

Blue Ridge Community and Technical College

Financial Statements
Years Ended June 30, 2013 and 2012

and

Independent Auditor's Reports

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

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INDEPENDENT AUDITOR'S REPORT

Board of Governors
Blue Ridge Community and Technical College
Martinsburg, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Blue Ridge 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 year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's financial statements as listed in the table of contents. The financial statements of the College as of and for the year ended June 30, 2012 were audited by other auditors whose report dated November 20, 2012 expressed an unmodified opinion on those statements.

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 audit. We conducted our audit 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.

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, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. The financial statements of the College as of and for the year ended June 30, 2012 were audited by other auditors whose report dated November 20, 2012 expressed an unmodified opinion on those statements.

Emphasis of Matter

As described in Note 2 to the financial statements, the College early adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 through 15 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 standard 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 28, 2013, 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.



Charleston, West Virginia
October 28, 2013

The Blue Ridge Community and Technical College

Management Discussion and Analysis

Fiscal Year 2013

About The Blue Ridge Community and Technical College

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

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

Overview of the Financial Statements and Financial Analysis

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The discussion and analysis of the College's financial statements provides an overview of its financial activities for the three years ended June 30, 2013, 2012, and 2011, with a focus on 2013, and is required supplemental information.

Statement of Net Position

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

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

**BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

Condensed Schedules of Net Position
June 30, 2013, 2012, and 2011
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets			
Cash	\$ 7,375	\$ 9,847	\$ 8,576
Other Current Assets	741	331	689
Noncurrent Assets	20,279	19,822	7,323
Total Assets	<u>28,395</u>	<u>30,000</u>	<u>16,588</u>
Deferred Outflows of Resources			
Total Deferred Outflows of Resources	-	-	-
Liabilities			
Current Liabilities	3,528	5,266	2,795
Noncurrent Liabilities	1,389	1,351	897
Total Liabilities	<u>4,917</u>	<u>6,617</u>	<u>3,692</u>
Deferred Inflows of Resources			
Service Concession Arrangement	15	-	-
Total Deferred Inflows of Resources	<u>15</u>	<u>-</u>	<u>-</u>
Net Position			
Net Investment in Capital Assets	20,279	19,281	4,321
Restricted - Expendable	1,235	1,214	556
Unrestricted	1,949	2,888	8,019
Total Net Position	<u>\$ 23,463</u>	<u>\$ 23,383</u>	<u>\$ 12,896</u>

The liquidity of the College is strong as cash exceeds total current and noncurrent liabilities. The College's quick ratio (cash to current liabilities) is 2.09, 1.87, and 3.07 as of June 30, 2013, 2012 and 2011. The working capital (current assets to current liabilities) is 2.30, 1.93, and 3.31 as of June 30, 2013, 2012 and 2011.

Other items of interest related to assets are as follows:

- Approximately 26% of the assets as of June 30, 2013 were held in cash and cash equivalents, compared to 33% and 52% in cash and cash equivalents as of June 30, 2012 and 2011, respectively. Cash and cash equivalents continue to comprise a smaller share of total assets because of the addition of the main campus and accompanying capital assets.
- Other current assets include amounts due from the Council/Commission; net accounts receivable, which is a combination of student accounts receivable, grants receivable, and other receivable amounts; a service concession arrangement; and prepaid expenses.
 - The amount due from the Council/Commission as of June 30, 2013 represents \$335,600 related to grants and \$344 in interest receivable from interagency funds.

**BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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- The net student accounts receivable is \$87,427, \$75,347, and \$289,922 at June 30, 2013, 2012, and 2011, respectively. The respective bad debt reserve is \$1,097,488, \$827,204, and \$217,320 as of June 30, 2013, 2012, and 2011. The growing allowance is an indication that the collectibility of the accounts is unlikely. The majority of receivables result from the return of financial aid to federal and state agencies for students who withdrew from classes. The College will assess the need to write off these receivables as the collectibility trend through the third party becomes apparent.
- Grants receivable consists of \$144,042, \$115,852, and \$186,045 at June 30, 2013, 2012, and 2011, respectively. The current year balance primarily represents various amounts due to the College for financial aid disbursed to students.
- Contracts and other receivables represent amounts due for private grant matches and workforce development contracted training.
- Prepaid expenses of \$47,163, \$47,325, and \$34,640 at June 30, 2013, 2012, and 2011, respectively, include expenditures for services of more than \$500 that span over a six month period. Much of this amount represents costs for software warranties and subscriptions.
- Noncurrent assets primarily consist of capital assets.
 - Construction in process (CIP) at June 30, 2013, 2012, and 2011 was \$685,944, \$16,727,697, and \$2,382,905, respectively. These expenditures were funded by proceeds from 2009 Series A Bonds, 2008 state appropriation funds, and college reserve funds. The total bond funding for the project is \$13,500,000; total appropriation funding is \$3,000,000; and college reserve funding is approximated at \$2,000,000. The project reached substantial completion as of June 30, 2012 with occupancy in late July 2012. The remaining balance in CIP is for incomplete land improvements and equipment integral to building function.
 - New major assets set up during fiscal year 2013 were the land and headquarters building. The land and headquarters building are recorded for \$1,605,550 and \$15,541,063, respectively.
 - Significant investment was made for equipping the headquarters building with state of the art technology in the classrooms and labs, as well as furniture for offices and common areas. The mechatronics program also purchased several pieces of lab equipment totaling \$238,780 which was funded with Advance and Technical Program grants.

Items of interest related to liabilities are as follows:

- Current liabilities of \$3,528,384, \$5,265,643, and \$2,794,630 at June 30, 2013, 2012, and 2011, respectively, decreased by \$1,737,259 in fiscal year 2013 and increased by \$2,471,013 and \$68,754, respectively, in 2012 and 2011.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013

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- Non-construction accounts payable of \$323,720, \$164,156, and \$204,144 at June 30, 2013, 2012, and 2011 represent typical operating expenses such as supplies and utilities. 2013 also includes approximately \$65,000 in classroom equipment and \$37,000 in contractual services for workforce development training.
- Accrued payroll of \$343,069, \$335,636, and \$261,742 at June 30, 2013, 2012, and 2011, respectively, increased from 2011 to 2012 due to new full time positions, promotions, salary increases, and additional part-time faculty wages. A modest increase from 2012 to 2013 is attributed to fewer highly paid personnel on the payroll at June 30, 2013. This offsets the increases that took effect July 1, 2012.
- Likewise, accrued annual leave of \$468,952, \$431,087, and \$337,218 at June 30, 2013, 2012, and 2011, respectively, has increased year over year due to additional employees, increased wages, and an increase in unused hours by full time employees.
- Unearned revenues of \$2,353,458, \$2,622,160, and \$1,943,052 at June 30, 2013, 2012, and 2011, respectively, have increased because of the number of grants awarded from the State for development of new technical programs. Many of the grants cover a three year period. An additional component of unearned revenue is related to summer school. Roughly 50% of revenue generated from summer school courses is earned in the current fiscal year, while the remaining 50% is earned in the following fiscal year.
- Amounts due to the Council/Commission and State agencies of \$28,635, \$9,929, and \$5,012 at June 30, 2013, 2012, and 2011, respectively, are a combination of amounts due for services the state provides the College and for West Virginia financial aid grants. The 2013 balance includes \$25,015 in WV Higher Education grant money to be returned to the State. The 2012 balance is primarily comprised of amounts due for services rendered by WVNET and a consortium purchase of online tutoring services facilitated by the Community and Technical College System of West Virginia (WVCTCS). The previous year's balance was decreased by an amount due to the State for unused and distributed student West Virginia Higher Education Grants.
- Noncurrent liabilities include other postemployment benefits (OPEB).
 - The accrual for OPEB at June 30, 2013, 2012, and 2011 was \$1,389,331, \$1,350,900, and \$897,526, respectively. The liability is determined by the number of employees enrolled in the health insurance program. The college accrued \$79 per month per person in 2013. The OPEB liability was new in fiscal year 2008 as the College adopted GASB No. 45. The liability started to increase significantly in 2010 because of the State's inability to contribute to the Trust, as in the prior year, and also due to the low rate of returns on the investments in the Trust.

**BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

Statement of Revenues, Expenses, and Changes in Net Position

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

In general, operating revenues are received for goods and services rendered to various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Revenues received for which goods and services are not provided are reported as nonoperating revenues. For example, State appropriations are nonoperating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues.

Condensed Schedules of
Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2013, 2012, and 2011
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues	\$ 8,278	\$ 7,767	\$ 6,338
Operating Expenses	18,798	16,471	13,140
Operating Loss	(10,520)	(8,704)	(6,802)
Nonoperating Revenues - Net	10,325	8,793	7,991
Increase (Decrease) in Net Position	(195)	89	1,189
Capital Payments Made/Expenses			
Incurred on Behalf of the College	275	10,398	2,367
Increase in Net Position	80	10,487	3,556
Net Position - Beginning of Year	23,383	12,896	9,340
Net Position - End of Year	<u>\$ 23,463</u>	<u>\$ 23,383</u>	<u>\$ 12,896</u>

Operating Revenues

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

- Student tuition and fees for 2013, 2012, and 2011 increased over each previous fiscal year by \$77,080, \$500,577, \$452,778, respectively. These increases were a result of FTE (full time equivalent) increases of 2%, 8%, and 13% for fiscal 2013, 2012, and 2011, respectively.
- Federal grants for the current fiscal year consist of 63% Carl D. Perkins Act funds, 10% GreenUp ARRA funds, 15% Supplemental Educational Opportunity Grant (SEOG) funds, and 12% Work Study funds.

- State grants in the form of WV Advance, Technical Program, and HB3009 grants make up approximately 54%, or \$1,595,821 of total revenues reported as State Contracts and Grants. The remaining 46% of revenues is attributed to WV student financial aid grants.

The overall growth in revenues is illustrated in figure A. Tuition and fees and federal grants show measurable increases year over year, while State grants illustrate the fluctuations that are representative of institutional grant activity. The pie charts in figure B demonstrate the consistency in revenue sources by percentage from year to year.

Operating Revenues by Source

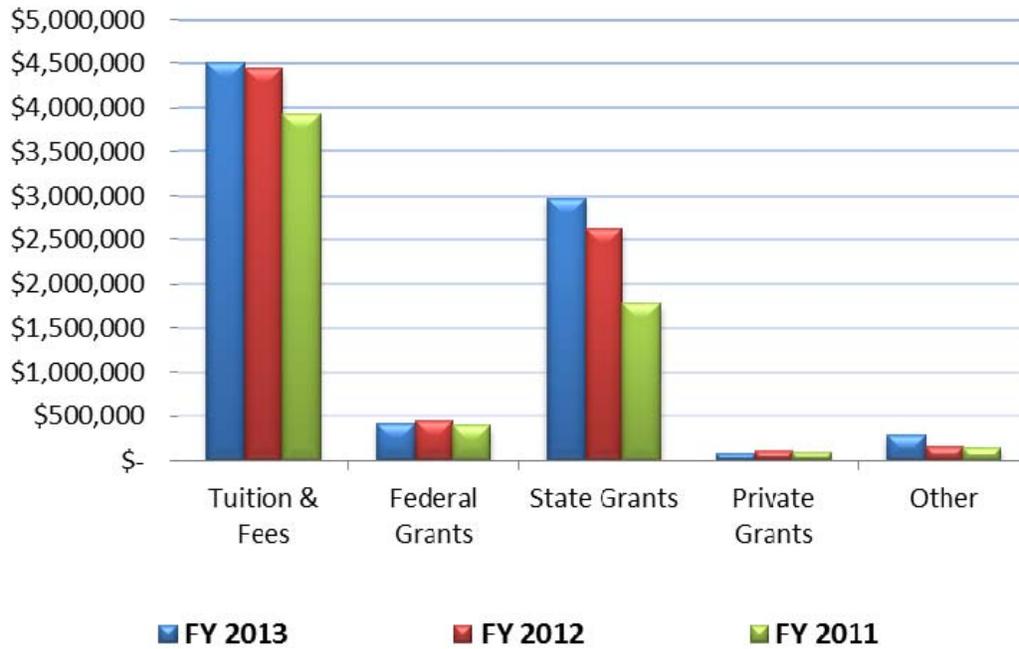


Figure A

Percent of Total Operating Revenues by Fiscal Year

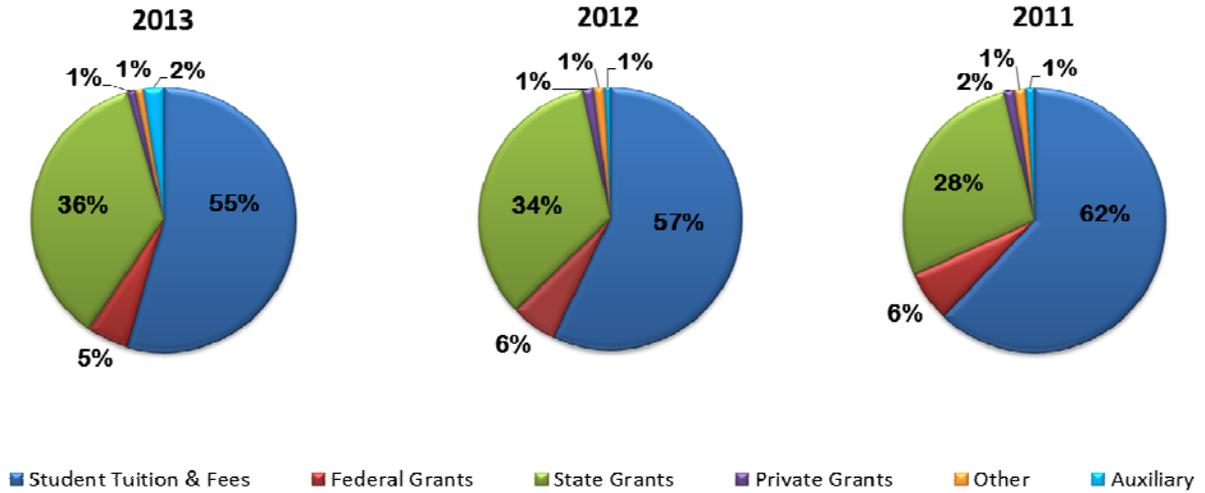
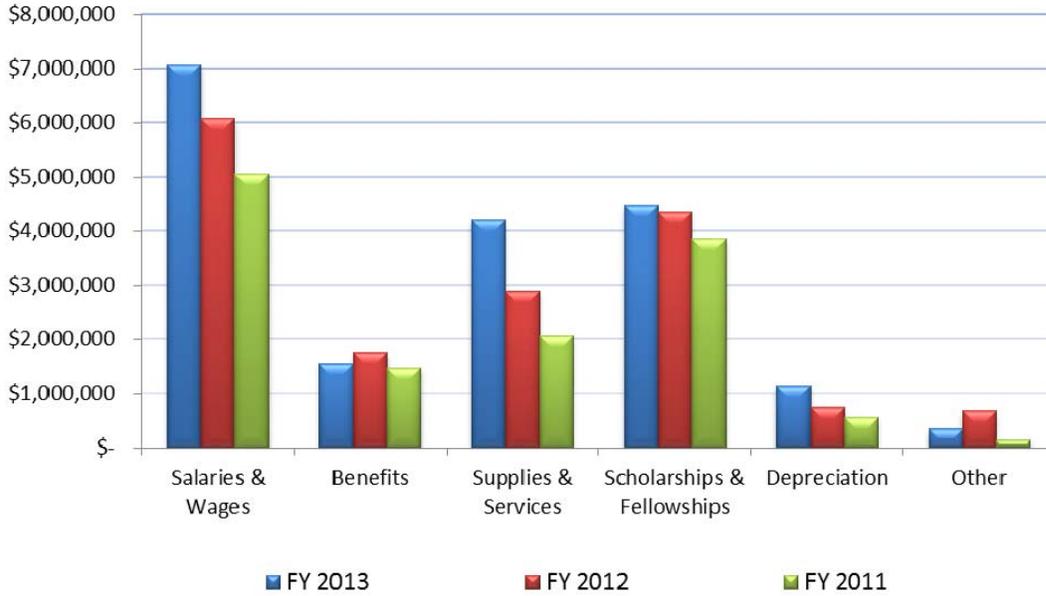


Figure B

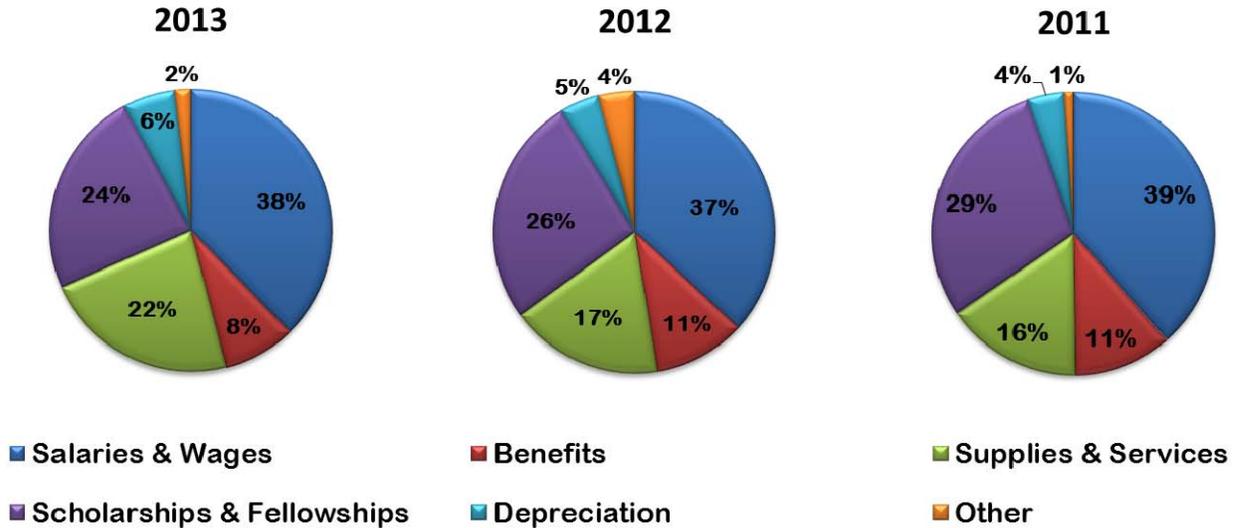
Operating Expenses

Nearly half of the fiscal year 2013, 2012, and 2011 operating expenses were incurred for personnel services and benefits. Supplies and other services increased by \$1,323,089 from fiscal year 2012 to 2013. Expenses for maintaining and furnishing the new facility contributed to the increase. Other incremental increases occurred in contractual and rent. Student scholarships account for 24%, 26%, and 29% of the operating expenses in fiscal years 2013, 2012, and 2011, respectively.

Operating Expenses



Percent of Total Operating Expenditures by Fiscal Year



**BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

Nonoperating Revenue (Expense)

The net nonoperating revenues in fiscal year 2013 increased by \$1,531,994 over fiscal 2012, in large part to an increase in the State appropriation of \$1,623,837. Federal Pell Grant funds received decreased by approximately \$216,170.

Investment income in fiscal year 2013 decreased by \$601 from 2012. Fees assessed by the Commission also decreased in fiscal 2013 by \$7,560.

Capital Payments Made on Behalf of College

Payments have been made on behalf of the College the last three fiscal years. Payments amounted to \$274,840 in 2013, \$10,398,028 in 2012, and \$2,367,093 in 2011. All payments have been in conjunction with the construction of the new building. The funds originated from the 2009 bonds issued by Higher Education Policy Commission (HEPC). A total of \$13,500,000 was available from this source for the construction and furnishing of this facility, with approximately \$444,000 available as of June 30, 2013.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activities of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash provided by or used in the operating activities of the College. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital related financing activities. This section deals with cash used for the acquisition and construction for capital assets and related items and related funding received. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash provided by or used in operating activities to the operating income (loss) reflected the Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Schedules of Cash Flows
For the Year Ended June 30, 2013, 2012 and 2011
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash Provided by (Used in):			
Operating Activities	\$ (9,816)	\$ (6,295)	\$ (6,348)
Noncapital Financing Activities	10,230	8,822	8,003
Capital and Related Financing Activities	(2,896)	(1,265)	(484)
Investing Activities	10	9	16
Increase (Decrease) in Cash and Cash Equivalents	<u>(2,472)</u>	<u>1,271</u>	<u>1,187</u>
Cash and Cash Equivalents - Beginning of Year	9,847	8,576	7,389
Cash and Cash Equivalents - End of Year	<u>\$ 7,375</u>	<u>\$ 9,847</u>	<u>\$ 8,576</u>

**BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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Cash used in operating activities in 2013 increased from 2012 due to increases in payroll, payments to suppliers, and utilities. The new headquarters facility and increased enrollment directly impacts the need for more salaries, supplies, and student financial aid scholarships. The fiscal 2013 and 2012 increase in noncapital financing activities resulted from increased State appropriation funding. Additional funds were used in capital financing activities for the new facility.

Capital Asset Activity

2013:

Approximately \$160,000 of furniture for the new building was capitalized. Two computer labs amounting to approximately \$40,000 of equipment were added to the new facility as well. Smartboards, server equipment, IT infrastructure, hospital beds for healthcare labs, and an ambulance simulator are examples of the investments made for the new headquarters. The mechatronics program continued outfitting its lab with an investment of \$238,780 in various pieces of equipment.

2012:

Purchases of capital assets account for the cash used in capital financing activities. The College used \$510,000 for expansion of classroom space at Berkeley Business Park. The additional classroom space was outfitted with computer labs in which approximately \$55,000 was capitalized. Significant investments in classroom technology funded by grants were made in mechatronics, virtualization, and other informational technology programs. Technology purchases for the new headquarters facility were also underway and amounted to approximately \$185,000.

During 2012, over \$10 million was expended on behalf of the College for the new building, which was included in construction in progress as of June 30, 2012. The building was placed in service in July 2012.

2011:

Approximately \$3,000 was expended for leasehold improvements in fiscal year 2011. Equipment purchases made during the year totaled approximately \$399,000; approximately \$112,000 for alternate energy lab equipment (wind and thermal training systems); approximately \$42,000 for the electric distribution lab equipment; approximately \$186,000 for computer labs and classroom technology; and the remainder of approximately \$59,000 for classroom and office equipment.

During 2011, approximately \$2.4 million was expended on behalf of the College for the new building, which was included in construction in progress as of June 30, 2011.

**BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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Economic Outlook

The College had an exciting year as it moved into the new headquarters facility. The facility houses administrative and faculty offices, classrooms, science and computer labs, a full service servery, and the year-round Barnes & Noble bookstore. The new site is nearly double the size of the former location and boasts state of the art technology, beautiful architecture and ample parking. The College received an increase of approximately \$1.6 million in the State appropriation funding effective July 1, 2012. Approximately \$500,000 was used for one-time expenditures related to the new building, such as furniture, lab furnishings, and a security system. Growing the roles of faculty and staff to support the student population expended nearly \$600,000. The remaining \$500,000 was used for new utility and maintenance expenses, the school's expansion into Morgan County and additional leased space at the Tech Center. Fiscal Year 2014 looks to be a year of growth; however, with a 7.5% state budget cut, it is crucial to identify cost saving measures around every turn. Fiscal Year 2015 does not appear to be any easier to navigate since a minimum cut of 7.5% has been all but guaranteed.

Requests for Information

The financial report is designed to provide an overview of the finances of the College for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Blue Ridge Community and Technical College at 13650 Apple Harvest Drive, Martinsburg, West Virginia 25403.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

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	<u>2013</u>	<u>2012</u>
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,374,729	\$ 9,847,043
Due from the Council/Commission	335,944	43,951
Accounts receivable, net of allowance for doubtful accounts	333,086	239,918
Service concession arrangement	25,000	-
Prepays	<u>47,163</u>	<u>47,325</u>
Total current assets	<u>8,115,922</u>	<u>10,178,237</u>
NONCURRENT ASSETS:		
Appropriation due from Primary Government	-	540,267
Capital assets, net of accumulated depreciation	<u>20,279,102</u>	<u>19,281,597</u>
Total noncurrent assets	<u>20,279,102</u>	<u>19,821,864</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Total deferred outflows of resources	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 28,395,024</u>	<u>\$ 30,000,101</u>

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

CURRENT LIABILITIES:		
Accounts payable	\$ 323,720	\$ 1,866,831
Accrued liabilities	343,069	335,636
Due to the Council/Commission	28,635	9,929
Compensated absences	468,952	431,087
Service concession arrangement liability	10,550	-
Unearned revenue	<u>2,353,458</u>	<u>2,622,160</u>
Total current liabilities	<u>3,528,384</u>	<u>5,265,643</u>
NONCURRENT LIABILITIES:		
Other postemployment benefits liability	<u>1,389,331</u>	<u>1,350,900</u>
Total noncurrent liabilities	<u>1,389,331</u>	<u>1,350,900</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows - service concession arrangement	<u>14,450</u>	<u>-</u>
Total deferred inflows of resources	<u>14,450</u>	<u>-</u>
NET POSITION:		
Net investment in capital assets	20,279,102	19,281,597
Restricted for - expendable - capital projects	1,235,205	1,214,360
Unrestricted	<u>1,948,552</u>	<u>2,887,601</u>
Total net position	<u>23,462,859</u>	<u>23,383,558</u>
TOTAL	<u>\$ 28,395,024</u>	<u>\$ 30,000,101</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE 17
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Student tuition and fees, net of scholarship allowance of \$2,238,283 and \$2,274,380 in 2013 and 2012, respectively	\$ 4,512,770	\$ 4,435,690
Contracts and grants:		
Federal	420,016	441,905
State	2,973,897	2,622,978
Private	85,781	110,338
Auxiliary enterprise revenue	208,130	60,305
Other operating revenue	77,208	96,601
Total operating revenues	8,277,802	7,767,817
OPERATING EXPENSES:		
Salaries and wages	7,085,613	6,067,669
Benefits	1,558,161	1,752,458
Supplies and other services	4,208,623	2,885,534
Student financial aid - scholarships and fellowships	4,466,934	4,343,230
Depreciation	1,138,042	744,897
Other operating expenses	270,284	615,265
Fees assessed by the Commission for operations	70,826	62,145
Total operating expenses	18,798,483	16,471,198
OPERATING LOSS	(10,520,681)	(8,703,381)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	5,138,415	3,514,578
Federal Pell Grant	5,091,742	5,307,912
Service concession arrangement	93,500	-
Investment income	9,849	10,450
Fees assessed by the Commission	(8,364)	(15,924)
Loss on disposals	-	(23,868)
Net nonoperating revenues	10,325,142	8,793,148
INCREASE (DECREASE) IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(195,539)	89,767
CAPITAL PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF THE COLLEGE	274,840	10,398,028
INCREASE IN NET POSITION	79,301	10,487,795
NET POSITION - Beginning of year	23,383,558	12,895,763
NET POSITION - End of year	\$ 23,462,859	\$ 23,383,558

The Accompanying Notes Are An Integral
Part Of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

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	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 3,966,204	\$ 4,035,000
Contracts and grants	3,102,113	4,015,378
Payments to and on behalf of employees	(8,560,045)	(7,198,990)
Payments to suppliers	(4,071,997)	(2,893,719)
Payments for scholarships and fellowships	(4,466,934)	(4,343,230)
Auxiliary enterprise charges	208,130	60,305
Fees retained by Commission	(70,826)	(62,145)
Other receipts, net	<u>77,208</u>	<u>92,101</u>
Net cash used in operating activities	<u>(9,816,147)</u>	<u>(6,295,300)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	5,138,415	3,514,578
Federal Pell Grant	5,091,742	5,307,912
Federal student loan program - direct lending receipts	9,698,764	9,465,946
Federal student loan program - direct lending payments	<u>(9,698,764)</u>	<u>(9,465,946)</u>
Net cash provided by noncapital financing activities	<u>10,230,157</u>	<u>8,822,490</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(2,887,809)	(1,206,093)
Principal paid on debt	-	(43,462)
Fees assessed by the Commission	<u>(8,364)</u>	<u>(15,924)</u>
Net cash used in capital financing activities	<u>(2,896,173)</u>	<u>(1,265,479)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	<u>9,849</u>	<u>9,609</u>
Net cash provided by investing activities	<u>9,849</u>	<u>9,609</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,472,314)	1,271,320
CASH AND CASH EQUIVALENTS - Beginning of year	<u>9,847,043</u>	<u>8,575,723</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 7,374,729</u>	<u>\$ 9,847,043</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (10,520,681)	\$ (8,703,381)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,138,042	744,897
Bad debt expense	270,284	615,265
Changes in assets and liabilities:		
Accounts receivable, net	(363,452)	(379,131)
Due from the Council/Commission	(273,287)	134,990
Prepaid expenses	162	(12,686)
Accounts payable	117,758	4,501
Accrued liabilities	7,433	73,894
Compensated absences	37,865	93,869
Other postemployment benefits liability	38,431	453,374
Unearned revenue	<u>(268,702)</u>	<u>679,108</u>
Net cash used in operating activities	<u>\$ (9,816,147)</u>	<u>\$ (6,295,300)</u>
NONCASH TRANSACTIONS:		
Capital expenses in accounts payable	<u>\$ 41,806</u>	<u>\$ 1,702,675</u>
Appropriations from Primary Government	<u>\$ 540,267</u>	<u>\$ 2,419,088</u>
Capital payments made and expenses incurred on behalf of the College	<u>\$ 274,840</u>	<u>\$ 10,398,028</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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NOTE 1 - ORGANIZATION

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

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

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

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, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows and replaces the fund-group perspective previously required.

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

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

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 that debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- *Restricted net position - expendable* - This includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

- *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, 2013 or 2012.
- *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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents balances on deposit with the State Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State for investment purposes and are overseen and managed by the West Virginia Board of Treasury Investments (BTI). 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 West Virginia State Legislature and is subject to oversight by the West Virginia State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or, on the first day of each month for the WV Short Term Bond Pool, and accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

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

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities; 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 collectibility experienced by the College on such balances and such other factors which, in the College's judgment, require consideration in estimating doubtful accounts.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets - Capital assets include leasehold improvements and equipment. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 years for library books and 3-10 years for furniture and equipment. Leasehold improvements are amortized over the period of the lease. The College capitalizes all purchases of library books and uses a capitalization threshold of \$1,000 for other capital assets.

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

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

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned, and payment becomes probable. The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1 1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988 or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later, will no longer receive sick leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple employer cost-sharing plan approved by the State.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 extend health insurance for one year of family coverage. Employees hired after July 1, 2010 receive no health insurance premium subsidy from the College. Two groups of employees hired after July 1, 2010 will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

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

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. Deferred inflows of resources are accreted over the life of the College's service concession arrangement.

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *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, and investment income, and sale of capital assets (including natural resources).
- *Other revenues* - Other revenues consist primarily of capital grants and gifts.

Use of Restricted Net Position - The College has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Generally, the College attempts to utilize restricted net position first when practicable. The College did not have any designated net position as of June 30, 2013 and 2012.

Federal Financial Assistance Programs - The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through institutions like the College. Direct student loan receivables are not included in the College's statements of net position as the loans are repayable directly to the U.S. Department of Education. In 2013 and 2012, the College received and disbursed approximately \$9,699,000 and \$9,466,000, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2013 and 2012, the College received and disbursed approximately \$5,208,000 and \$5,425,000, respectively, under these federal student aid programs.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Newly Adopted Statements Issued by the Governmental Accounting Standards Board - The College adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. The adoption of this statement resulted in the addition of deferred outflows of resources and deferred inflows of resources to the statements of net position.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The College early adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of this statement resulted in the addition of deferred outflows of resources and deferred inflows of resources to the statements of net position.

The College early adopted GASB Statement No. 66, *Technical Corrections - 2012: An Amendment of GASB Statements No. 10 and No. 64*. This statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November, 1989 FASB and AICPA Pronouncements*. The adoption of this statement did not have a material impact on the financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board - The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. This statement enhances the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. The College has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

The GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning after December 31, 2013. This statement provides guidance on measurement and reporting of combinations and disposals of government operations. The College has not yet determined the effect that the adoption of GASB Statement No. 69 may have on its financial statements.

The GASB also issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for fiscal years beginning after June 15, 2013. Early application is encourage. This statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. In addition, the Statement requires: (1) A government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required. Such factors may include whether the issuer of the guaranteed obligation is experiencing significant financial difficulty or initiating the process of entering into bankruptcy or financial reorganization; (2) An issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released. When a government is released, the government would recognize revenue as a result of being relieved of the obligation; (3) A government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The College has not yet determined the effect that the adoption of GASB Statement No. 70 may have on its financial statements.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 - CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of June 30, 2013 and 2012, are held as follows:

	<u>2013</u>	<u>2012</u>
Cash on deposit with the State Treasurer/BTI	\$ 7,131,093	\$ 8,900,304
Cash in bank	<u>243,636</u>	<u>946,739</u>
	<u>\$ 7,374,729</u>	<u>\$ 9,847,043</u>

The combined carrying amount of cash in the bank was \$243,636 and \$946,739, as compared with the combined bank balance of \$377,235 and \$1,047,766 at June 30, 2013 and 2012, respectively. The difference is primarily caused by outstanding checks. 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/BTI as of June 30, 2013 and 2012, are comprised of the following investment pools:

The BTI has adopted an investment policy in accordance with the “Uniform Prudent Investor Act.” The “prudent investor rule” guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income; preserve capital; and, in general, avoid speculative investments. The BTI’s investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of BTI’s Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the BTI’s Consolidated Fund. Of the BTI’s Consolidated Fund pools and accounts in which the College invests, all are subject to credit risk. The following BTI investment risk information has been extracted from the notes to the BTI’s financial statements.

WV Money Market Pool - Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 2013 and 2012, the WV Money Market Pool has been rated AAAM by Standard & Poor’s. 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. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2013 and 2012, the WV Money Market Pool investments had a total carrying value of \$2,495,868,000 and \$2,786,968,000, respectively, of which the College's ownership represents 0.26% and 0.28%, respectively.

WV Government Money Market Pool - Credit Risk - For the years ended June 30, 2013 and 2012, the WV Government Money Market Pool has been rated AAAM by Standard & Poor's. 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. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2013 and 2012, the WV Government Money Market Pool investments had a total carrying value of \$287,184,000 and \$299,629,000, respectively, of which the College's ownership represents 0.02% and 0.02%, respectively.

WV Short Term Bond Pool - Credit Risk - The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standards & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P-1 by Moody's. Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's and Aaa by Moody's. As this pool has not been rated, the following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Credit Rating*		2013		2012			
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets		
Corporate asset-backed securities	Aaa	AAA	\$ 53,681	8.72%	\$ 95,628	18.99%		
	Aaa	NR	59,810	9.71	38,524	7.64		
	B1	CCC	*		896	0.18		
	B3	BB	**		311	0.06		
	B3	BBB-	**		53	0.01		
	B3	CCC	**		280	0.06		
	Ca	CCC	**	308	0.05	586	0.12	
	Ca	D	**	95	0.02			
	Caa1	CCC	**	932	0.15			
	Caa2	CCC	**			186	0.04	
	Caa3	CCC	**			243	0.05	
	Caa3	D	**	367	0.06	26	0.01	
	Caa3	NR	**	24	0.00			
	NR	AAA		37,411	6.07			
	NR	AA+		2,514	0.41	3,900	0.77	
	NR	*	NR	*	3,819	0.62	3,786	0.75
				<u>158,961</u>	<u>25.81</u>	<u>144,419</u>	<u>28.68</u>	
	Corporate bonds and notes	Aa2	AA+	3,002	0.49	9,025	1.79	
Aa2		AA	12,731	2.07				
Aa2		AA-	9,192	1.49				
Aa3		AA-	33,034	5.36	15,666	3.11		
Aa3		A+	11,693	1.90				
Aa3		A			23,032	4.57		
A1		AA+	13,295	2.16				
A1		AA	4,118	0.67	12,145	2.41		
A1		A+	47,500	7.71	30,684	6.09		
A1		A	13,522	2.19				
A2		A+	9,348	1.52				
A2		A	47,709	7.75	39,064	7.76		
A2		A-	5,052	0.82				
A3		A-	7,986	1.30	7,755	1.54		
A3		BBB+			3,006	0.60		
Baa1		A-	**	2,416	0.39	4,162	0.83	
Baa2	A-	**	6,959	1.13	6,709	1.33		
			<u>227,557</u>	<u>36.95</u>	<u>151,248</u>	<u>30.03</u>		
U.S. agency bonds	Aaa	AA+	9,986	1.62	45,024	8.94		
U.S. Treasury notes***	Aaa	AA+	140,154	22.76	44,251	8.79		
U.S. agency mortgage backed securities****	Aaa	AA+	73,692	11.97	77,065	15.30		
Money market funds	Aaa	AAAm	5,457	0.89	41,610	8.26		
			<u>\$ 615,807</u>	<u>100%</u>	<u>\$ 503,617</u>	<u>100%</u>		

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2013 and/or 2012. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

*** U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

**** U.S. agency mortgage backed securities are explicitly guaranteed by the United States government and are not subject to credit risk.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

At June 30, 2013 and 2012, the College's ownership represents 0.08% and 0.21%, respectively, of these amounts held by the BTI.

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 BTI's Consolidated Fund pools and accounts are subject to interest rate risk.

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

<u>Security Type</u>	<u>2013</u>		<u>2012</u>	
	<u>Carrying Value</u> <u>(In thousands)</u>	<u>WAM</u> <u>(Days)</u>	<u>Carrying Value</u> <u>(In thousands)</u>	<u>WAM</u> <u>(Days)</u>
Repurchase agreements	\$ 229,326	3	\$ 90,204	3
U.S. Treasury notes	279,755	132	330,865	122
U.S. Treasury bills	34,993	77	237,978	37
Commercial paper	970,395	43	853,470	35
Certificates of deposit	259,000	66	110,000	10
U.S. agency discount notes	445,784	47	738,706	44
Corporate bonds and notes	10,000	60	36,000	48
U.S. agency bonds/notes	66,603	139	189,691	68
Money market funds	<u>200,012</u>	1	<u>200,054</u>	1
	<u>\$ 2,495,868</u>	52	<u>\$ 2,786,968</u>	46

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

<u>Security Type</u>	<u>2013</u>		<u>2012</u>	
	<u>Carrying Value</u> <u>(In thousands)</u>	<u>WAM</u> <u>(Days)</u>	<u>Carrying Value</u> <u>(In thousands)</u>	<u>WAM</u> <u>(Days)</u>
Repurchase agreements	\$ 101,500	3	\$ 91,900	3
U.S. Treasury notes	50,112	103	103,324	111
U.S. Treasury bills	4,999	76	4,999	62
U.S. agency discount notes	125,474	67	76,397	52
U.S. agency bonds/notes	5,000	34	23,004	9
Money market funds	<u>99</u>	1	<u>5</u>	1
	<u>\$ 287,184</u>	50	<u>\$ 299,629</u>	54

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool:

<u>Security Type</u>	<u>2013</u>		<u>2012</u>	
	<u>Carrying Value</u> <u>(in Thousands)</u>	<u>Effective Duration</u> <u>(Days)</u>	<u>Carrying Value</u> <u>(in Thousands)</u>	<u>Effective Duration</u> <u>(Days)</u>
U. S. Treasury bonds/notes	\$ 140,154	491	\$ 44,251	366
Corporate bonds/notes	227,557	293	151,248	242
Corporate asset-backed securities	158,961	471	144,419	250
U.S. agency bonds/notes	9,986	583	45,024	23
U.S. agency mortgage-backed securities	73,692	60	77,065	13
Money market funds	<u>5,457</u>	1	<u>41,610</u>	1
	<u>\$ 615,807</u>	358	<u>\$ 503,617</u>	180

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the BTI's 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.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the BTI's statement of fiduciary net assets is invested in a pool managed by the securities lending agent. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the BTI's Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Deposits - Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. None of the above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Student tuition and fees, net of allowance for doubtful accounts of \$1,097,488 and \$827,204 in 2013 and 2012, respectively	\$ 87,427	\$ 75,347
Grants and contracts receivable	245,659	160,071
Other receivables - employee	<u>-</u>	<u>4,500</u>
	<u>\$ 333,086</u>	<u>\$ 239,918</u>

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 5 - CAPITAL ASSETS

A summary of capital asset transactions for the College as of June 30, 2013 and 2012, is as follows:

	2013			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ -	\$ 1,605,550	\$ -	\$ 1,605,550
Construction in progress	<u>16,727,697</u>	<u>1,105,910</u>	<u>17,147,663</u>	<u>685,944</u>
Total capital assets not being depreciated	<u>\$ 16,727,697</u>	<u>\$ 2,711,460</u>	<u>\$ 17,147,663</u>	<u>\$ 2,291,494</u>
Other capital assets:				
Buildings and leasehold improvements	\$ 1,997,053	\$ 15,657,719	\$ -	\$ 17,654,772
Library books	1,492	-	-	1,492
Equipment	<u>2,723,971</u>	<u>914,031</u>	<u>36,676</u>	<u>3,601,326</u>
Total other capital assets	<u>4,722,516</u>	<u>16,571,750</u>	<u>36,676</u>	<u>21,257,590</u>
Less accumulated depreciation for:				
Buildings and leasehold improvements	707,811	525,734	-	1,233,545
Library books	884	188	-	1,072
Equipment	<u>1,459,921</u>	<u>612,120</u>	<u>36,676</u>	<u>2,035,365</u>
Total accumulated depreciation	<u>2,168,616</u>	<u>1,138,042</u>	<u>36,676</u>	<u>3,269,982</u>
Other capital assets, net	<u>\$ 2,553,900</u>	<u>\$ 15,433,708</u>	<u>\$ -</u>	<u>\$ 17,987,608</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 16,727,697	\$ 2,711,460	\$ 17,147,663	\$ 2,291,494
Other capital assets	<u>4,722,516</u>	<u>16,571,750</u>	<u>36,676</u>	<u>21,257,590</u>
Total cost of capital assets	21,450,213	19,283,210	17,184,339	23,549,084
Less accumulated depreciation	<u>2,168,616</u>	<u>1,138,042</u>	<u>36,676</u>	<u>3,269,982</u>
Capital assets, net	<u>\$ 19,281,597</u>	<u>\$ 18,145,168</u>	<u>\$ 17,147,663</u>	<u>\$ 20,279,102</u>

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 5 - CAPITAL ASSETS (Continued)

	2012			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Construction in progress	\$ 2,382,905	\$ 14,854,991	\$ 510,199	\$ 16,727,697
Total capital assets not being depreciated	<u>\$ 2,382,905</u>	<u>\$ 14,854,991</u>	<u>\$ 510,199</u>	<u>\$ 16,727,697</u>
Other capital assets:				
Buildings and leasehold improvements	\$ 1,486,854	\$ 510,199	\$ -	\$ 1,997,053
Library books	1,492	-	-	1,492
Equipment	<u>2,457,118</u>	<u>831,321</u>	<u>564,468</u>	<u>2,723,971</u>
Total other capital assets	<u>3,945,464</u>	<u>1,341,520</u>	<u>564,468</u>	<u>4,722,516</u>
Less accumulated depreciation for:				
Buildings and leasehold improvements	472,790	235,021	-	707,811
Library books	698	186	-	884
Equipment	<u>1,490,831</u>	<u>509,690</u>	<u>540,600</u>	<u>1,459,921</u>
Total accumulated depreciation	<u>1,964,319</u>	<u>744,897</u>	<u>540,600</u>	<u>2,168,616</u>
Other capital assets, net	<u>\$ 1,981,145</u>	<u>\$ 596,623</u>	<u>\$ 23,868</u>	<u>\$ 2,553,900</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 2,382,905	\$ 14,854,991	\$ 510,199	\$ 16,727,697
Other capital assets	<u>3,945,464</u>	<u>1,341,520</u>	<u>564,468</u>	<u>4,722,516</u>
Total cost of capital assets	6,328,369	16,196,511	1,074,667	21,450,213
Less accumulated depreciation	<u>1,964,319</u>	<u>744,897</u>	<u>540,600</u>	<u>2,168,616</u>
Capital assets, net	<u>\$ 4,364,050</u>	<u>\$ 15,451,614</u>	<u>\$ 534,067</u>	<u>\$ 19,281,597</u>

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

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 6 - LONG-TERM LIABILITIES

A summary of long-term obligation transactions for the College for the years ended June 30, 2013 and 2012, is as follows:

	2013				
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Current <u>Portion</u>
Long-term liabilities:					
Other postemployment benefits liability	\$ 1,350,900	\$ 208,078	\$ 169,647	\$ 1,389,331	\$ -
Total long-term liabilities	<u>\$ 1,350,900</u>	<u>\$ 208,078</u>	<u>\$ 169,647</u>	<u>\$ 1,389,331</u>	<u>\$ -</u>
	2012				
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Current <u>Portion</u>
Long-term liabilities:					
Other postemployment benefits liability	\$ 897,526	\$ 588,087	\$ 134,713	\$ 1,350,900	\$ -
Debt obligation due to Commission	<u>43,462</u>	<u>-</u>	<u>43,462</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 940,988</u>	<u>\$ 588,087</u>	<u>\$ 178,175</u>	<u>\$ 1,350,900</u>	<u>\$ -</u>

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarially determined amounts. At June 30, 2013, 2012, and 2011 the noncurrent liability related to OPEB costs was \$1,389,331, \$1,350,900, and \$897,526, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$208,078 and \$169,647, respectively, during 2013, or 82%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$588,087 and \$134,713, respectively, during 2012, or 23%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was and \$513,353 and \$106,240, respectively, during 2011, or 21%. As of and for the years ended June 30, 2013, 2012, and 2011 there were three, two, and two retirees, respectively, receiving these benefits. During the 2012 Legislative session, the State took proactive measures to address the unfunded liability, which will take effect in future fiscal years and fully fund the liability by 2037.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 8 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

The Municipal Bond Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution. Although the bonds remain as capital obligation of the Commission, an estimate of the obligation of each institution was reported as a long-term payable by each institution and as a receivable by the Commission. The College paid off its liability to the Commission in 2012.

For the years ended June 30, 2013 and 2012, debt service assessed is as follows:

	<u>2013</u>	<u>2012</u>
Principal	\$ -	\$ 43,462
Interest	-	1,962
Other	-	13,962
	\$ -	\$ 59,386

During December 2009, the Commission, on behalf of the Council, issued \$78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the 2009 Bonds). The proceeds of the 2009 Bonds are being used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The bond projects listed in the bond offering for the 2009 Bonds included bond funding of \$13,500,000 for the College. As of June 30, 2013, approximately \$13,056,000 has been recognized by the College under this bond issuance. State lottery funds will be used to repay the debt.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 9 - LEASES AND AMOUNTS DUE TO BERKELEY BUSINESS PARK ASSOCIATES, L.C.

The College leases space from two locations as of June 30, 2013, which are accounted for as operating leases. As a result of moving into the College's new building, the lease with the Berkeley County Commission was terminated September 30, 2012.

Future annual scheduled lease payments on operating leases for years subsequent to June 30, 2013, are as follows:

Year Ending <u>June 30,</u>	Berkeley Business <u>Park</u>	Morgan County <u>Commission</u>	<u>Total</u>
2014	\$ 239,043	\$ 55,620	\$ 294,663
2015	242,727	57,289	300,016
2016	246,795	59,007	305,802
2017	250,873	60,778	311,651
2018	<u>216,100</u>	<u>-</u>	<u>216,100</u>
	<u>\$ 1,195,538</u>	<u>\$ 232,694</u>	<u>\$ 1,428,232</u>

Total lease expense for the years ended June 30, 2013 and 2012, was \$333,090 and \$366,855, respectively.

The College does not have any non-cancellable leases.

NOTE 10 - SERVICE CONCESSION ARRANGEMENTS

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

The College contracts with Barnes & Noble to operate the bookstore located on the main campus. These services provide the College community with a professional bookstore to meet the needs of students, faculty and staff. The current contract began on May 1, 2012 and allows for five annual renewals. A subsequent contract amendment became effective May 1, 2013 that addressed additional capacity and commission terms. The College receives commission payments calculated as a contractually agreed percentage of bookstore revenue.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 11 - UNRESTRICTED NET POSITION

The College did not have any designated unrestricted net position as of June 30, 2013 or 2012.

	<u>2013</u>	<u>2012</u>
Total unrestricted net position before OPEB liability	\$ 3,337,883	\$ 4,238,501
Less: OPEB liability	<u>1,389,331</u>	<u>1,350,900</u>
 Total unrestricted net position	 <u>\$ 1,948,552</u>	 <u>\$ 2,887,601</u>

NOTE 12 - RETIREMENT PLANS

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

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

The STRS is a cost-sharing, defined benefit, public employee retirement system. Employer and employee contribution rates are established annually by the West Virginia State Legislature. The contractual maximum contribution rate is 15%. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for the years ended June 30, 2013 and 2012. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2013 and 2012. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years' salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2013, 2012, and 2011, were \$14,535, \$14,187, and \$13,658, respectively, which consisted of \$10,382, \$10,134, and \$9,756, from the College in 2013, 2012, and 2011, respectively, and \$4,153, \$4,053, and \$3,902, from the covered employees in 2013, 2012, and 2011, respectively.

NOTE 12 - RETIREMENT PLANS (Continued)

The contribution rate is set by the West Virginia State Legislature on an overall basis and the STRS does not perform a calculation of the contribution requirement for individual employers, such as the College. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of the report may be obtained by writing to the Consolidated Public Retirement Board, Building 5, Room 1000, Charleston, WV 25305.

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

Total contributions to the TIAA-CREF for the years ended June 30, 2013, 2012, and 2011, were \$701,560, \$578,541, and \$475,024, respectively, which consisted of equal contributions from the College and covered employees in 2013, 2012, and 2011 of \$350,780, \$289,270, and \$237,512, respectively.

Total contributions to the Educators Money for the year ended June 30, 2013, were \$2,742, which consisted of \$1,371 from both the College and from covered employees. Total contributions to the Educators Money for the year ended June 30, 2012, were \$2,856, which consisted of \$1,428 from both the College and from covered employees. Total contributions to the Educators Money for the year ended June 30, 2011, were \$2,874, which consisted of \$1,437 from both the College and from covered employees.

The College's total benefits-eligible payroll for the years ended June 30, 2013, 2012, and 2011, was \$5,938,387, \$4,912,535, and \$4,047,524, respectively, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were \$69,211, \$5,846,335, and \$22,841 in 2013, \$67,557, \$4,821,175, and \$23,803 in 2012, and \$65,040, \$3,958,531, and \$23,953 in 2011, respectively.

NOTE 13 - 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.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 13 - CONTINGENCIES (Continued)

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

**BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 14 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Operating expenses within both natural and functional classifications for the years ended June 30, 2013 and 2012 are as follows:

	2013						Total
	Salaries and Wages	Benefits	Supplies and Other Services	Scholarships and Fellowships	Depreciation	Other Operating Expenses	
Instruction	\$ 3,911,583	\$ 673,743	\$ 1,152,576	\$ -	\$ -	\$ -	\$ -
Public service	-	-	-	-	-	-	-
Academic support	147,814	25,140	374,649	-	-	-	-
Student services	968,810	282,575	213,439	-	-	-	-
General institutional support	1,682,488	506,572	1,489,963	-	-	-	-
Operations and maintenance of plant	276,234	44,547	869,267	-	-	-	-
Student financial aid	-	-	-	4,466,934	-	-	-
Depreciation	-	-	-	-	1,138,042	-	-
Auxiliary	98,684	25,584	108,729	-	-	-	-
Other	-	-	-	-	-	270,284	-
Total	\$ 7,085,613	\$ 1,558,161	\$ 4,208,623	\$ 4,466,934	\$ 1,138,042	\$ 270,284	\$ 70,826
							\$ 18,798,483

	2012						Total
	Salaries and Wages	Benefits	Supplies and Other Services	Scholarships and Fellowships	Depreciation	Other Operating Expenses	
Instruction	\$ 3,542,438	\$ 618,610	\$ 1,196,027	\$ -	\$ -	\$ -	\$ -
Public service	-	-	-	-	-	-	-
Academic support	156,694	45,199	335,277	-	-	-	-
Student services	796,407	208,276	193,437	-	-	-	-
General institutional support	1,413,689	847,959	926,423	-	-	-	-
Operations and maintenance of plant	158,441	32,414	234,370	-	-	-	-
Student financial aid	-	-	-	4,343,230	-	-	-
Depreciation	-	-	-	-	744,897	-	-
Auxiliary	-	-	-	-	-	-	-
Other	-	-	-	-	-	615,265	-
Total	\$ 6,067,669	\$ 1,752,458	\$ 2,885,534	\$ 4,343,230	\$ 744,897	\$ 615,265	\$ 62,145
							\$ 16,471,198

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
Blue Ridge Community and Technical College
Martinsburg, 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 Blue Ridge Community and Technical College (the College), as of and for the year ended June 30, 2013, 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 28, 2013.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free 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.

A handwritten signature in cursive script that reads "Seattle & Stalaker, PLLC".

Charleston, West Virginia
October 28, 2013