

Bridgemont Community and Technical College

Financial Statements
Years Ended June 30, 2013 and 2012
and
Independent Auditor's Reports

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE

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INDEPENDENT AUDITOR'S REPORT

Board of Governors
Bridgemont Community and Technical College
Montgomery, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Bridgemont Community and Technical College (Bridgemont or the College), a component unit of the West Virginia Council for Community and Technical College Education, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements which collectively comprise the College's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the the business-type activities of Bridgemont Community and Technical College, as of and for the years ended June 30, 2013 and 2012, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 16 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, 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

**BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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History

Bridgemont Community and Technical College (Bridgemont or the College) is a State-supported institution within the West Virginia Council for Community and Technical College Education. Until February 2004, the College was a component of West Virginia University Institute of Technology, a regional campus of West Virginia University (WVU). The community and technical college component became independently accredited by the Higher Learning Commission (HLC) of the North Central Association at that time while still governed by the WVU Board of Governors. The official name of the independently accredited institution was The Community and Technical College at West Virginia University Institution of Technology (CTC at Tech). In accordance with House Bill 3215 passed by the West Virginia State Legislature in its 2008 session, the CTC at Tech became a separate entity with its own local Board of Governors effective July 1, 2008 and received net assets transferred from WVU as of this date. In May 2009, the Board of Governors officially changed the college name to Bridgemont Community and Technical College. On July 1, 2009, Bridgemont completed its transition from an administratively-linked college to an independent college with its own Board and unique name. During the 2013 legislative session, Senate Bill 438 passed allowing the consolidation of Bridgemont with Kanawha Valley Community and Technical College. The completion of this consolidation will occur during fiscal year 2014 and after the HLC approves.

Overview

The Management's Discussion and Analysis is required supplementary information and has been prepared in accordance with the requirements of Governmental Accounting Standards Board (GASB) standards. This section of Bridgemont's annual financial report provides an overview of the College's financial performance during the fiscal years ended June 30, 2013, 2012, and 2011, with a focus on 2013. A comparative analysis is presented for fiscal year 2013 compared to fiscal year 2012.

Bridgemont's annual report consists of three basic financial statements: the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. These statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. Each of these statements is discussed below.

Financial Highlights

At June 30, 2013, Bridgemont's total net position was \$8,174,219 representing an increase of \$1,362,339. This increase in net position was primarily attributable to increases in cash and amounts paid on behalf of the College for capital assets partially offset by increases in accounts payable and unearned revenue.

**BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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Total operating revenues decreased by more than 4% over prior year primarily due to decreases in student tuition and fees and nongovernmental grants and contracts. Total operating expenses decreased by nearly 8% over prior year mainly due to the reduction in scholarships and fellowships, other post employment benefit (OPEB) expense, and supplies and other services offset by an increase in salaries and wages, and depreciation. Net nonoperating revenue decreased by 2.5% primarily due to decreases in federal Pell grant revenue and the credit from the Commission for debt service offset by the increase in State appropriations.

Net Position

The statement of net position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets minus liabilities) of the College as of the end of the fiscal year. Assets denote the resources available to continue the operations of the College. Liabilities indicate how much the College owes vendors, employees, and lenders. Net position measures the equity or the availability of funds of the College for future periods.

Net position is displayed in three major categories:

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

Restricted net position. This category includes net position, the use of which is restricted, either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components — nonexpendable and expendable. Nonexpendable restricted net position includes endowment and similar type funds for 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. Expendable restricted net position includes resources for which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

**BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

Condensed Schedules of Net Position
June 30,

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets and Deferred Outflows			
Current Assets	\$ 3,326,970	\$ 2,775,604	\$ 2,404,524
Noncurrent Assets	10,385,907	9,043,996	4,488,613
Total Assets	<u>13,712,877</u>	<u>11,819,600</u>	<u>6,893,137</u>
Deferred Outflows	-	-	-
Total	<u>\$ 13,712,877</u>	<u>\$ 11,819,600</u>	<u>\$ 6,893,137</u>
Liabilities, Deferred Inflows, and Net Position			
Current Liabilities	\$ 3,445,312	\$ 2,742,819	\$ 1,958,431
Noncurrent Liabilities	2,093,346	2,264,901	1,334,065
Total Liabilities	<u>5,538,658</u>	<u>5,007,720</u>	<u>3,292,496</u>
Deferred Inflows	-	-	-
Net Position			
Net Investment in Capital Assets	9,143,364	7,580,880	3,569,698
Restricted for:			
Nonexpendable	50,000	50,000	50,000
Unrestricted	(1,019,145)	(819,000)	(19,057)
Total Net Position	<u>8,174,219</u>	<u>6,811,880</u>	<u>3,600,641</u>
Total	<u>\$ 13,712,877</u>	<u>\$ 11,819,600</u>	<u>\$ 6,893,137</u>

Total 2013 assets increased by \$1,893,277 over 2012 and \$6,819,740 over 2011. The primary reasons for this increase in 2013 compared with 2012 (which also had a similar impact to the increase in total assets from 2013 to 2011) are as follows:

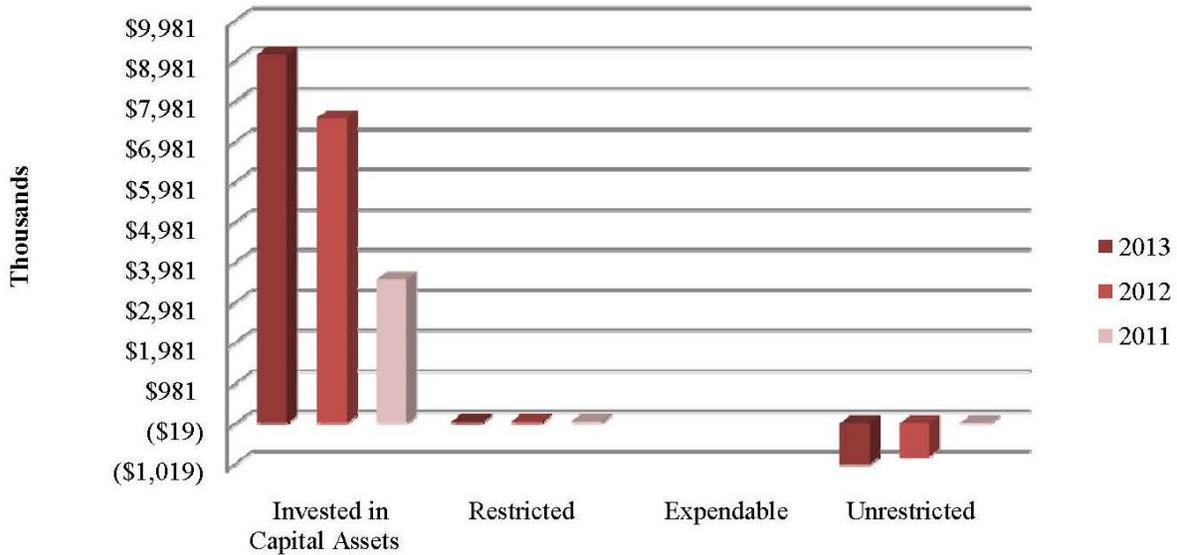
- Capital assets, net increased by \$1,342,930 primarily due to the Davis Hall and building 704 at the WV Regional Technology Park renovation projects and purchase of some grant-funded equipment.
- Cash and cash equivalents increased by \$906,977 due to grant revenue.

Total liabilities in 2013 increased by \$530,938 compared with 2012 and increased by \$2,246,162 compared with 2011. The primary reasons for this increase in 2013 compared with 2012 are as follows (which also had a similar impact to the increase in total liabilities from 2013 to 2011):

- Accounts payable increased by \$490,662 primarily due to the receipt of equipment near June 30.
- Unearned revenue increased \$318,003 primarily attributable to increases in unearned grants revenue due to the late awarding in the fiscal year of new grant funds.
- One additional impact in the increase in total liabilities from 2013 to 2011 was the increase in OPEB of \$457,140 compared with only a \$24,500 increase from 2013 to 2012.

The following is a comparative illustration of net position.

**Total Net Assets
As of June 30, 2013, 2012, and 2011**



Revenues, Expenses, and Changes in Net position

The statement of revenues, expenses, and changes in net position presents the operating revenues, operating expenses, nonoperating revenues and expenses, and other revenues, expenses, gains, or losses of Bridgmont for each fiscal year.

State appropriations, while budgeted for operations, are considered and reported as operating revenues. This is because State appropriations are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Pell grants are reported as nonoperating, because of specific guidance in the American Institute of Certified Public Accountants industry audit guide.

**BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

Student tuition and fees are reported net of scholarship discounts and allowances. Financial aid to students is reported using the National Association of College and University Business Officers alternative method. Under this method certain aid, such as loans and federal direct lending, is accounted for as a third party payment, while all other aid is reflected either as operating expenses or scholarship allowances, which reduce revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues	\$ 3,290,254	\$ 3,458,938	\$ 3,949,876
Operating Expenses	<u>8,941,362</u>	<u>9,670,092</u>	<u>9,447,797</u>
Operating Loss	(5,651,108)	(6,211,154)	(5,497,921)
Net Nonoperating Revenues	<u>5,128,718</u>	<u>5,260,904</u>	<u>5,339,918</u>
Decrease in Net Position before Other Revenues, Expenses, Gains, or Losses	(522,390)	(950,250)	(158,003)
Capital Grants and Gifts, Capital Bond Proceeds and Payments on Behalf of the College	1,884,729	4,161,489	339,416
Transfer of Net Assets from WVU	<u>-</u>	<u>-</u>	<u>8,969</u>
Increase in Net Position	1,362,339	3,211,239	190,382
Net Position at Beginning of Year	<u>6,811,880</u>	<u>3,600,641</u>	<u>3,410,259</u>
Net Position at End of Year	<u>\$ 8,174,219</u>	<u>\$ 6,811,880</u>	<u>\$ 3,600,641</u>

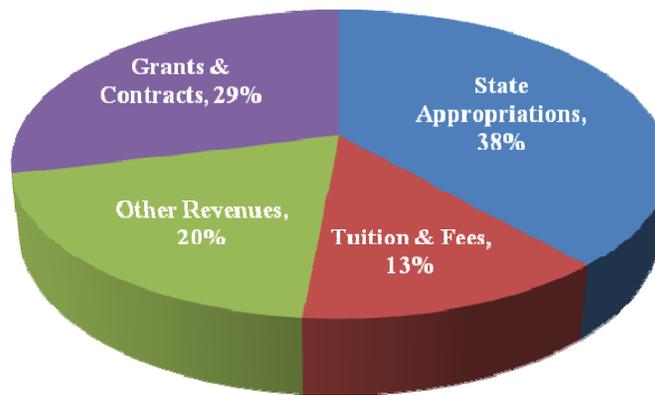
Operating revenue decreased in fiscal year 2013 by \$168,684 over fiscal year 2012 and decreased by \$659,622 over fiscal year 2011. Operating expenses decreased by \$728,730 over fiscal year 2012 and decreased by \$506,435 over fiscal year 2011 resulting in a fiscal year 2013 net operating loss of \$560,046 compared with fiscal year 2012 but more of an increased net operating loss compared with fiscal year 2011 of \$153,187. Net nonoperating revenue decreased in fiscal year 2013 by \$132,186 compared with fiscal year 2012 and decreased by \$211,200 compared with fiscal year 2011.

The pie charts below reflect the percentage allocation of total revenue from all sources in fiscal year 2013 compared with fiscal year 2012. Following these charts is a discussion regarding the changes in fiscal year 2013 revenue compared with fiscal year 2012.

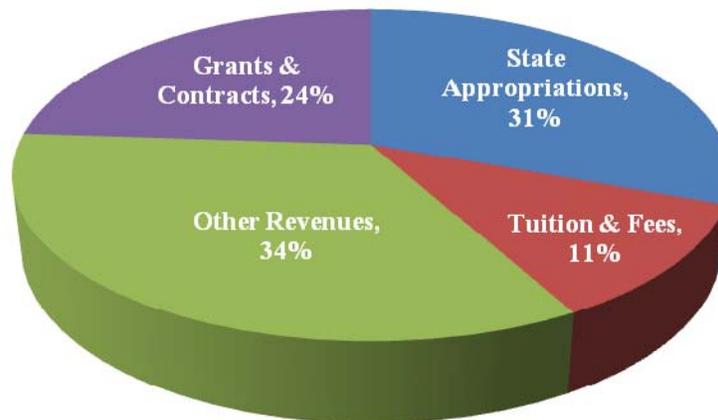
Revenues:

The following charts illustrate the composition of revenues by source for 2013 and 2012.

**Total Revenues
For the Year Ended June 30, 2013**



**Total Revenues
For the Year Ended June 30, 2012**



Some highlights of the changes in FY 2013 revenues compared with FY 2012 are as follows:

- Other revenues decreased by \$2,364,818 over the previous year primarily related to the decrease in capital payments made on behalf of Bridgemont of \$2,264,383 due to the bond funds payments for the Davis Hall renovations and capital projects and bond proceeds of \$315,964. The College also received an increase in capital grants and gifts of \$303,587 from previous year.

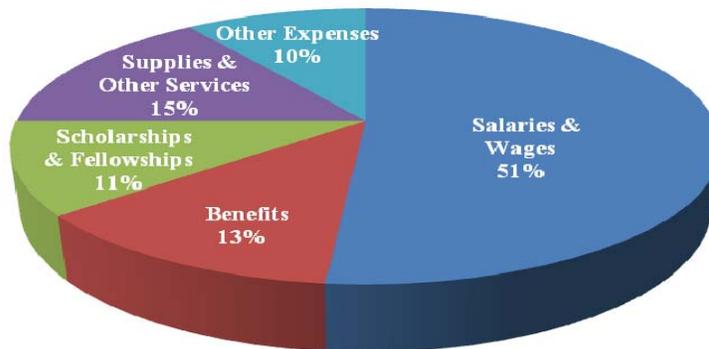
**BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

- State appropriations increased by \$13,915 in FY 2013 over FY 2012.
- Grants and contracts revenue remained constant.
- Net tuition and fee revenue decreased by \$123,395 primarily related to an increase in third party contracts at reduced tuition rates and an increase in the scholarship allowance.

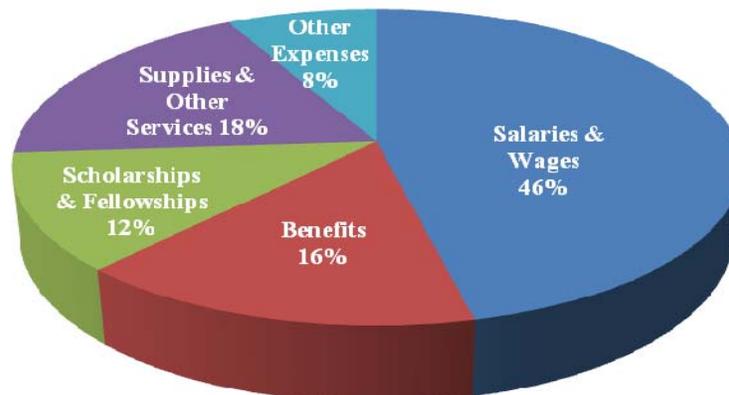
Expenses:

The following is a graphic illustration of total expenses by source for fiscal years 2013 and 2012.

**TOTAL EXPENSES
For the Year Ended June 30, 2013**



**TOTAL EXPENSES
For the Year Ended June 30, 2012**



**BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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Total expenses for fiscal year 2013 were \$8,959,196, a decrease of \$718,923 over FY 2012. Some highlights of the changes in FY 2013 expenses compared with FY 2012 are as follows:

- Salaries and wages increased by \$132,526 primarily in classified staff step increases required by statute and some additional grant funded new personnel.
- Benefits decreased by \$379,407 due to the reduction of OPEB expense.
- Depreciation increased by \$118,833 primarily related to significant increases in capital assets for the current year.
- Scholarship and fellowship expenses decreased by \$181,700 mainly due to decreases in third party scholarships (primarily Pell).
- Supplies and other services decreased by \$425,328 due to cost efficiencies implemented in FY 2013.

Cash Flows

The statement of cash flows provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and financing activities (capital and noncapital) of the College during the year. This statement helps users assess the College's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The statement of cash flows is divided into five sections:

Cash flows from operating activities. This section shows the net cash used by the operating activities of the College.

Cash flows from noncapital financing activities. This section reflects the cash received and paid for nonoperating, noninvesting, and noncapital financing purposes.

Cash flows from capital financing activities. This section includes cash used for the acquisition and construction of capital and related items.

Cash flows from investing activities. This section shows the purchases, proceeds, and interest received from investing activities.

Reconciliation of operating loss to net cash used in operating activities. This section provides a schedule that reconciles the accrual-based operating income (loss) and net cash used in operating activities.

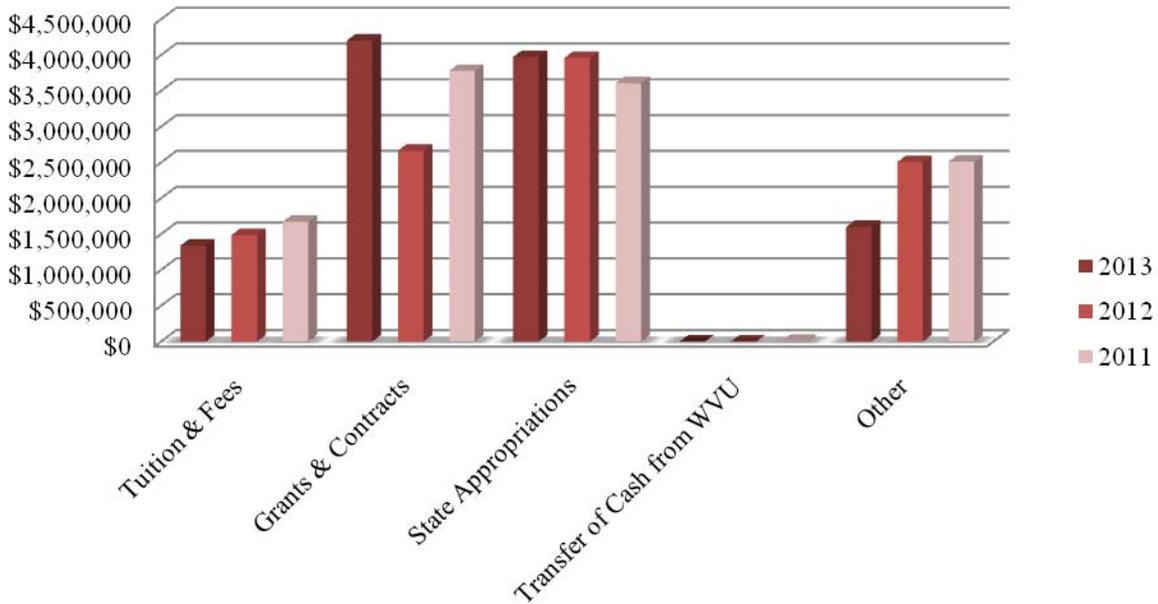
**BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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

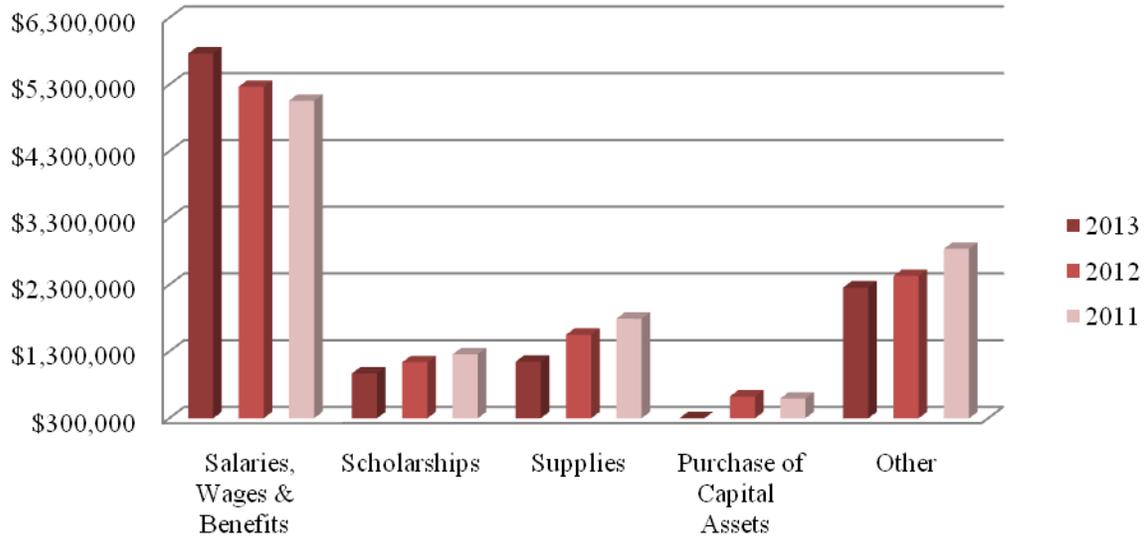
Cash Provided By (Used In):	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Activities:	\$ (4,569,890)	\$ (5,451,393)	\$ (4,903,721)
Noncapital Financing Activities	5,143,230	5,266,902	5,353,831
Capital Financing Activities	325,559	(215,767)	(416,100)
Investing Activities	<u>3,372</u>	<u>1,875</u>	<u>4,119</u>
Increase (Decrease) in Cash and Cash Equivalents	902,271	(398,383)	38,129
Cash and Cash Equivalents, Beginning of Year	<u>1,784,690</u>	<u>2,183,073</u>	<u>2,144,944</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,686,961</u>	<u>\$ 1,784,690</u>	<u>\$ 2,183,073</u>

The following graphs illustrate the sources and uses of cash:

**SOURCES OF CASH
Fiscal Years 2013, 2012, and 2011**



USES OF CASH Fiscal Years 2013, 2012, and 2011



Capital Asset and Long Term Debt Activity

During FY 2013, the construction in progress projects were completed, transferred to capital assets, and the College began depreciating these assets. The Davis Hall Renovations project began during FY 2011 with \$230,427 completed during FY 2013 with a total of nearly \$4.7 million not including the furniture and equipment also purchased in conjunction with the renovation. The scope of the project expanded allowing completion of additional critically needed deferred maintenance during these renovations. Funding came from the remaining portion of the \$3 million system debt along with an additional \$1.75 million from special lottery revenue originally set aside for debt service payment.

Also during FY 2013, Bridgemont completed renovations on Building 704 at the West Virginia Regional Technology Park. These renovations, which totaled nearly \$736,000 included new HVAC to make the building more energy efficient and other renovations to allow Bridgemont to provide expanded academic and workforce programs at the South Charleston location.

State lottery funds have been set aside to pay the system debt associated with the Council's \$3.0 million bond funds. As noted previously, the \$1.75 million was special lottery revenue with no associated debt. Bridgemont incurred new system debt of \$410,000 to help fund additional renovations related to the Davis Hall Renovations Project. Payment of this debt includes \$340,000 over five years with final payment in 2016 and \$70,000 over the ten years with final payment in 2021.

Economic Outlook

The financial position of Bridgemont Community and Technical College (Bridgemont) is closely tied to that of the State of West Virginia. However, legislative changes have occurred over the last decade resulting in more autonomy and control over all operations of the College. Enrollment has been stable for the past few years with the exception of fiscal year 2010. In Fall of 2009, with the marketing launch of the new College name, Bridgemont experienced a 10 percent increase in headcount enrollment. Bridgemont continues to maintain this increase in headcount. Fall 2013 enrollment is projected to have an increase in headcount enrollment. The College is dependent upon tuition and fee revenue to maintain the large percentage of high-cost technical programs; however, the rate of tuition increases has been contained as much as possible. Bridgemont's 2010-2015 strategic plan proposed a cumulative cap of 5 percent in tuition and fees over this time-frame to increase competitiveness with other community colleges and ensure access to more individuals. For the past four years, Bridgemont's tuition rates have been held constant with only a modest 2% increase approved for FY 2014.

Faculty and staff rely on external funding, primarily through State grants and contracts, to initiate new academic programs and workforce initiatives. Grants and contracts provide essential start-up money with sustainability of initiatives created through enrollment. Several projects are being proposed for the use of State grants available for community and technical college education. Another revenue enhancement began with the establishment of the Bridgemont Community and Technical College Foundation ("Foundation"). The Foundation Board is in place and received tax-exempt status from the IRS on March 1, 2011. Foundation assets have all been transferred from the Tech Foundation allowing Bridgemont staff to work directly with donors to enhance external funding in support of the College.

With the change in governance and administrative service structure, Bridgemont continues to achieve cost savings. Fiscal year 2014 state appropriations were reduced by 7.5% and even before this went into effect, Bridgemont took cost-containing measures to absorb this reduction. The College also raised tuition by 2% to assist in the revenue shortfall from the State. The State Budget Office projections for fiscal year 2015 state appropriations are projected to be below that of 2014 and an additional reduction may be required. Should this projection for fiscal year 2015 of lower State revenue occur and Bridgemont experiences a reduction in state appropriations, the College has developed plans to address this reduction. With the consolidation of Bridgemont and Kanawha Valley Community and Technical College, many opportunities will be available to enhance revenue and pursue additional costs efficiencies through careful consideration of filling any current and new vacancies, determining the applicability of part-time versus full-time employees and contractual versus permanent employees. In anticipation of the HLC approving this consolidation, expanded joint appointments are being used to contain personnel costs including a shared president between both institutions. Enhanced recruitment activities and projects are on-going to increase the tuition and fee revenue stream through enrollment. Bridgemont may be required to raise tuition again in fiscal year 2015 should state appropriations be reduced to avoid impacting the critical operations of the College.

**BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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Through strategic planning for energy efficiencies in buildings, cost containment with sustainability measures, careful deliberation on personnel decisions, enhanced grant activity, encouraging external gifting through an established Foundation, and focus on student recruitment and retention, the leadership of the College is consistently engaged in a solution-focused dialogue designed to meet future economic challenges. These changes will result in cost savings and revenue enhancements to the College to provide for greater financial stability. The College is also focused on expanding enrollment through increased on-line offerings, expansion of class offerings at the new South Charleston location in the West Virginia Regional Technology Park, and continued development of industry partnerships such as the Toyota Advanced Manufacturing program and customized training through the Workforce Development Division. The College was recently awarded its first NSF S-STEM grant to provide scholarship funds for STEM majors; Washington Monthly ranked Bridgemont as 35th in the nation, and Bridgemont will be the lead institution in a \$25 million DOL consortia grant for technical education advancements announced on September 18, 2013. With the consolidation, new grants, and national recognition, Bridgemont will continue to prosper and grow.

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 Bridgemont Community and Technical College at 619 2nd Avenue, Montgomery, West Virginia 25136.

BRIDGEMONT 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	\$ 2,636,961	\$ 1,729,984
Accounts receivable, net of allowance for doubtful accounts in 2013 and 2012, respectively	220,200	384,877
Due from the Council/Commission	469,809	660,743
Total current assets	3,326,970	2,775,604
NONCURRENT ASSETS:		
Cash and cash equivalents	50,000	54,706
Other assets	313,887	310,200
Capital assets, net	10,022,020	8,679,090
Total noncurrent assets	10,385,907	9,043,996
DEFERRED OUTFLOWS OF RESOURCES:		
Total deferred outflows of resources	-	-
TOTAL	\$ 13,712,877	\$ 11,819,600
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 710,889	\$ 220,227
Service agreement payable to WVU	13,212	53,809
Accrued liabilities	400,780	458,627
Deposits	2,500	700
Unearned revenue	1,954,849	1,636,846
Due to the Council/Commission	34,926	27,615
Compensated absences	132,101	125,441
Debt payable to the Commission — current portion	75,000	75,000
Leases payable — current portion	81,055	104,554
Notes payable to WVU — current portion	40,000	40,000
Total current liabilities	3,445,312	2,742,819
NONCURRENT LIABILITIES:		
Other post employment benefits liability	1,410,745	1,386,245
Debt payable to the Commission, net of current portion	219,000	294,000
Leases payable, net of current portion	383,601	464,656
Notes payable to WVU, net current portion	80,000	120,000
Total noncurrent liabilities	2,093,346	2,264,901
DEFERRED INFLOWS OF RESOURCES:		
Total deferred inflows of resources	-	-
NET POSITION:		
Net investment in capital assets	9,143,364	7,580,880
Restricted for—nonexpendable	50,000	50,000
Unrestricted deficit	(1,019,145)	(819,000)
Total net position	8,174,219	6,811,880
TOTAL	\$ 13,712,877	\$ 11,819,600

The Accompanying Notes Are An Integral
Part Of These Financial Statements

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

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	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowances of \$700,895 and \$688,387 in 2013 and 2012, respectively	\$ 1,339,262	\$ 1,462,657
Federal grants and contracts	40,859	28,708
State grants and contracts	1,471,897	1,462,124
Nongovernmental grants and contracts	300,526	319,875
Sales and services of educational departments	22,174	24,332
Auxiliary enterprises — net of scholarship allowances of \$69,319 and \$85,082 in 2013 and 2012, respectively	112,171	159,592
Other operating revenues	3,365	1,650
Total operating revenues	<u>3,290,254</u>	<u>3,458,938</u>
OPERATING EXPENSES:		
Salaries and wages	4,613,232	4,480,706
Benefits	1,132,273	1,511,680
Scholarships and fellowships	974,448	1,156,148
Utilities	210,288	205,323
Supplies and other services	1,143,176	1,568,504
Depreciation	467,200	348,367
Assessments by the Commission for operations	31,594	37,484
Net service agreement expense to WVU	369,151	361,880
Total operating expenses	<u>8,941,362</u>	<u>9,670,092</u>
OPERATING LOSS	<u>(5,651,108)</u>	<u>(6,211,154)</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	3,973,597	3,959,682
Federal Pell grants	1,174,663	1,270,763
Investment income	3,322	2,029
Interest on capital asset-related debt	(17,834)	(8,027)
Credit from (fees assessed by) the Commission for debt service	(5,030)	36,457
Net nonoperating revenues	<u>5,128,718</u>	<u>5,260,904</u>
DECREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(522,390)	(950,250)
CAPITAL GRANTS AND GIFTS	612,807	309,220
CAPITAL BOND PROCEEDS FROM THE COMMISSION	-	315,964
CAPITAL PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF THE COLLEGE	<u>1,271,922</u>	<u>3,536,305</u>
INCREASE IN NET POSITION	1,362,339	3,211,239
NET POSITION - Beginning of year	<u>6,811,880</u>	<u>3,600,641</u>
NET POSITION - End of year	<u>\$ 8,174,219</u>	<u>\$ 6,811,880</u>

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

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 1,338,322	\$ 1,485,510
Grants and contracts	2,485,857	1,393,940
Payments to and on behalf of employees	(5,764,350)	(5,266,215)
Payments to suppliers	(1,147,445)	(1,551,355)
Payments to utilities	(199,925)	(206,763)
Payments for scholarships and fellowships	(971,625)	(1,138,973)
Auxiliary enterprise charges	111,279	158,798
Sales and service of educational departments	24,339	26,220
Payments of operating expenses to WVU	(409,748)	(320,071)
Other payments	(36,594)	(32,484)
Net cash used in operating activities	<u>(4,569,890)</u>	<u>(5,451,393)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	3,973,597	3,959,682
Federal Pell grants	1,174,663	1,270,763
Federal student loan program — direct lending receipts	1,380,571	1,666,914
Federal student loan program — direct lending payments	(1,380,571)	(1,666,914)
Credit from the Commission for debt service	(5,030)	36,457
Net cash provided by noncapital financing activities	<u>5,143,230</u>	<u>5,266,902</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Payments on Commission debt	(75,000)	(113,173)
Capital gifts and grants received	612,807	309,220
Purchases of capital assets	(69,712)	(625,337)
Payments on notes payable to WVU	(40,000)	(40,000)
Payments on leases payable	(104,554)	(44,734)
Bond proceeds from the Commission	9,680	306,284
Interest paid on capital debt and leases	(7,662)	(8,027)
Net cash provided by (used in) capital financing activities	<u>325,559</u>	<u>(215,767)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	3,372	1,875
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	902,271	(398,383)
CASH AND CASH EQUIVALENTS - Beginning of year		
	1,784,690	2,183,073
CASH AND CASH EQUIVALENTS - End of year		
	<u>\$ 2,686,961</u>	<u>\$ 1,784,690</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (5,651,108)	\$ (6,211,154)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	467,200	348,367
Loss on Disposal of Assets	43,819	-
Changes in assets and liabilities:		
Accounts receivable — net	164,676	(215,504)
Due from the Council/Commission	181,205	(520,773)
Other assets	16,920	(5,389)
Accounts payable	(52,431)	38,071
Accrued liabilities	(57,847)	235,305
Deposits	1,800	(1,400)
Unearned revenue	318,002	395,391
Service agreement payable to WVU	(40,597)	41,809
Due to the Council/Commission	7,311	(19,055)
Other postemployment benefits liability	24,500	432,640
Compensated absences	6,660	30,299
Net cash used in operating activities	<u>\$ (4,569,890)</u>	<u>\$ (5,451,393)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:		
Cash and cash equivalents classified as current	\$ 2,636,961	\$ 1,729,984
Cash and cash equivalents classified as noncurrent	50,000	54,706
	<u>\$ 2,686,961</u>	<u>\$ 1,784,690</u>
NONCASH TRANSACTIONS:		
Capital payments made on behalf of the College	\$ 1,271,922	\$ 3,536,305
Capital expenses in accounts payable	<u>\$ 543,094</u>	<u>\$ -</u>

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

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NOTE 1 - ORGANIZATION

Bridgemont Community and Technical College (Bridgemont or the College) is governed by the Bridgemont Community and Technical College Board of Governors (the Board). The Board was established by House Bill 3215 (H.B. 3215), effective July 1, 2008, which clarified and redefined relationships between and among certain higher education boards and institutions.

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 Bridgemont under its jurisdiction, the duty to develop a master plan for Bridgemont, the power to prescribe the specific functions and Bridgemont's budget request, the duty to review at least every five years all academic programs offered at Bridgemont, and the power to fix tuition and other fees for the different classes or categories of students enrolled at Bridgemont.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity - Bridgemont 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. Bridgemont is a separate entity, which, along with all State institutions of higher education, the Council, and 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 Bridgemont. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from Bridgemont's ability to significantly influence operations and accountability for fiscal matters of related entities. Related foundations of Bridgemont are not part of Bridgemont's reporting entity and are not included in the accompanying financial statements as Bridgemont has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of the foundations and other affiliates under GASB blended component unit requirements.

The related foundations of Bridgemont do not meet the criteria for inclusion as a component unit of Bridgemont under discretely presented component unit requirements and, as a result, are not included in these financial statements (see Note 13).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Restricted net position, expendable - This includes resources in which Bridgemont is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

The West Virginia Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education* of the West Virginia State Code. House Bill 101, passed in March 2004, simplified the tuition and fees restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of Bridgemont. These restrictions are subject to change by future actions of the West Virginia Legislature. At June 30, 2013 and 2012, Bridgemont had no restricted balances remaining in these funds.

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.

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

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

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

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the Treasurer) are pooled by the Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (the BTI). These funds are transferred to the BTI, and the BTI is directed by the Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures, and the 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. The BTI was established by the West Virginia Legislature (the State Legislature) and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the West Virginia Short Term Bond Pool and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

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

Cash and cash equivalents also include all outside bank accounts and cash on hand.

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 Bridgemont's policy to provide for future losses on uncollectible accounts and loans receivable based on an evaluation of the underlying account and loan balances, the historical collectibility experienced by Bridgemont on such balances, and such other factors which, in Bridgemont's judgment, require consideration in estimating doubtful accounts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Noncurrent Cash, Cash Equivalents, and Investments - Cash and cash equivalents that are (1) externally restricted to make debt service payments or long-term loans to students or to purchase capital or other noncurrent assets and (2) permanently restricted net position are classified as a noncurrent asset in the statement of net position.

Capital Assets - Capital assets include property, plant, 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. The capital assets transferred in were recorded at net book value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and land improvements, and 3 to 15 years for furniture and equipment. Bridgemont's capitalization threshold is \$5,000.

Unearned Revenue - Revenue for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue, including items such as tuition, orientation fees, financial aid deposits, and advance payments on sponsored awards. Financial aid deposits are separately classified.

Compensated Absences and Other Postemployment Benefits (OPEB) - GASB provides for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. The College is required to participate in this multiple-employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, 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 sponsored 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. Faculty hired after July 1, 2009 will no longer receive years of service credit toward insurance premiums when they retire. Employees hired after July 1, 2010 receive no health insurance premium subsidy from the College. Two groups of employees hired after July 1, 2010 will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010 who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

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

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

Operating Revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) most federal, state, local, and nongovernmental grants and contracts, and (3) 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 gains on the sale of capital assets (including natural resources).

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

Use of Restricted Net Position - Bridgemont 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, Bridgemont attempts to utilize restricted net position first when practicable.

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

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

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

Federal Financial Assistance Programs - In fiscal year 2010, Bridgemont switched to the William D. Ford Loan Direct Loan program for making loans to students from the Federal Stafford Loan Program provided to students. Under the William D. Ford Direct Loan program, the U.S. Department of Education makes interest subsidized and unsubsidized loans directly to students, through colleges. Direct Loan student receivables are not included in Bridgemont's statement of net position, as the loans are repayable directly to the U.S. Department of Education. Bridgemont received and disbursed approximately \$1.4 million and \$1.7 million, respectively, during fiscal years 2013 and 2012 under the Direct Loan Program on behalf of the U.S. Department of Education. These amounts are not included as revenues and expenses on the statement of revenues, expenses, and changes in net position.

Bridgemont also distributes student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, Academic Competitive Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2013 and 2012, Bridgemont received and disbursed approximately \$1.2 million and \$1.3 million, respectively, under these federal student aid programs.

Government Grants and Contracts - Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. Bridgemont 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 three years.

Income Taxes - Bridgemont 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 (IRS).

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 statement of cash flows.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Flows - Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves have been included as cash and cash equivalents for the purpose of the statement of cash flows.

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 state of net position.

Risk Management - The State's Board of Risk and Insurance Management (BRIM) provides general liability, property, and auto insurance coverage, to Bridgemont and its employees. Such coverage is provided to Bridgemont by BRIM through a self-insurance program maintained by BRIM for general liability and auto insurance coverage. BRIM maintains a self-insurance program to pay the first \$1,000,000 of each property insurance claim and purchases excess property insurance from the commercial insurance market to cover individual claims that exceed \$1,000,000. The BRIM self-insurance programs may involve experience and exposure related premiums.

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

In addition, through its participation in the West Virginia Public Employees Insurance Agency (PEIA) and a third-party insurer, the College has obtained health, life, prescription drug coverage, and coverage for job related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurer, the College has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

West Virginia had a single private insurance company, BrickStreet Insurance, which provided workers' compensation coverage to all employers in the state. Other private insurance companies began to offer coverage to private-sector employers beginning July 1, 2009 and to government employers beginning July 1, 2010. Nearly every employer in the State, who has payroll must have coverage. The cost of all coverage is paid by the employers. BrickStreet retains the risk related to the compensation of injured employees under the program.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

The College has also 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 has early adopted 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 combined financial statements

The GASB also 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. Bridgemont has not yet determined the effect that the adoption of GASB Statement No. 69 may have on its financial statements.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Bridgemont has not yet determined the effect that the adoption of GASB Statement No. 70 may have on its financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2013 and 2012, is as follows:

	2013		
	Current	Noncurrent	Total
Cash on deposit with the Treasurer/BTI			
Nonauxiliaries	\$ 2,608,256	\$ 50,000	\$ 2,658,256
Auxiliaries	2,495	-	2,495
Cash on hand	100	-	100
Cash in bank	26,110	-	26,110
	\$ 2,636,961	\$ 50,000	\$ 2,686,961
	2012		
	Current	Noncurrent	Total
Cash on deposit with the Treasurer/BTI			
Nonauxiliaries	\$ 1,664,688	\$ 54,706	\$ 1,719,394
Auxiliaries	30,451	-	30,451
Cash on hand	100	-	100
Cash in bank	34,745	-	34,745
	\$ 1,729,984	\$ 54,706	\$ 1,784,690

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

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NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

These bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held as collateral by the bank in the name of the State. Cash held by the Treasurer includes \$50,000 and \$54,706 of restricted cash at June 30, 2013 and 2012, respectively.

The combined carrying amount of cash in the bank at June 30, 2013 and 2012, was \$26,110 and \$34,745, respectively, as compared with the combined bank balance of \$27,512 and \$37,955 for the years ended June 30, 2013 and 2012 for both years. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Amounts with the State Treasurer 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 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.

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 0.09% and 0.05%, respectively.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

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NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

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 0.01% and 0.00%, 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):

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED 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.

At June 30, 2013 and 2012, the College's ownership represents 0.03% and 0.04%, respectively, of these amounts held by the BTI.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

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:

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:

Security Type	2013		2012	
	Carrying Value (In thousands)	WAM (Days)	Carrying Value (In thousands)	WAM (Days)
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	200,012	1	200,054	1
	<u>\$2,495,868</u>	52	<u>\$2,786,968</u>	46

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

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:

Security Type	2013		2012	
	Carrying Value (In thousands)	WAM (Days)	Carrying Value (In thousands)	WAM (Days)
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

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:

Security Type	2013		2012	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
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.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

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.

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 at June 30, 2013 and 2012, are as follows:

	2013	2012
Student tuition and fees, net of allowances for doubtful accounts of \$96,151 and \$113,741 in 2013 and 2012, respectively	\$ 33,237	\$ 32,757
Grants and contracts receivable	97,906	182,068
Due from third party for payment of tuition & fees	1,817	1,063
Other	600	-
Due from other State Agencies	86,640	168,989
	\$ 220,200	\$ 384,877

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 5 - CAPITAL ASSETS

The following, as of June 30, 2013 and 2012, is a summary of capital assets transactions for Bridgemont:

	2013			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 413,957	\$ -	\$ -	\$ 413,957
Construction in progress	<u>4,184,231</u>	<u>1,241,143</u>	<u>(5,425,374)</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 4,598,188</u>	<u>\$ 1,241,143</u>	<u>\$ (5,425,374)</u>	<u>\$ 413,957</u>
Other capital assets:				
Buildings	\$ 5,337,748	\$ 5,439,578	\$ (55,514)	\$ 10,721,812
Equipment	<u>2,182,303</u>	<u>598,602</u>	<u>(167,600)</u>	<u>2,613,305</u>
Total other capital assets	<u>7,520,051</u>	<u>6,038,180</u>	<u>(223,114)</u>	<u>13,335,117</u>
Less accumulated depreciation for:				
Buildings	(2,578,267)	(215,570)	44,411	(2,749,426)
Equipment	<u>(860,882)</u>	<u>(251,630)</u>	<u>134,884</u>	<u>(977,628)</u>
Total accumulated depreciation	<u>(3,439,149)</u>	<u>(467,200)</u>	<u>179,295</u>	<u>(3,727,054)</u>
Other capital assets, net	<u>\$ 4,080,902</u>	<u>\$ 5,570,980</u>	<u>\$ (43,819)</u>	<u>\$ 9,608,063</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 4,598,188	\$ 1,241,143	\$ (5,425,374)	\$ 413,957
Other capital assets	<u>7,520,051</u>	<u>6,038,180</u>	<u>(223,114)</u>	<u>13,335,117</u>
Total cost of capital assets	12,118,239	7,279,323	(5,648,488)	13,749,074
Less accumulated depreciation	<u>(3,439,149)</u>	<u>(467,200)</u>	<u>179,295</u>	<u>(3,727,054)</u>
Capital assets, net	<u>\$ 8,679,090</u>	<u>\$ 6,812,123</u>	<u>\$ (5,469,193)</u>	<u>\$ 10,022,020</u>

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	2012			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 381,191	\$ 32,766	\$ -	\$ 413,957
Construction in progress	<u>237,926</u>	<u>3,946,305</u>	<u>-</u>	<u>4,184,231</u>
Total capital assets not being depreciated	<u>\$ 619,117</u>	<u>\$ 3,979,071</u>	<u>\$ -</u>	<u>\$ 4,598,188</u>
Other capital assets:				
Buildings	\$ 5,315,370	\$ 22,378	\$ -	\$ 5,337,748
Equipment	<u>1,252,360</u>	<u>929,943</u>	<u>-</u>	<u>2,182,303</u>
Total other capital assets	<u>6,567,730</u>	<u>952,321</u>	<u>-</u>	<u>7,520,051</u>
Less accumulated depreciation for:				
Buildings	(2,420,972)	(157,295)	-	(2,578,267)
Equipment	<u>(669,810)</u>	<u>(191,072)</u>	<u>-</u>	<u>(860,882)</u>
Total accumulated depreciation	<u>(3,090,782)</u>	<u>(348,367)</u>	<u>-</u>	<u>(3,439,149)</u>
Other capital assets – net	<u>\$ 3,476,948</u>	<u>\$ 603,954</u>	<u>\$ -</u>	<u>\$ 4,080,902</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 619,117	\$ 3,979,071	\$ -	\$ 4,598,188
Other capital assets	<u>6,567,730</u>	<u>952,321</u>	<u>-</u>	<u>7,520,051</u>
Total cost of capital assets	7,186,847	4,931,392	-	12,118,239
Less accumulated depreciation	<u>(3,090,782)</u>	<u>(348,367)</u>	<u>-</u>	<u>(3,439,149)</u>
Capital assets, net	<u>\$ 4,096,065</u>	<u>\$ 4,583,025</u>	<u>\$ -</u>	<u>\$ 8,679,090</u>

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

There was no capitalized interest for fiscal year 2013 or 2012.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 6 - LONG-TERM LIABILITIES

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

	2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Other postemployment benefits liability	\$ 1,386,245	\$ 167,768	\$ (143,268)	\$ 1,410,745	\$ -
Debt payable to the Commission	369,000	-	(75,000)	294,000	75,000
Leases payable	569,210	-	(104,554)	464,656	81,055
Notes payable	<u>160,000</u>	<u>-</u>	<u>(40,000)</u>	<u>120,000</u>	<u>40,000</u>
Total long-term liabilities	<u>\$ 2,484,455</u>	<u>\$ 167,768</u>	<u>\$ (362,822)</u>	<u>\$ 2,289,401</u>	<u>\$ 196,055</u>

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Other postemployment benefits liability	\$ 953,605	\$ 564,134	\$ (131,494)	\$ 1,386,245	\$ -
College system debt owed to the Commission	29,506	-	(29,506)	-	-
Debt payable to the Commission	42,667	410,000	(83,667)	369,000	75,000
Leases payable	254,194	359,750	(44,734)	569,210	104,554
Notes payable	<u>200,000</u>	<u>-</u>	<u>(40,000)</u>	<u>160,000</u>	<u>40,000</u>
Total long-term liabilities	<u>\$ 1,479,972</u>	<u>\$ 1,333,884</u>	<u>\$ (329,401)</u>	<u>\$ 2,484,455</u>	<u>\$ 219,554</u>

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS LIABILITY

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2013, 2012 and 2011, the noncurrent liability related to OPEB was \$1,410,745, \$1,386,245 and \$953,605, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$167,768 and \$143,268, respectively, during 2013, or 85%. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$564,134 and \$131,494, respectively, during 2012, or 23%. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$528,116 and \$113,490, respectively, during 2011, or 21%. For the years ended June 30, 2013, 2012 and 2011, there were five retirees receiving these benefits. During the 2012 legislative session, the State took proactive measures to address this unfunded liability, which will take effect in future fiscal years and fully fund the liability by 2037.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 8 - LEASES PAYABLE

Operating - Bridgemont has entered into various operating lease agreements. Future annual minimum lease payments for years subsequent to June 30, 2013 are \$18.

Total rent expense for these operating leases for the years ended June 30, 2013 and 2012, was approximately \$16,920 and \$23,500, respectively. Bridgemont does not have any noncancelable leases. Payments for 2013 through 2031 are \$1 per year. Due to the long-term implications of this lease (25 years) and the fact that the last 19 years are at \$1 annually, Bridgemont reports an amortized amount of lease payments for 2013 and subsequent years of \$16,920 annually and reflects the difference between cash payouts and accrued expenses against prepaid expenses over the life of the lease.

Capital - Bridgemont leases certain property, plant, and equipment through capital leases. The net book value of assets obtained through capital leases was \$495,247 and \$574,671 for June 30, 2013 and 2012, respectively. Future annual minimum lease payments on capital assets are as follows:

Years Ending June 30,

	2014	\$	88,309
	2015		90,159
	2016		90,999
	2017		91,873
	2018		22,546
	Thereafter		125,284
Future minimum lease payments			509,170
Less interest			(44,514)
Total			464,656
Current portion			(81,055)
Long-term portion		\$	383,601

NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

Bridgemont is a State institution of higher education. It receives a State appropriation in partial support of its operations. In addition, Bridgemont is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of Bridgemont'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 Bridgemont. Financing for these facilities was provided through revenue bonds issued by either the former Board of Regents, the former University System of West Virginia, the former State College System of West Virginia, or the former Interim Governing Board (collectively 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.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

The Municipal Bond Commission has the authority to assess each public institution of higher education for funds to meet the payment of debt service on these various bonds. Certain tuition and registration fees (referred to as system 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 an institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. The bonds remain a capital obligation of the Commission; however, effective June 30, 2002, an amount of principal related to each institution was reported as debt service assessment payable to the Commission by each institution and as a receivable by the Commission.

During December 2009, the Commission, on behalf of the Council, issued \$78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the "2009 Bonds"). The proceeds of the 2009 Bonds will be used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. Bond projects listed in the bond offering for the 2009 Bonds propose bond funding of \$3.0 million for Bridgemont. Bridgemont has also been approved to receive an additional \$1,750,000 to help address additional deferred maintenance needs identified during this renovation project. As of June 30, 2012, \$3.0 million has been recognized by Bridgemont to fund the Davis Hall Renovations project. Payment of this debt is through State lottery funds. Bridgemont also recognized an additional \$1.75 million in lottery revenue. Additionally, Bridgemont entered into two loans with the Commission to enable funding to assist in alternates for the renovation and replacement of the windows. One loan was in the amount of \$70,000 with annual payments of \$7,000 over ten years with the final payment in 2021. The second loan was in the amount of \$340,000 has semi annual payments of \$34,000 over five years with the final payment in 2016. The amount due to the Commission at June 30, 2013 and 2012 was \$294,000 and \$369,000, respectively.

NOTE 10 - UNRESTRICTED NET POSITION (DEFICIT)

	2013	2012
Total unrestricted net position before OPEB liability	\$ 391,600	\$ 567,245
Less: OPEB liability	1,410,745	1,386,245
Total unrestricted deficit	\$ (1,019,145)	\$ (819,000)

NOTE 11 - RETIREMENT PLANS

Substantially all full-time employees of Bridgemont participate in either the West Virginia Teachers' Retirement System (the "STRS") or the Teachers' Insurance and Annuities Association - College Retirement Equities Fund (the 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 Bridgemont employees have not been significant to date.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 11 - RETIREMENT PLANS (CONTINUED)

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 retirement system. Employer and employee contribution rates are established annually by the State Legislature. The contractual maximum contribution rate is 15%. Bridgemont accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for both years ended June 30, 2013 and 2012. Required employee contributions are at the rate of 6% of total annual salary for both 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.

The contribution rate is set by the State Legislature on an overall basis, and STRS does not perform a calculation of the contribution requirement for individual employers, such as Bridgemont. 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.

Total contributions to the STRS for the years ended June 30, 2013, 2012 and 2011 were approximately \$82,300, \$84,000, and \$95,100, respectively, which consisted of approximately \$58,800, \$60,000, and \$67,900, respectively, from Bridgemont and approximately \$23,500, \$24,000, \$27,200, respectively, from covered employees.

The TIAA-CREF and Educators Money are defined contribution plans in which benefits are based upon amounts contributed, plus investment earnings. Each employee who elects to participate in these plans is required to make a contribution equal to 6% of total annual compensation. Bridgemont simultaneously matches the employees' 6% contribution. Contributions are immediately and fully vested.

Total contributions to the TIAA-CREF for the years ended June 30, 2013, 2012, and 2011, were approximately \$425,000, \$406,000, and \$367,400, respectively, which consisted of approximately \$212,500, \$203,000, and \$183,700, respectively, from Bridgemont and approximately \$212,500, \$203,000, and \$183,700, respectively, from covered employees.

Total contributions to Educators Money for the years ended June 30, 2013, 2012, and 2011, were approximately \$12,000, \$12,000, and \$11,000, respectively, which consisted of approximately \$6,000, \$6,000, and \$5,500, respectively, from Bridgemont and approximately \$6,000, \$6,000, and \$5,500, respectively, from covered employees.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

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NOTE 11 - RETIREMENT PLANS (CONTINUED)

Bridgemont's total payroll for the years ended June 30, 2013, 2012, and 2011 was approximately \$4.0 million, \$4.5 million, and \$4.1 million respectively, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were approximately \$392,000, \$3,541,000, and \$99,000, respectively, for the year ended June 30, 2013, approximately \$398,000, \$3,384,000, and \$103,000, respectively, for the year ended June 30, 2012, and approximately \$453,000, \$3,062,000, and \$91,000, respectively, for the year ended June 30, 2011.

NOTE 12 - AFFILIATED ORGANIZATIONS

Bridgemont and the West Virginia University Institute of Technology (WVU Tech), a division of the West Virginia University (WVU), share the Montgomery, West Virginia campus and were administratively linked from July 1, 2004 until June 30, 2008. WVU provided Bridgemont with administrative and support services. Bridgemont also agreed to transfer capital fees, auxiliary fees, certain educational and general fees, and other fees collected from students to WVU and to provide instructional services to WVU.

Effective July 1, 2008, Bridgemont established its own Board. Effective July 1, 2009, Bridgemont separated from WVU and no longer purchased administrative and support services from WVU. Instead, Bridgemont continues to have service agreements for use of certain facilities and support services for Bridgemont's students.

**NOTE 13 - BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE FOUNDATION,
INCORPORATED**

The Bridgemont Community and Technical College Foundation, Incorporated (the "BCTC Foundation") is a separate profit organization incorporated in the State of West Virginia. During fiscal year 2011 the BCTC Foundation applied for and received from the IRS its tax exempt, 501(c)(3) status in March 2011. During 2012, approximately \$420,000 was transferred from The Tech Foundation to the BCTC Foundation. All transfers are now complete.

During 2013, the BCTC Foundation made payments to the College for scholarships or items purchased by the College totaling \$130,422. No payments/transfers were made to the BCTC Foundation.

Neither the BCTC Foundation or The Tech Foundation meet the criteria for determination as a component unit for financial statement inclusion as a discretely presented component unit, as BCTC Foundation is not material and The Tech Foundation resources were not entirely or almost entirely for the benefit of Bridgemont.

NOTE 14 - CONTINGENCIES

The nature of the educational industry is such that, from time to time, claims will be presented against colleges and universities 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 Bridgemont would not impact seriously on the financial status of Bridgemont.

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. Management believes disallowances, if any, would not have a significant financial impact on Bridgemont's financial position.

Bridgemont owns various buildings that are known to contain asbestos. Bridgemont is not required by Federal, State, or Local Law to remove the asbestos from the buildings. Bridgemont is required by Federal Environmental, Health, and Safety Regulations to manage the presence of asbestos in the buildings in a safe condition. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. Bridgemont also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe condition.

NOTE 15 - SUBSEQUENT EVENTS

During the State's 2013 legislative session legislators passed Senate Bill 438 allowing for the consolidation of Bridgemont and Kanawha Valley Community and Technical Colleges, pending approval by the Higher Learning Commission. This consolidation will have a very positive impact on both institutions as both institutions are small and cannot afford to duplicate management as is evidenced by the fund balances at each institution. Moreover with the close geographical proximity, less than 35 miles, each institution competes with one another especially in the workforce industry training. The change of control documentation recently submitted to the HLC reflects the positive outcomes to the financial health of both institutions once the consolidation is approved. The impact of these efficiencies will be realized in FY 2015 after all approvals are obtained and projected savings will be significant. During 2014, some of the efficiencies have already been implemented to assist in the financial health of both institutions. Please see Economic Outlook in the Management Discussion and Analysis section.

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

NOTE 16 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Bridgemont's operating expenses by functional and natural classification are as follows:

	2013							Total
	Salaries and Wages	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Assessments by the Commission	Net Service Agreement Expense	
Instruction	\$ 2,262,836	\$ 559,130	\$ -	\$ 423	\$ 224,027	\$ -	\$ -	\$ 3,046,416
Public service	748,897	125,512	-	-	295,404	-	-	1,169,813
Academic support	251,264	60,184	-	-	210,641	-	-	522,089
Student services	300,743	78,100	-	503	37,233	-	-	416,579
Operation and maintenance of plant	60,055	19,503	-	209,362	113,677	-	-	402,597
General institutional support	989,437	289,844	-	-	262,194	-	-	1,541,475
Student financial aid	-	-	974,448	-	-	-	-	974,448
Depreciation	-	-	-	-	-	467,200	-	467,200
Assessments by commission for operations	-	-	-	-	-	-	31,594	31,594
Net service agreement expense	-	-	-	-	-	-	369,151	369,151
Total expenses	\$ 4,613,232	\$ 1,132,273	\$ 974,448	\$ 210,288	\$ 1,143,176	\$ 467,200	\$ 31,594	\$ 8,941,362

	2012							Total
	Salaries and Wages	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Assessments by the Commission	Net Service Agreement Expense	
Instruction	\$ 2,351,102	\$ 559,806	\$ -	\$ 673	\$ 519,841	\$ -	\$ -	\$ 3,431,422
Public service	670,204	108,262	-	-	281,910	-	-	1,060,376
Academic support	151,606	30,301	-	-	187,609	-	-	369,516
Student services	297,733	76,646	-	-	48,535	-	-	422,914
Operation and maintenance of plant	63,634	17,338	-	204,650	144,261	-	-	429,883
General institutional support	946,427	719,327	-	-	386,348	-	-	2,052,102
Student financial aid	-	-	1,156,148	-	-	-	-	1,156,148
Depreciation	-	-	-	-	-	348,367	-	348,367
Assessments by commission for operations	-	-	-	-	-	-	37,484	37,484
Net service agreement expense	-	-	-	-	-	-	361,880	361,880
Total expenses	\$ 4,480,706	\$ 1,511,680	\$ 1,156,148	\$ 205,323	\$ 1,568,504	\$ 348,367	\$ 37,484	\$ 9,670,092

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

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

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

Compliance and Other Matters

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