ 10,376,022 |
| Capital asset summary: | | | | |
| Capital assets not being depreciated | $ 210,477 | $ - | $ - | $ 210,477 |
| Other capital assets | 15,010,205 | 139,453 | 19,953 | 15,129,705 |
| Total cost of capital assets | 15,220,682 | 139,453 | 19,953 | 15,340,182 |
| Less accumulated depreciation | 4,252,451 | 521,185 | 19,953 | 4,753,683 |
| Capital assets, net | $ 10,968,231 | $ (381,732) | $ - | $ 10,586,499 |

As of June 30, 2018, the College had $141,665 in construction commitments related to construction of the new academic wing.

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

## NOTE 7 - LONG-TERM LIABILITIES

A summary of long-term obligation transactions for the College for the years ended June 30, 2018 and 2017, is as follows:

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Accrued compensated absences | $ 137,333 | $ - | $ (25,782) | $ 111,551 | $ 82,793 |
| Funds due to West Virginia Development Office | 2,486,598 | - | (66,667) | 2,419,931 | 66,668 |
| Funds due to HEPC | - | 75,000 | (7,500) | 67,500 | 7,500 |
| Net other postemployment benefit liability | 701,026 | 65,137 | (43,198) | 722,965 | - |
| Total long-term liabilities | $ 3,324,957 | $ 140,137 | $ (143,147) | $ 3,321,947 | $ 156,961 |

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Accrued compensated absences | $ 152,020 | $ - | $ (14,687) | $ 137,333 | $ 104,215 |
| Funds due to West Virginia Development Office | 2,553,265 | - | (66,667) | 2,486,598 | 66,668 |
| Net other postemployment benefit liability | 680,504 | 72,912 | (52,390) | 701,026 | - |
| Total long-term liabilities | $ 3,385,789 | $ 72,912 | $ (133,744) | $ 3,324,957 | $ 170,883 |

## NOTE 8 - LEASE OBLIGATIONS

Future minimum payments under operating leases, which consist primarily of office equipment, with initial or remaining terms of one year or more, as of June 30, 2018, were as follows:

| Year Ending June 30, | |
|---|---|
| 2019 | $ 1,704 |
| 2020 | 639 |
| 2021 | - |
| | $ 2,343 |

Total rent expense for operating leases amounted to $466 and $620 for the years ended June 30, 2018 and 2017, respectively.

**NOTES TO FINANCIAL STATEMENTS**
**YEARS ENDED JUNE 30, 2018 AND 2017**

## NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

As related to the implementation of GASB 75, following are the College's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal year ended June 30, 2018:

| | 2018 |
|---|---|
| Net OPEB liability | $ 722,965 |
| Deferred outflows of resources | 54,927 |
| Deferred inflows of resources | 190,367 |
| Revenues | 45,585 |
| OPEB expense | 65,137 |
| Contributions made by the College | 54,927 |

***Plan Description***

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

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

RHBT is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. RHBT issues publicly available financial statements and required supplementary information for the OPEB plan. Details regarding this plan and a copy of the RHBT financial report may be obtained by contacting PEIA at 601 57$^{th}$ Street SE, Suite 2, Charleston, West Virginia 25304-2345, or by calling (888) 680-7342.

## NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

***Benefits Provided***

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

***Contributions***

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

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2017 were:

| | July 2016-December 2016<br>2017 | January 2017-June 2017<br>2017 |
|---|---|---|
| Paygo premium | $ 196 | $ 135 |

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

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

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

## NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

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

The College's contributions to the OPEB plan for the years ended June 30, 2018, 2017, and 2016, were $54,927, $60,389, and $65,719, respectively.

***Assumptions***

The total OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2016 and rolled forward to June 30, 2017. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method: Entry age normal cost method.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method: Level percentage of payroll over a 21 year closed period
- Remaining amortization period: 21 years closed as of June 30, 2016.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, 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 cost beginning in 2020 to account for the Excise Tax.
- Projected salary increases: Dependent upon pension system ranging from 3.0-6.5%, including inflation.
- Inflation rate: 2.75%.
- Mortality rates based on RP-2000 Mortality Tables.

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

## NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the WV Investment Management Board and an expected short-term rate of return of 3.00% for assets invested with the BTI.

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

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

**NOTES TO FINANCIAL STATEMENTS**
**YEARS ENDED JUNE 30, 2018 AND 2017**

## NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

| Asset Class | Long-term Expected Real Rate of Return |
|---|---|
| Large cap domestic | 17.0% |
| Non-large cap domestic | 22.0% |
| International qualified | 24.6% |
| International non-qualified | 24.3% |
| International equity | 26.2% |
| Short-term fixed | 0.5% |
| Total return fixed income | 6.7% |
| Core fixed income | 0.1% |
| Hedge fund | 5.7% |
| Private equity | 19.6% |
| Real estate | 8.3% |
| Opportunistic income | 4.8% |
| Cash | 0.0% |

**Discount rate**. The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will continue to follow the current funding policies. Based on those assumptions and that the OPEB plan is expected to be fully funded by the fiscal year ended June 30, 2036, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the net OPEB liability to changes in the discount rate**. The following presents The College's proportionate share of the net OPEB liability as of June 30, 2018 calculated using the discount rate of 7.15%, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate.

| | 1% Decrease (6.15%) | Current Discount Rate (7.15%) | 1% Increase (8.15%) |
|---|---|---|---|
| Net OPEB liability | $ 841,810 | $ 722,965 | $ 624,172 |

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

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| Net OPEB liability | $ 607,301 | $ 722,965 | $ 864,429 |

## NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

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

At June 30, 2018, the College's proportionate share of the net OPEB liability was $871,463. Of this amount, the College recognized $722,965 as its proportionate share on the statement of net position. The remainder of $148,498 denotes the College's proportionate share of net OPEB liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2017 and 2016. Employer contributions are recognized when due. At the June 30, 2017 measurement date, the College's proportion was 0.0294%, a decrease of 0.0090% from its proportion of 0.0384% calculated as of June 30, 2016.

For the year ended June 30, 2018, the College recognized OPEB expense of $65,137. Of this amount, $19,552 was recognized as the College's proportionate share of OPEB expense and $45,585 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of $45,585 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.

| June 30, 2018 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 2,421 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | - | 176,407 |
| Net difference between projected and actual investment earnings | - | 11,539 |
| Contributions after the measurement date | 54,927 | - |
| Total | $ 54,927 | $ 190,367 |

## NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The College will recognize the $54,927 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, 2019. 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 June 30, | Amortization |
|---|---|
| 2019 | $ 47,592 |
| 2020 | 47,592 |
| 2021 | 47,592 |
| 2022 | 47,591 |
| | $ 190,367 |

***Payables to the OPEB Plan***

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

## NOTE 10 - 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 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. As of June 30, 2013, the College had completed the construction of its new facility, which is being funded as noted below.

During the year ended June 30, 2005, the Commission issued $167 million of 2004 Series B 30-year Revenue Bonds to fund capital projects at various higher education institutions in the State. The College was approved to receive $8 million of these funds. State lottery funds will be used to repay the debt, although College revenues are pledged if lottery funds prove insufficient. The College has recognized approximately $8,378,218 from these committed funds through June 30, 2018.

During the year ended June 30, 2018, the Commission issued $82 million of Capital Improvement Refunding Revenue Bonds Series 2017 to fund capital projects at various higher education institutions in the State. The College was approved to receive $300,000 of these funds. The College has recognized approximately $3,686 for these committed funds through June 30, 2018.

**NOTES TO FINANCIAL STATEMENTS**
**YEARS ENDED JUNE 30, 2018 AND 2017**

## NOTE 11 – FUNDS DUE TO STATE AGENCIES

Amounts included in Due to Other State Agencies at June 30, are as follows:

| | 2018 | 2017 |
|---|---|---|
| Department of Health and Human Resources | $ 11,372 | $ 19,117 |
| Department of Administration | 151 | 51 |
| State Treasurer's Office | 3 | 10 |
| Public Employees' Insurance Agency (PEIA) | 167 | 377 |
| Division of Rehabilitation Services | 3,938 | 5,835 |
| | $ 15,631 | $ 25,390 |

On September 24, 2013 Eastern entered into a loan agreement with the West Virginia Development Office to provide funding for the new academic wing. The funding provided 7,500 square feet of classroom space.

In previous years, the College entered into two financial assistance agreements with the West Virginia Development Office (WVDO) for $685,000 to construct a new sewer system and $2,000,000 for the access road for the College's new facility at 316 Eastern Drive. A total of $619,932 was drawn on these agreements, as of June 30, 2018. Under the terms of both agreements, the College agrees to repay the WVDO if nonoperating funds become available or when an appropriate nonoperating income stream is established or if the College sells or disposes of the two acres of property.

The College entered into another financial assistance agreement with the WVDO in 2014 for $2,000,000 to construct an academic wing at Eastern's campus in Moorefield, West Virginia. Eastern will remit payments of $16,667 each quarter beginning on September 30, 2016 until the debt is paid in full. The debt will be due in total on June 30, 2045. As of June 30, 2018 a total of $2,419,930 is outstanding on these three agreements. The total amount of loan payments made for the year ended June 30, 2018 was $66,667.

The College entered into a financial agreement with the Higher Education Policy Commission at the end of 2017 for $75,000 to install a solar shed over an existing parking area at the Moorefield campus that will shade employee vehicles and provide a structure for the installation of solar panels. Eastern will remit payments of $7,500 each year beginning on September 30, 2017 until the debt is paid in full. The debt will be due in total on September 30, 2026. As of June 30, 2018, a total of $67,500 is outstanding on this agreement. The total amount of loan payments made for the year ended June 30, 2018 was $7,500.

## NOTE 11 – FUNDS DUE TO STATE AGENCIES (CONTINUED)

Future minimum payments related to the academic wing debt and solar shed, as of June 30, 2018, were as follows:

| Year Ending June 30, | HEPC | WVDO |
|---|---|---|
| 2019 | $ 7,500 | $ 66,668 |
| 2020 | 7,500 | 66,668 |
| 2021 | 7,500 | 66,668 |
| 2022 | 7,500 | 66,668 |
| 2023 | 7,500 | 66,668 |
| Thereafter | 30,000 | 2,086,591 |
| | $ 67,500 | $ 2,419,931 |

## NOTE 12 - UNRESTRICTED NET POSITION

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

| | 2018 | 2017 |
|---|---|---|
| Total unrestricted net position before OPEB liability | $ 1,643,189 | $ 1,582,953 |
| Less OPEB liability | 722,965 | 701,026 |
| | $ 920,224 | $ 881,927 |

## NOTE 13 - RETIREMENT PLANS

Substantially all full-time employees of the College participate in the Teachers' Insurance and Annuities Association — College Retirement Equities Fund (TIAA-CREF).

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan. As of June 30, 2018 and 2017, no employees were enrolled in Educators Money.

The TIAA-CREF is a defined contribution benefit plan 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, which are not matched by the College.

Total contributions to the TIAA-CREF for the years ended June 30, 2018, 2017, and 2016, were $169,672, $179,578, and $223,498, respectively, which consisted of contributions of $84,836, $89,789, and $111,749 for 2018, 2017, and 2016, respectively, from both the College and covered employees.

**NOTES TO FINANCIAL STATEMENTS**
**YEARS ENDED JUNE 30, 2018 AND 2017**

## NOTE 13 - RETIREMENT PLANS (CONTINUED)

The College's total payroll for the years ended June 30, 2018, 2017, and 2016, was $1,727,313, $2,010,647, and $2,313,165, respectively; total covered employees' salaries in TIAA-CREF were $1,471,847, $1,608,492, and $1,640,190, in 2018, 2017, and 2016, respectively.

## NOTE 14 - FOUNDATION (UNAUDITED)

The Eastern West Virginia Community and Technical College Foundation, Inc. (the Foundation), which was incorporated in fiscal year 2001, is a separate nonprofit organization incorporated in the State and has as its purpose "to support, encourage and assist in the development and growth of the College, to render service and assistance to the College, and through it to the citizens of the State of West Virginia." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Accordingly, the financial statements of the Foundation are not included in the accompanying financial statements because they are not controlled by the College and because they are not significant.

The Foundation's net assets totaled $132,693 and $149,197 at June 30, 2018 and 2017, respectively. The Foundation's net assets include amounts which are restricted by donors to use for specific projects or departments of the College and its affiliated organizations. Contributions to the Foundation, which are not reflected in the accompanying financial statements, totaled $112,597 and $156,527 for the years ended June 30, 2018 and 2017, respectively. No contributions were made to the College during either the year ended June 30, 2018 or 2017.

## NOTE 15 - AFFILIATED ORGANIZATION

The College has an affiliation agreement with Eastern Workforce Opportunity Regional Center and Services (Eastern WORCS). Although Eastern WORCS has been created "to foster and support applied research and workforce development" at the College, it is a separate nonprofit organization incorporated in the State of West Virginia. Oversight of Eastern WORCS is the responsibility of a separate and independently elected Board of Directors. Accordingly, the financial statements of Eastern WORCS are not included in the accompanying financial statements because the economic resources held by Eastern WORCS do not entirely or almost entirely benefit the College. No contributions were made to the College during either the year ended June 30, 2018 or 2017.

## NOTE 16 - 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.

## NOTE 16 - CONTINGENCIES (CONTINUED)

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

## NOTE 17 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

| 2018 | Salaries and Wages | Benefits | Supplies and Other Services | Utilities | Scholarships | Depreciation | Fees Assessed by the Commission | Total |
|---|---|---|---|---|---|---|---|---|
| Instruction | $ 544,888 | $ 100,165 | $ 273,402 | $ - | $ - | $ - | $ - | $ 918,455 |
| Public service | 60,763 | 21,688 | 5,285 | - | - | - | - | 87,736 |
| Academic support | 436,603 | 103,564 | 704,449 | - | - | - | - | 1,244,616 |
| Student services | 221,720 | 61,101 | 98,362 | - | - | - | - | 381,183 |
| General institutional support | 471,715 | 151,475 | 481,926 | - | - | - | - | 1,105,116 |
| Operations and maintenance of plant | 12,720 | 13,115 | 108,960 | 112,377 | - | - | - | 247,172 |
| Student financial aid | - | - | 399,377 | - | 384,200 | - | - | 783,577 |
| Auxiliary | - | - | 1,249 | - | - | - | - | 1,249 |
| Depreciation | - | - | - | - | - | 558,661 | - | 558,661 |
| Other | - | - | - | - | - | - | 19,113 | 19,113 |
| Total | $ 1,748,409 | $ 451,108 | $ 2,073,010 | $ 112,377 | $ 384,200 | $ 558,661 | $ 19,113 | $ 5,346,878 |

| 2017 | Salaries and Wages | Benefits | Supplies and Other Services | Utilities | Scholarships | Depreciation | Fees Assessed by the Commission | Total |
|---|---|---|---|---|---|---|---|---|
| Instruction | $ 698,654 | $ 85,041 | $ 115,194 | $ - | $ - | $ - | $ - | $ 898,889 |
| Public service | 241,592 | 59,820 | 126,002 | - | - | - | - | 427,414 |
| Academic support | 463,100 | 106,151 | 356,930 | - | - | - | - | 926,181 |
| Student services | 289,564 | 76,231 | 22,728 | - | - | - | - | 388,523 |
| General institutional support | 308,291 | 149,650 | 826,173 | - | - | - | - | 1,284,114 |
| Operations and maintenance of plant | 12,048 | 12,525 | 118,827 | 120,680 | - | - | - | 264,080 |
| Student financial aid | - | - | - | - | 350,160 | - | - | 350,160 |
| Auxiliary | - | - | 21,788 | - | - | - | - | 21,788 |
| Depreciation | - | - | - | - | - | 521,185 | - | 521,185 |
| Other | - | - | - | - | - | - | 21,643 | 21,643 |
| Total | $ 2,013,249 | $ 489,418 | $ 1,587,642 | $ 120,680 | $ 350,160 | $ 521,185 | $ 21,643 | $ 5,103,977 |

**EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**
**JUNE 30, 2018**

Last 10 Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Eastern's proportion of the net OPEB liability (asset) (percentage) | 0.029400918% | | | | | | | | | |
| Eastern's proportionate share of the net OPEB liability (asset) | $ 722,965 | | | | | | | | | |
| State's proportionate share of the net OPEB liability (asset) | 148,498 | | | | | | | | | |
| Total proportionate share of the net OPEB liability (asset) | $ 871,463 | | | | | | | | | |
| Eastern's covered-employee payroll | $ 1,453,976 | | | | | | | | | |
| Eastern's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 49.72% | | | | | | | | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 25.10% | | | | | | | | | |

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

**EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF OPEB CONTRIBUTIONS**
**JUNE 30, 2018**

Last 10 Fiscal Years

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contribution | $ 54,927 | | | | | | | | | |
| Contributions in relation to the statutorily required contribution | (54,927) | | | | | | | | | |
| Contribution deficiency (excess) | $ - | | | | | | | | | |
| Eastern's covered-employee payroll | $ 1,354,270 | | | | | | | | | |
| Contributions as a percentage of covered-employee payroll | 4.06% | | | | | | | | | |

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

# EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
## YEARS ENDED JUNE 30, 2018 AND 2017

There are no other factors that affect trends in the amounts reported, such as a change of benefit terms, size or composition of the population covered by the benefit terms, or other assumptions. Additional information, if necessary, can be obtained from the RHBT audited Financial Statements, Required Supplementary Information, and Other Financial Information for the year ended June 30, 2017.

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Governors
Eastern West Virginia Community and Technical College
Moorefield, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Eastern West Virginia Community and Technical College (the College), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 5, 2018. Our report also includes an emphasis of a matter for the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion was not modified with respect to this change in accounting principle.

**Internal Control Over Financial Reporting**

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

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

The Virginia Center • 1411 Virginia Street, East • Suite 100 • Charleston, WV 25301
Phone (304) 343-4126 or 1(800) 788-3844 • Fax (304) 343-8008

Wharf District • 68 Clay Street • Suite C • Morgantown, WV 26501
Phone (304) 554-3371 • Fax (304) 554-3410

Towne Square • 201 Third Street • PO Box 149 • Parkersburg, WV 26102
Phone (304) 485-6584 • Fax (304) 485-0971

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 5, 2018