Pierpont Community and Technical College

Financial Statements
Years Ended June 30, 2013 and 2012

And

Independent Auditor's Reports

PIERPONT COMMUNITY & TECHNICAL COLLEGE

TABLE OF CONTENTS

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Governors
Pierpont Community and Technical College
Fairmont, West Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the College, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in 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

The financial statements of the College as of and for the year ended June 30, 2012 were audited by other auditors whose report dated November 9, 2012 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 30, 2013

PIERPONT COMMUNITY & TECHNICAL COLLEGE

(Includes the following internal funds: Unrestricted, Restricted and Other Funds and Board of Governors Support Funds)

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2013

About Pierpont Community & Technical College

Pierpont Community & Technical College ("Pierpont"), headquartered in Fairmont, WV, is a comprehensive community college serving 13 counties in north central West Virginia. Pierpont shares a 120-acre main campus with its partner institution Fairmont State University ("Fairmont State"). With an enrollment of approximately 3,000 academic credit students, Pierpont offers more than 50 associates degree programs, one-year certificates and skill sets, as well as a variety of courses in our 13 county service region, including the Braxton County and Lewis County Centers. Through its Center for Workforce Education, Pierpont provides workforce training and community education opportunities to approximately 2,000 non-credit continuing education students. Through the Robert C. Byrd National Aerospace Education Center in Bridgeport, WV Pierpont offers programs in flight and aviation maintenance.

The mission of Pierpont is to provide opportunities for learning, training, and further education that enrich the lives of individuals and promote the economic growth of our region and state.

The institution now known as Pierpont was founded in 1974 as Fairmont State Community & Technical College (FSC&TC), a component of Fairmont State College (now known as Fairmont State University). In 2003, FSC&TC received independent accreditation from the Higher Learning Commission. In 2004 State legislation gave FSC&TC its own president. In 2006, the West Virginia Legislature approved a bill allowing FSC&TC to once again share one accreditation with Fairmont State. On July 1, 2006, FSC&TC became a Division of Fairmont State and was renamed Pierpont Community & Technical College. The name "Pierpont" is historically and symbolically significant. Francis H. Pierpont, a Fairmont native, served as Governor of the Restored State of Virginia during the Civil War and played a key role in the birth of West Virginia. He also serves as an example of a successful "non-traditional" student, working his way through school as a tanner and brick layer. Effective July 1, 2008, the State Legislature established a separate governing board for Pierpont and again required Pierpont to obtain its own separate accreditation and thereby establishing Pierpont as an independent institution.

Legislation became effective July 1, 2008 that provided separate accreditation and a separate governing board for Pierpont. This legislation defines a statewide network of independently accredited community and technical colleges. The Board of Governors of Pierpont and the Board of Governors of Fairmont State jointly agreed to a division of assets and liabilities. The agreement was executed on December 15, 2009 and was effective retroactively to July 1, 2009. The legislation requires a separate financial statement audit for Pierpont which was effective beginning with fiscal year 2010. This is the fourth year of separate financial statement reporting for both Pierpont and Fairmont State. Although Fairmont State and Pierpont are now separate institutions with separate governing boards and separate missions, they continue to share a main campus and services. Fairmont State and Pierpont continue to provide services to each other as outlined in a chargeback agreement for continued operating effectiveness.

Pierpont is governed by a 12 member Board of Governors consisting of nine lay members, appointed by the Governor, and three constituent members elected by the faculty, classified staff, and student body, respectively. This Board determines, controls, supervises and manages the financial, business and educational polices and affairs of the institution.

Overview

The Governmental Accounting Standards Board ("GASB") released Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which requires management to provide discussion and analysis to cover the following elements; financial highlights, comparative analysis for each basic financial statement, capital and long-term debt activity, and economic outlook for the entity.

For fiscal years 2002-2009, Fairmont State (which included Fairmont State University ("Fairmont State"), (Pierpont), and Board of Governors Support ("BOG Support") which were component parts of Fairmont State) presented combined financial statements under this GASB standard. Supplementary information was provided in accordance with the requirements of GASB Statement No. 35, and the Higher Education Policy Commission ("Commission") and the WV Council for Community and Technical College Education as it relates to reporting of the financial condition and operations of all components. With the legislative changes of July 2008 and the separation of assets and liabilities agreement the reporting structure changed. Pierpont Community & Technical College, as an independent institution, has a separately audited financial report which includes additional information for Pierpont's ownership in Board of Governors Support (BOG Support). BOG Support consists primarily of Educational and General (E&G) and Infrastructure funds for the repair and replacement of buildings and capital assets. This component accounts for capital assets, depreciation and debt obligations. Pierpont's educational and general (E&G) operating funds will also be presented separately in the additional information.

The Fairmont State Foundation financial information will not be presented in these financial statements. This presentation is not required to comply with GASB Statement No. 39 due to the fact that the Fairmont State Foundation supported both Pierpont and Fairmont State for fiscal year 2013.

This section of the annual financial report focuses on an overview of Pierpont's financial performance during the fiscal year ended June 30, 2013 with comparisons to the previous year.

As required by GASB No. 35 reporting standards, Pierpont'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 Pierpont's financial condition, results of operations, and cash flows as a whole. Each of these statements is discussed below.

Financial Highlights

The Board of Governors of Pierpont and the Board of Governors of Fairmont State recognize the historical association between the two institutions and the benefit of collaboration to the students of both institutions. As the separate entities were created by the Legislature, it was realized that due to the bond debt responsibilities, shared campus facilities and infrastructure, and shared administrative and technical support a Separation of Assets and Liabilities Agreement would be required. The agreement was effective as of July 1, 2009 and fiscal year 2013 is the fourth year of operating and reporting based on the agreement. The Separation of Assets and Liabilities Agreement maintains a relationship which is responsible to the students, bond holders, and the tax payers of the State of West Virginia. The Agreement provides specific language in relation to these goals as follows:

"The Board of Governors of Fairmont State University (BOG-FSU) and the Board of Governors of Pierpont Community and Technical College (BOG-PCTC) jointly endeavor to separate assets and liabilities in accordance with the provisions of HB3215, 2008. Despite the legal separation of the two institutions, the BOG-FSU and the BOG-PCTC wish to maintain the collaborative and cooperative spirit that has characterized the historical relationship between the University and the College.

The BOG-FSU and the BOG-PCTC recognize the historical association between the two institutions. The institution that is today Pierpont Community and Technical College grew from and was sponsored by Fairmont State University. Both institutions have been and, for the foreseeable future, will be co-located on a single campus in Fairmont, West Virginia. Both institutions have proportionally coordinated, shared, and paid for instructional services, course schedules, facilities, information systems, admissions processes, auxiliary functions, housing, debt service, development and advancement services, student activities and programs, and all the other resources necessary to deliver a high-quality postsecondary education experience.

Students have benefited and will continue to benefit from the relationship between Fairmont State University (FSU) and Pierpont Community and Technical College (PCTC). Those benefits include a wider range of instructional programs than would be available through an individual institution's offerings; a lower cost of attendance realized from shared institutional infrastructure and reduced duplication of facilities, personnel, and services; and a more diverse mix of student backgrounds, interests, experiences, abilities, and ambitions.

Although the BOG-FSU and the BOG-PCTC recognize the necessity of separation of assets and liabilities, both pledge themselves to continuing, fostering, and promoting collaborative and cooperative relationships between the two institutions. Such relations respect the historical association that has existed between FSU and PCTC. Such relations are to the benefit and best interest of the students at both institutions. Such relations recognize the proportional participation in institutional operations. Such relations recognize that the two institutions have been, are, and will be co-located on one site. Such relations demonstrate responsible stewardship of public resources by achieving efficiencies and synergies that would otherwise not be possible. Therefore, the Board of Governors of Fairmont State University and the Board of Governors of Pierpont Community and Technical College incorporate into their agreement to separate assets and liabilities this pledge of perpetual cooperation and collaboration."

The agreement also establishes general principles to apply to the division of assets and liabilities and allocation of revenues and expenditures between Pierpont and Fairmont State. Some of the most significant guidelines are as follows:

"Although one institution may assume responsibility for an asset and associated liabilities for accounting purposes, both institutions shall agree on their respective responsibilities for reducing and ultimately eliminating the liability over time if the asset was originally acquired and/or is being used for the benefit of both institutions.

(A) Any agreement to allocate system and institutional educational and general and auxiliary debt service payments shall be consistent with the provisions of all applicable bond covenants.

(B) Absent a controlling bond covenant or other agreement, debt service payments associated with bond indebtedness presumptively shall be allocated based on the relative full-time equivalent student enrollment of the two institutions either as a whole or on the campus where the asset is located and may be adjusted annually to reflect enrollment changes at the two institutions.

The institutions shall agree to allocate educational and auxiliary capital fees in excess of those needed to cover bonded indebtedness to ensure that assets of both institutions are maintained in proper repair and that the institutions assume responsibility for a reasonable share of the total costs of maintaining the facilities."

The Agreement, which applies to the new Series 2012 A and Series 2012 B bonds, also provides specific language in relation to outstanding bond indebtedness as follows:

"WHEREAS*, in addition to the statutory requirements described above, the Bond Documents define the College or University to include any successor thereto and, as such, bind both FSU and PCTC, and both FSU and PCTC have copies of the Bond Documents.*

and

WHEREAS*, the Bond Documents set forth controlling bond covenants and require pledged revenues, and the intent of this document is to adhere to all existing and future bond covenants.*"
Based on the pledge of cooperation, legislative guidelines and bond covenant requirements, the Board of Governors of Pierpont and Fairmont State agreed to specific terms for financial separation including the following:

"All capital and infrastructure fees assessed to both FSU and PCTC students for the purpose of paying E&G building and infrastructure bonds, and provide for repair and renovation of same, continue to be collected under the terms outlined in the bond covenants.

All E&G Capital Fee Revenue and Infrastructure Capital Fee Revenue in excess of bond payments will be used for repair and renovation projects. When sufficient E&G and Infrastructure Capital excess revenues are available to bond for additional new capital project improvements, the E&G, and Infrastructure Capital Fees will be utilized and/or retained for that specific purpose. Both the FSU and the PCTC assume a shared responsibility proportionate to the full-time equivalent (FTE) enrollment of each institution for the total cost of maintaining the facilities.

Auxiliary Enterprise Bond Covenant obligations of FSU and PCTC will be met by continuing to honor the requirements stipulated in those covenants, and both FSU and PCTC students will be required to pay the fees stipulated in all Bond Document covenants."

We have continued to operate and prepare financial statements for fiscal year 2013 based on this Agreement. Financial statement note 16, Separation of Assets and Liabilities Agreement, provides additional information about this Agreement and the defining legislation. The fiscal year 2013 audited financial statements are presented in comparative format and reflect the reporting structure defined in the agreement.

The most significant financial highlight for fiscal year 2013 was the increase in construction activity in the Board of Governors (BOG) Support funds due to major renovations supported by the Education, Arts, Science and Tourism (EAST) Bonds. As described in note 5, Capital Assets, the Bonds were awarded to Fairmont State. However, the capital improvements and revenues are accounted for as prescribed by the Separation of Assets and Liabilities Agreement as the renovations are to shared facilities.

For fiscal year 2013, Pierpont recognized $4,564,879 in Capital Bond Proceeds from the State which significantly increased the change in Net Position for fiscal year 2013.

Other financial highlights include the investment in the Monongalia County Technical Education Center (MTEC), increase in other postemployment benefits (OPEB) liability and changes in net position.

- Pierpont designated funds in the amount of $500,000 to the Pierpont Center at MTEC in Morgantown, WV. At June 30, 2013, expenditures totaled $399,997 toward completion of the project. The investment will create additional instructional space and allow for expanded course offerings.

- Pierpont C&TC has adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* This statement provides standards for the measurement, recognition, and display of other postemployment benefit ("OPEB") expenditures, assets and liabilities. The compensated absences liabilities for sick leave calculated as of June 30, 2007 following GASB Statement No. 16 for approximately $850,000 were removed from the financial statements. This accrual was replaced by the OPEB liability accrual. The historical activity dealing with the OPEB liability in the past is as follows:

  For fiscal years 2012, 2011, 2010, 2009 and 2008, the OPEB liability accruals were $998,071, $939,527, $982,214, $124,854 and $148,255, respectively, for a total unfunded liability of $3,192,921 at June 30, 2012.

    - The additional OPEB liability expense for fiscal year 2013 was recorded in the amount of $62,776 for a total unfunded liability of $3,255,697 as of June 30, 2013.

The OPEB liability is recorded based on records maintained by the West Virginia Public Employee Insurance Agency (PEIA). The State of West Virginia has instituted several measures to reduce the OPEB liability including: changes in eligibility criteria, retiree benefit changes, reduction in future retiree premium subsidy costs borne by the State, and passed legislation during fiscal year 2012 committing funds to pay down the liability. With the plan and design changes, an additional annual allocation plus the current funds designated for payment of OPEB costs, the liability is projected to be eliminated by fiscal year 2037. The OPEB liability is expected to continue to increase at a rate comparable to fiscal year 2013 until reductions to the liability begin in fiscal year 2017.

- Total net position increased by $4,749,019 or 23.64%. The increase can be attributed to the following:
    - Net Investment in Capital Assets increased by $4,754,899
    - Restricted for Scholarships decreased by $16,210
    - Restricted for Sponsored Projects decreased by $81,680
    - Restricted for Capital Projects increased by $345,621
    - Unrestricted fund manager funds of Pierpont decreased by $69,121

- Unrestricted primary operating funds of Pierpont decreased by $184,429 after the increase in OPEB liability of $62,776. Unrestricted fund balances have been designated for capital investments in the Advanced Technology Center (ATC) in the amount of $1,300,000 as shown in financial statement note 11, Net Position. In September 2013, subsequent to year end, the Board of Governors committed additional funding of approximately $1.5 million in E&G Reserves and approximately $1.0 million in E&G Capital funds for operating additions to the design of the ATC.

Statement of Net Position

The Statement of Net Position presents the assets (current and non-current), deferred outflows of resources, liabilities (current and non-current), deferred inflows of resources and net position (assets plus deferred outflows of resources minus liabilities and deferred inflows of resources) of Pierpont as of the fiscal year end. Assets denote the resources available to continue the operations of Pierpont. Deferred outflows of resources represent the consumption of net position that is applicable to a future fiscal year. Liabilities indicate how much Pierpont owes its vendors, employees, and lenders. Deferred inflows of resources represent an acquisition of net position that is applicable to a future fiscal year. Net position provides a way to measure the financial position of Pierpont.

Net position is divided into three major categories:

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

2. ***Restricted net position***. This category includes net position whose use is restricted either due to externally imposed constraints or restrictions imposed by law. They are further divided into two additional components -- expendable and non-expendable. **Expendable restricted net position** includes resources for which Pierpont is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. **Non-expendable restricted net position** include endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instruments, 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. Pierpont has no non-expendable net position.

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

Condensed Schedules of Net Position

	JUNE 30 2013	(Amended) 2012	(Amended) 2011
Assets			
Current Assets	$ 11,261,643	$ 10,503,292	$ 9,850,308
Non-Current Assets	26,198,469	21,509,643	20,936,812
Total Assets	37,460,112	32,012,935	30,787,120
Deferred Outflows of Resources	-	-	-
Total	$ 37,460,112	$ 32,012,935	$ 30,787,120
Liabilities			
Current Liabilities	$ 4,164,380	$ 3,297,271	$ 2,948,107
Non-Current Liabilities	8,454,924	8,623,875	7,964,613
Total Liabilities	12,619,304	11,921,146	10,912,720
Deferred Inflows of Resources	-	-	-
Net Position			
Net Investment in Capital Assets	20,747,812	15,992,913	14,914,852
Restricted for:			
Expendable:			
Scholarships	14,533	30,743	136,379
Sponsored Projects	-	81,680	516,595
Capital Projects	2,329,868	1,984,247	1,733,342
Debt Service	65	126	28
Total Restricted	2,344,466	2,096,796	2,386,344
Unrestricted	1,748,530	2,002,080	2,573,204
Total Net Position	24,840,808	20,091,789	19,874,400
Total	$ 37,460,112	$ 32,012,935	$ 30,787,120

- Total current assets increased by $758,351 or 7.22% to $11,261,643 resulting primarily from an increase in cash and cash equivalents of $952,856. In comparison at June 30, 2012, current assets increased by 6.63% also due primarily to an increase in cash and cash equivalents.
  - The increase in cash consisted primarily of;
    - Cash increases in Educational and General (E&G) funds designated for capital expenditures for the Pierpont Center at MTEC in the amount of $556,739 and the Pierpont ATC Expansion of $50,000.
    - An increase within Board of Governor's (BOG) Support Plant Renewal and Replacement funds of $180,515.
    - An increase in cash balances in the Current Restricted Funds in the amount of $161,911 due primarily to cash received in advance for the Petroleum Technology Program development.

- Total non-current assets comprised primarily of capital assets including buildings and equipment increased by $4,688,826 or 21.80% to $26,198,469. In comparison at June 30, 2012, non-current assets increased by 2.74%.

  - The increase in non-current assets is due to an increase in capital assets in the amount of $4,689,592. This cost of assets increased by $5,685,295 due primarily to additions to construction in progress in the amount of $4,864,994. The increase was offset by an increase in accumulated depreciation of $995,703.

- Total current liabilities increased by $867,109 or 26.30% to $4,164,380 due primarily to increases in accounts payable of $417,907, unearned revenue of $244,569, retainages payable of $155,594 and accrued payroll liabilities of $54,475. In comparison at June 30, 2012, current liabilities increased by 11.84%.
  - Accounts payable in the Unrestricted, Restricted, and Other Funds increased by $409,435 to $600,195 primarily due to an increase in construction accounts payable.
  - Unearned revenue increased by $244,569 to $1,658,981. Unearned revenue recognized advances from State grants as a liability until expenses are incurred.
  - Retainages payable in the BOG support funds increased by $155,594 to $176,710 due to an increase in construction accounts payable for East Bond projects.

- Total non-current liabilities decreased by $168,951 or 1.96% to $8,454,924. In comparison at June 30, 2012, non-current liabilities increased by 8.95%.
  - The decrease is due primarily to a decrease in debt obligations to Fairmont State in the amount of $177,165.
  - Debt obligation to Commission decreased by $50,191.
  - OPEB liability increased by $62,776.

- The total assets of Pierpont exceeded its liabilities at the close of the most recent fiscal year by $24,840,808 (net position). Of this amount, $1,748,530 (unrestricted net position) may be used to meet the educational and general operations of Pierpont. Unrestricted net position was in the Unrestricted, Restricted and Other funds component at June 30, 2013.

Pierpont's unrestricted net position balance of $1,748,530 includes fund manager funds of $703,456. Also, Pierpont's unrestricted President's control net position amount increased by $315,571 to negative $259,106 at June 30, 2013. Unrestricted President's control net position was reduced by the designation of funds in the amount of $1,300,000 for the ATC.

Investment in capital assets increased by $4,754,899 to $20,747,812 due primarily to the increase in capital assets of $4,689,592, a decrease in debt obligation to Fairmont State in the amount of $171,041, and a decrease in debt obligation to the Commission of $48,156.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of Pierpont for the fiscal year. The purpose of the statement is to present Pierpont's revenues (operating and non-operating), expenses (operating and non-operating), and any other revenues, expenses, gains, and losses. State appropriations, while budgeted for operations, are considered and reported as non-operating revenues. This is because State appropriations are provided by the Legislature to Pierpont without providing specific services in exchange. Likewise, Pell grants are reported as non-operating, because of specific guidance in the AICPA industry audit guide. Student tuition and fees are reported net of scholarship discounts and allowances. Financial aid to students is reported using the alternative method. Under this method certain aid, such as loans and Federal Direct Lending, is accounted for as 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.

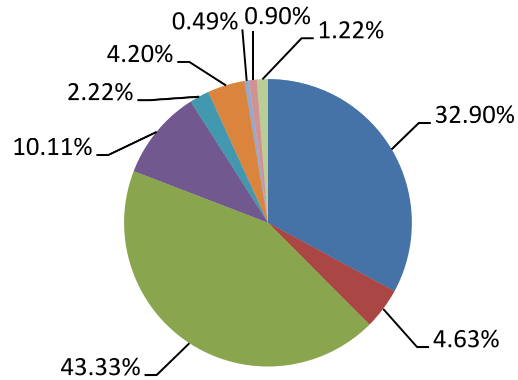
Condensed Schedules of Revenues, Expenses, and Changes in Net Position

Year Ended June 30:	2013	(Amended) 2012	(Amended) 2011
Operating Revenue	$ 11,560,955	$ 11,905,376	$ 11,257,990
Operating Expenses	26,472,378	27,949,532	27,355,652
Operating Loss	(14,911,423)	(16,044,156)	(16,097,662)
Total Net Nonoperating Revenues	14,929,786	15,045,078	15,219,453
Increase (decrease) in Net Position Before Other Revenues, Expenses, Gains or Losses, and Transfer	18,363	(999,078)	(878,209)
State Capital Grants (Federal)	-	474,841	-
Capital Projects Proceeds from the Commission	-	159,298	29,095
Capital Bond Proceeds from the State	4,564,879	542,309	25,557
Increase (Decrease) in Net Position before Transfers	4,583,242	177,370	(823,557)
Transfer of Net Position from Fairmont State	165,777	40,019	22,457
Increase (Decrease) in Net Position	4,749,019	217,389	(801,100)
Net Position – Beginning of Year (as amended)	20,091,789	19,874,400	20,675,500
Net Position – End of Year	$ 24,840,808	$ 20,091,789	$ 19,874,400

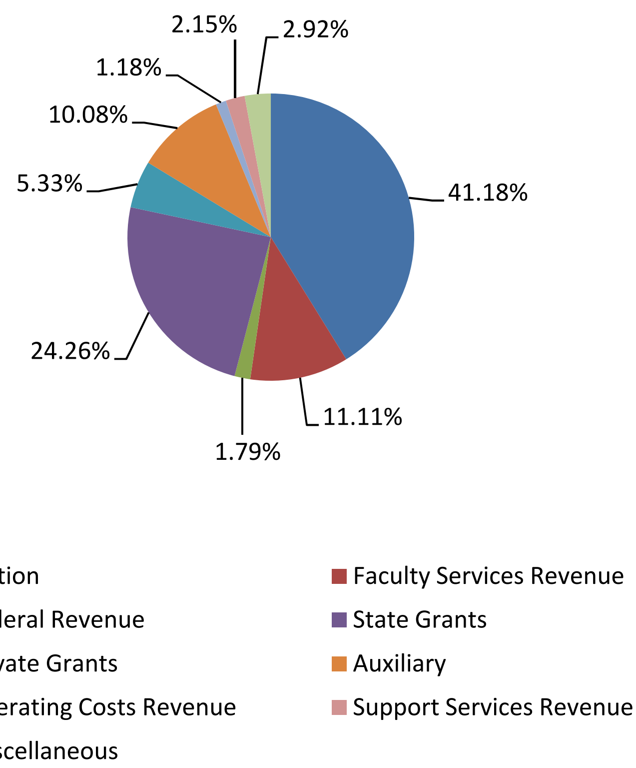
Revenues:

The following are graphic illustrations of Pierpont's revenues by source.

Before GASB Statement No. 35 Adjustment



After GASB Statement No. 35 Adjustment



The total gross operating revenues for fiscal year 2013 prior to GASB Statement No. 35 adjustments and reclassification were $27,745,719. This amount was adjusted for scholarship allowance in the amount of $4,367,109 and direct loans in the amount of $11,817,655. Total operating revenues for fiscal year 2013 after GASB No. 35 after adjustments and reclassification is $11,560,955.

	Prior to GASB No. 35 Changes	After GASB No. 35 Changes
Tuition and Fees	$ 9,127,755	$ 4,760,646
Federal Revenues	$12,024,171	$ 206,516

Highlights of the information presented on the statement of revenues, expenses, and changes in net assets are as follows:

- Tuition and fees revenue, after adjustment for scholarship allowance, decreased by $84,406 or 1.74% to $4,760,646 compared to an increase of 8.16% for fiscal year 2012.
    - Tuition and fees decreased prior to scholarship allowance by $113,582 or 1.23%. The scholarship allowance decreased by $29,176 for a total decrease in tuition and fees of $84,406.
    - Tuition and fee rates for Pierpont were increased by 3.76% for residents and non-residents for fiscal year 2013 compared to a 1.98% increase in fiscal year 2012. The increase was necessary to address increased operating costs.

- Federal Financial Aid and Federal Grants revenues after the adjustment for Direct Loans increased by $18,011 or 9.55% to $206,516 compared to an increase of 22.65% for fiscal year 2012.

- State contracts and grants increased by $171,772 or 6.52% to $2,804,741 compared to an increase of 5.38% for fiscal year 2012. State contracts and grants include institutional grants from other state agencies. This category also includes federal funds received through another State agency or other entity. State grants and contracts also include state funded student financial aid. The increase in State contracts and grants funding is due primarily to:
    - Revenues received from WV Advance grants increased by $93,904. Revenues from the Aircraft Structures Training increased by $51,936 and the WV Advance HEOP increased by $158,004. Revenues from the Mechatronics grant decreased by $71,080 while funds received for the Power Plant Program decreased by $49,072.
    - State funded financial aid from the WV State Higher Education Grants increased in the amount of $107,861. This increase was offset by decreases in the State HEAPS Grant Program of $12,865, the State Promise Scholarship Program by $19,697 and the State HEAPS training grant of $128,565.
    - State contracts and grants also increased by $54,055 for the Land Management Professional program, $33,303 for ShaleNET and $48,443 for Petroleum Technology.
    - Pierpont also received ARRA funding for the Math and Writing Center which decreased in fiscal year 2013 by $52,231 and an ARRA GEOP Weatherization Curriculum Grant which decreased by $36,719.

- Private contracts and grants increased by $598 or 0.10% to $616,694 compared to an increase of 34.00% for fiscal year 2012.
  - Alternative student loans increased by $60,043 to $272,916.
  - Private scholarships decreased by $10,761 to $174,825.
  - Funds were received from the Charles M and Mary D Grant fund in FY 2012, in the amount of $35,000. No funds were received in FY 2013.
  - Neighborhood Investment Program scholarships increased by $647 to $85,544.

- Auxiliary enterprises revenue decreased by $179,754 or 13.36% to $1,165,462 compared to an increase of 2.07% for fiscal year 2012. The auxiliary revenues include:
  - Student Activity Fee revenue in the amount of $345,506 and Student Activity Building Fee revenue in the amount $337,317. These fees are transferred to the Fairmont State auxiliary fund for the operation of the Falcon Center and payment of bond debt.
  - Facilities Fee revenues in the amount of $358,221. This fee is transferred to the Fairmont State auxiliary fund for the operation of parking facilities and safety and security.
  - Athletic Student Fee revenues in the amount of $124,418. This fee is transferred to the Fairmont State auxiliary fund for athletic operations. This fee allows Pierpont students access to athletic events.

- Miscellaneous revenues decreased by $89,224 or 20.92% to $337,238 compared to a decrease of 25.71% for fiscal year 2012.
  - Miscellaneous revenues earned from Off Campus Outreach decreased by $120,888. This decrease was offset by an increase in other miscellaneous sources of revenue.

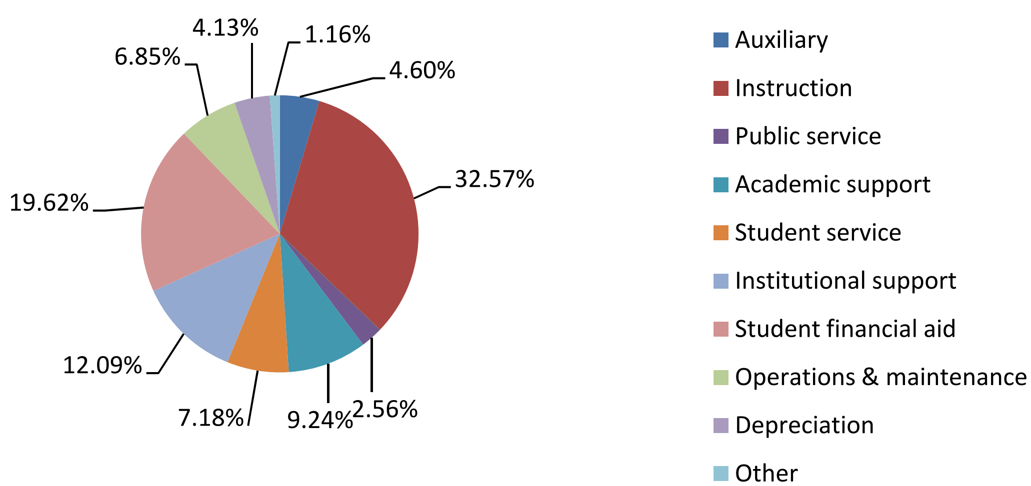
- State appropriations increased by $22,526 or 0.27% to $8,443,703 compared to an increase of 9.64% for fiscal year 2012.

- As noted above, Pell grants are reported as non-operating revenues because of specific guidance in the AICPA industry audit guide. Pell grants decreased by $528,994 or 7.27% to $6,746,909 compared to a decrease of 0.82% for fiscal year 2012.

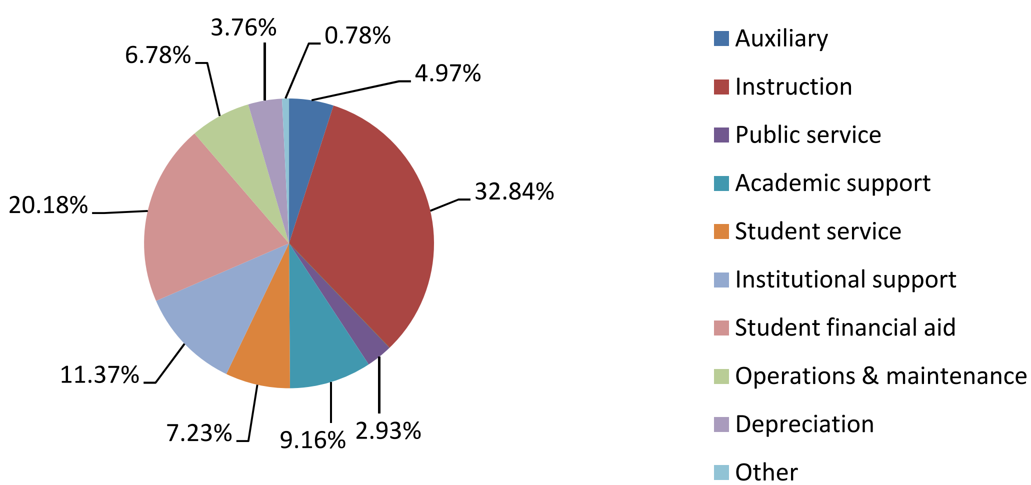
FUNCTIONAL CLASSIFICATION CHART

Operating Expenses:
The following is a graphic illustration of operating expenses by function.

2013



2012



Breakdown of Expense by Function:

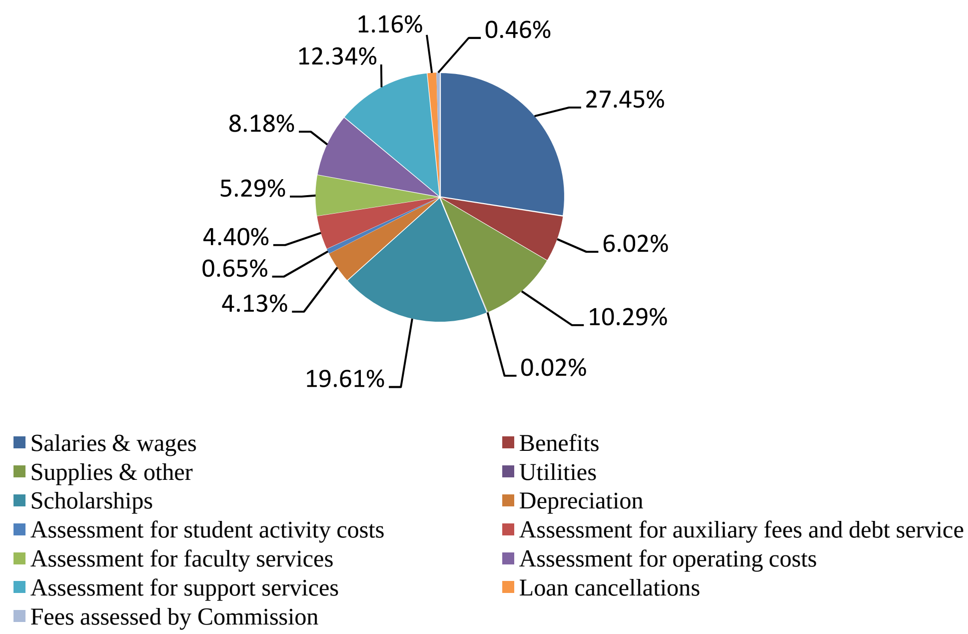
For fiscal year 2013, Pierpont's total operating expenses were $26,472,378. Instruction expenses totaled $8,621,756 or 32.57% of the total operating budget. The following reflects the amounts and percentage for these expenses:

	2013	%	2012	%	2011	%
Auxiliary	$ 1,216,677	4.60%	$ 1,388,963	4.97%	$ 1,349,447	4.93%
Instruction	8,621,756	32.57%	9,180,134	32.84%	9,057,067	33.11%
Research	-	0.00%	-	0.00%	1,665	0.01%
Public service	677,658	2.56%	820,048	2.93%	808,298	2.95%
Academic support	2,447,299	9.24%	2,559,810	9.16%	3,185,916	11.65%
Student services	1,901,120	7.18%	2,021,923	7.23%	2,035,226	7.44%
General institutional support	3,199,358	12.09%	3,176,780	11.37%	2,205,378	8.06%
Student financial aid	5,192,994	19.62%	5,641,125	20.18%	5,638,414	20.61%
Operation & maintenance	1,813,176	6.85%	1,894,136	6.78%	1,752,402	6.41%
Depreciation	1,094,022	4.13%	1,049,830	3.76%	1,041,515	3.81%
Other	308,318	1.16%	216,783	0.78%	280,324	1.02%
Total	$ 26,472,378	100%	$ 27,949,532	100%	$ 27,355,652	100%

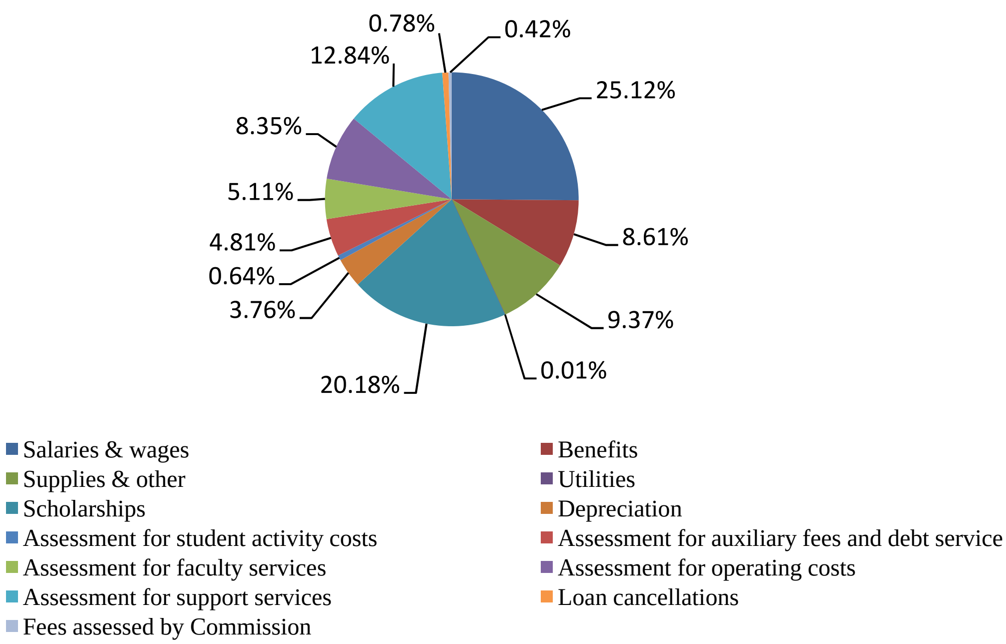
NATURAL CLASSIFICATION CHARTS

The following is a graphic illustration of operating expenses by natural classification:

2013



2012



Breakdown of Expenses by Natural Classification:

For fiscal year 2013, Pierpont's total operating expenses were $26,472,378. A major portion of the total operating expenses is for direct salaries and wages, and benefits amounting to $8,857,960 or 33.47%. In addition, indirect salaries and wages, and benefits paid to Fairmont State through the chargeback services agreement for Assessment for support services totaled $3,265,612 or 12.34% and Assessment for faculty services totaled $1,401,248 or 5.29%. The combined cost of direct and indirect salaries and wages, and benefits was $13,524,820 or 51.09% of Pierpont's total operating expenses. The following reflects the amounts and percentages for the expenses.

	2013	%	2012	%	2011	%
Salaries and wages	$ 7,263,340	27.45%	$ 7,025,438	25.12%	$ 6,848,260	25.03%
Benefits	1,594,620	6.02%	2,406,423	8.61%	2,378,046	8.69%
Supplies and other services	2,723,027	10.29%	2,618,743	9.37%	2,391,089	8.74%
Utilities	4,192	0.02%	1,514	0.01%	1,897	0.01%
Scholarships and fellowships	5,191,809	19.61%	5,641,125	20.18%	5,638,414	20.61%
Depreciation	1,094,022	4.13%	1,049,830	3.76%	1,041,515	3.81%
Assessment for student activity costs	173,279	0.65%	178,851	0.64%	173,576	0.63%
Assessment for auxiliary fees and debt service	1,163,803	4.40%	1,343,350	4.81%	1,324,536	4.84%
Assessment for faculty services	1,401,248	5.29%	1,428,331	5.11%	1,248,732	4.56%
Assessment for operating costs	2,166,296	8.18%	2,334,530	8.35%	2,327,647	8.51%
Assessment for support services	3,265,612	12.34%	3,588,054	12.84%	3,596,997	13.15%
Loan cancellations & write offs	308,318	1.16%	216,783	0.78%	280,324	1.03%
Fees assessed by the Commission	122,812	0.46%	116,560	0.42%	104,619	0.39%
Total	$ 26,472,378	100%	$ 27,949,532	100%	$ 27,355,652	100%

- Salaries and wages increased by $237,902 or 3.39% to $7,263,340 compared to an increase of 2.59% for fiscal year 2012.
    - In fiscal year 2013, a 1.00% pay raise was provided to employees effective December 1, 2012. Also, classified employees were provided increases based on the Mercer salary scale effective July 1, 2012.

- Benefits decreased by $811,803 or 33.73% to $1,594,620 compared to an increase of 1.19% for fiscal year 2012.
    - OPEB expenses for fiscal year 2013 decreased by $911,430. The OPEB liability expense for fiscal year 2013 was $62,776. Financial statement note number 8 provides additional information on the OPEB liability and expenses.

- Supplies and other services expense increased by $104,284 or 3.98% to $2,723,027 compared to an increase of 9.52% for fiscal year 2012.
    - The increase is due primarily to increases in contractual and professional of $237,009.

- Utilities expense increased minimally by $2,678 or 176.88% to $4,192 compared to a decrease of 20.19% for fiscal year 2012. The majority of utilities expenses for Pierpont are included in the Assessment for Operating Costs per the chargeback agreement.

- Scholarships expense decreased by $449,316 or 7.97% to $5,191,809 compared to an increase of 0.05% for fiscal year 2012. Scholarships and Fellowships decreased by $478,492 before scholarship allowance. This decrease is primarily due to a decrease in Federal Pell awards.

    - Pell awards decreased by $528,994 to $6,746,909.
    - State HEAPS Grant Program for training courses decreased by $104,429 to $130,547.
    - West Virginia Higher Education Grants increased by $107,861 to $1,462,356.
    - Alternative Loans increased by $60,043 to $272,916.

- Depreciation expense for fiscal year 2013 was $1,094,022 and was 4.13% of total operating expenses. For fiscal year 2012, depreciation expense was $1,049,830 and was 3.76% of total operating expenses.

Statement of 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 during the year. This statement helps users assess Pierpont’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 parts:

1. ***Cash flows from operating activities***. This section shows the net cash used by the operating activities.
2. ***Cash flows from non-capital financing activities***. This section reflects the cash received and paid for non-operating, non-investing, and non-capital financing purposes.

3. ***Cash flows from capital and related financing activities***. This section includes cash used for the acquisition and construction of capital and related items.
4. ***Cash flows from investing activities***. This section shows the purchases, proceeds, and interest received from investing activities.
5. ***Reconciliation of net cash provided by (used in) operating activities.*** This section provides a schedule that reconciles the accrual-based operating income (loss) and net cash used in operating activities.

Condensed Schedules of Cash Flows

Year Ended June 30:

	2013	2012	2011
Cash Provided By (Used in):			
Operating Activities	$ (13,318,409)	$ (13,546,295)	$ (13,982,441)
Non-Capital Financing Activities	15,280,663	15,725,766	15,892,817
Capital and Financing Related Activities	(1,025,517)	(1,611,369)	(1,403,852)
Investing Activities	15,353	10,242	25,189
Net Change in Cash and Cash Equivalents	952,090	578,344	531,713
Cash, Beginning of Year	9,652,342	9,073,998	8,542,285
Cash, End of Year	$ 10,604,432	$ 9,652,342	$ 9,073,998

Major sources of funds included in operating activities consist of tuition and fees of $4,325,335, contracts and grants of $3,899,150, and auxiliary enterprise charges of $1,160,387. Major uses of funds under this category were payments made to and on behalf of employees for salaries and benefits amounting to $8,724,991, to suppliers amounting to $2,718,409, and payments for scholarships and fellowships $5,034,322.

Major sources of cash flow provided from non-capital financing activities consist of State appropriations amounting to $8,443,703 and Federal Pell grant revenues of $6,746,655.

The major source of funds included in capital financing activity consists of capital bond proceeds from the State amounting to $4,584,890.

The major cash flow used in capital financing activities was for assessment of E&G capital and debt service costs of $1,000,164, purchases of capital assets of $4,660,293 and purchases of equipment of $298,077.

Additional Administrative Notes

During fiscal year 2013, separate budgets were maintained and reported for the internal funds of Pierpont. These internal funds are: 1) Unrestricted, Restricted and Other Funds and 2) Pierpont’s ownership of the BOG support funds. Pierpont management has included the Board of Governors Support fund which provides capital funds that support both academic institutions, as a separate reporting internal fund. The following supplemental schedules were developed to show the internal funds of Pierpont along with a combined column:

1. The Schedule of Net Position Information
2. The Schedule of Revenues, Expenses, and Changes in Net Position Information
3. The Schedule of Cash Flow Information
4. The Schedule of Natural vs. Functional Classification Information

The above schedules can be found in the additional information section of this report.

The internal fund reporting structure for Pierpont has allowed administration to provide reports to the Pierpont's Board of Governors separated by Unrestricted E&G funds and Restricted E&G funds. The reporting structure recognizes separate budgeted entities which provide the administration and the Governing Boards the information to manage their respective internal funds.

Capital Asset and Long-Term Debt Activity

As described in the financial highlights for fiscal year 2013, Fairmont State issued significant outstanding debt when the two institutions were still one. It has been agreed that Fairmont State and Pierpont will share the outstanding bond debt proportionately based on the 10-year average of enrollments. The 2002B Series Bonds were issued to acquire improvements to infrastructure and the 2006 Series bonds were issued to improve facilities of the main campus including the addition of a technology wing, elevator and HVAC improvements. The 2002 B Series bonds were refinanced in fiscal year 2012 by Fairmont State in conjunction with Pierpont.

The refinanced bonds are payable over twenty years and the 2006 bonds are payable over twenty years from the time of issuance. The remaining debt obligation assigned to Pierpont as of June 30, 2013 was $4,204,561. Principal repayment made during the year by Pierpont amounted to $197,168. The current portion of debt payable due in fiscal year 2014 is $208,553 and the long term portion of bonds payable is $3,996,008.

The 2012 Series Bonds do not require a separate audit on the modified cash basis of accounting as previously required. The audited financial statements of Fairmont State include the bond segment reporting which are used to calculate the debt service coverage ratio. Fairmont State and Pierpont have complied with the debt service coverage ratio requirements of both the Series 2012 Bonds and the Series 2003 Bonds.

During 2012, the Commission was paid for debt incurred from bonds sold in previous years for the State's colleges and universities. The remaining debt obligation assigned to Pierpont as of June 30, 2013 was $1,069,321. As of June 30, 2013, the current portion due to the Commission is $57,623 and long-term portion is $1,011,698.

The separation of assets and liabilities agreement also documents Pierpont's obligation to continue to collect certain auxiliary fees from students and transfer 100% of these fees to Fairmont State in support of auxiliary operations and bonds indebtedness incurred when the Institutions were still one. These original bonds were issued in 2003 and were included in refinancing. This obligation is now part of the Series 2012 Bonds. This obligation is discussed in detail in financial statement note 16.

The Pierpont Community & Technical College Leadership

The Pierpont Community & Technical College Governing Board Members for fiscal year 2013:

Name	*Position Held*	*End of 2013 Status*
Linda Aman	Lay Member	Member
James E. Griffin	Lay Member	Member
Kyle Hamilton	Lay Member	Vice Chair
Barbara Hendrey	Student Representative	Member - Student
Beverly Jones	Classified Staff Representative	Secretary
Earl W. McConnell	Lay Member	Chair
Rick Pruitte	Lay Member	Member
Sharon Shaffer	Lay Member	Member
Thomas Stose	Faculty Representative	Member - Faculty
Jeff Tucker	Lay Member	Member
L. Eugene Weaver	Lay Member	Member
Vacant	Lay Member	Member

The Governing Boards receive a financial report at each meeting.

Economic Outlook

The construction of the Pierpont Center at the Monongalia County Technical Education Center (MTEC) in Morgantown, WV was completed with classes starting this fall. Pierpont has delivered educational courses at MTEC for many years. With the addition of this 8,400 square foot shared educational facility, Pierpont has expanded course offerings in Morgantown to include programs in early childhood, business technology and information systems which has resulted in increased fall enrollments at MTEC.

Pierpont has increased its planned investment in the North Central Advanced Technology Center to allow for the inclusion of a student services center, four (4) additional classrooms, and additional space to accommodate the Medical Laboratory Technology Assistant Program and Presidential Administrative Offices. This facility will begin construction in fall 2013 with anticipated completion occurring in time for fall 2015 classes.

For fiscal year 2014, the West Virginia Legislature implemented a 7.5% reduction in state appropriations for all WV Community & Technical Colleges. This 7.5% reduction decreased Pierpont's State Appropriations by $633,278. To offset a portion of this reduction in state appropriations, Pierpont implemented a 7.51% increase in tuition and fees.

Pierpont's unofficial enrollment for the fall 2013 semester shows a decrease in revenue generating students. Pierpont has identified a variety of issues that contributed to this dip in enrollment and is devising plans for recruitment activities to avoid similar results and recover enrollments for fall 2014.

The budget for the fiscal year 2014 was balanced based on a small anticipated decline in full time equivalent student enrollments and a 7.51% tuition and fee increase. Based on a larger than anticipated decline in enrollment, Pierpont has proactively implemented a Budget Reduction Planning Committee consisting of the Deans of each School, selected President Cabinet members and selected other individuals charged with developing immediate budget reduction recommendations for the President. The enrollment decline for fall 2013 follows a small enrollment decline in FY 2012 and strong enrollment growth in fall 2009, 2010 and 2011.

Longer term, Pierpont along with all of West Virginia Higher Education has been informed by the State of West Virginia of a possible second year of reductions in State Appropriations. The potential reduction is anticipated to be no more than 7.5%, however the exact amount will not be known until after the 2014 WV Legislative Session concludes. In anticipation of some level of appropriation reduction, the recently established Budget Reduction Planning Committee will become a standing Budget Planning Committee. This Committee while in the process of developing an immediate budget reduction plan in FY 2014 is also looking toward devising a plan to address this potential state appropriation reduction through a combination of moderate tuition increases and budget cuts for FY 2015.

While needing to address appropriations reduction and one-time drops in enrollments; Pierpont believes its investments in the Pierpont Center at MTEC and planned investments in the North Central Advanced Technology Center scheduled for opening in fall 2015 are positioning the institution for future growth and will produce dividends over the next few years.

Request for Information

The financial report is designed to provide an overview of the finances of Pierpont for those with an interest in the college. Questions concerning any of the financial information provided in this report or requests for additional information should be addressed to Pierpont Community and Technical College at 1201 Locust Avenue, Fairmont, West Virginia 26554.

STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

	2013	2012 As Amended See Note 2
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 10,604,367	$ 9,651,511
Accounts receivable — net	628,277	797,418
Inventories	28,999	54,363
Total current assets	11,261,643	10,503,292
NONCURRENT ASSETS:		
Cash and cash equivalents	65	831
Capital assets — net	26,198,404	21,508,812
Total noncurrent assets	26,198,469	21,509,643
DEFERRED OUTFLOWS OF RESOURCES:		
Total deferred outflows of resources	-	-
TOTAL	$ 37,460,112	$ 32,012,935

(Continued)

STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

	2013	2012 As Amended See Note 2
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 886,480	$ 468,573
Due to Council	764	5,568
Due to Fairmont State	80,617	108,834
Accrued liabilities — payroll	728,493	674,018
Retainages payable	176,710	21,116
Unearned revenue and deposits	1,658,981	1,414,412
Compensated absences — current portion	366,159	346,733
Debt obligation due to Commission — current portion	57,623	55,588
Debt obligation due to Fairmont State — current portion	208,553	202,429
Total current liabilities	4,164,380	3,297,271
NONCURRENT LIABILITIES:		
Other post employment benefits liability	3,255,697	3,192,921
Compensated absences	191,521	195,892
Debt obligation due to Commission	1,011,698	1,061,889
Debt obligation due to Fairmont State	3,996,008	4,173,173
Total noncurrent liabilities	8,454,924	8,623,875
DEFERRED INFLOWS OF RESOURCES:		
Total deferred inflows of resources	-	-
NET POSITION:		
Net investment in capital assets	20,747,812	15,992,913
Restricted for — expendable:		
Scholarships	14,533	30,743
Sponsored projects	-	81,680
Capital projects	2,329,868	1,984,247
Debt service	65	126
Total restricted	2,344,466	2,096,796
Unrestricted	1,748,530	2,002,080
Total net position	24,840,808	20,091,789
TOTAL	$ 37,460,112	$ 32,012,935

The Accompanying Notes Are An Integral Part Of These Financial Statements (Concluded)

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

	2013	2012 As Amended See Note 2
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of $4,367,109 and $4,396,285 in 2013 and 2012, respectively	$ 4,760,646	$ 4,845,052
Auxiliary enterprise revenue	1,165,462	1,345,216
Contracts and grants:		
Federal	206,516	188,505
State/local	2,804,741	2,632,969
Private	616,694	616,096
Faculty services revenue	1,284,767	1,319,526
Operating costs revenue	136,450	179,774
Support services revenue	248,441	351,776
Miscellaneous — net	337,238	426,462
Total operating revenues	11,560,955	11,905,376
OPERATING EXPENSES:		
Salaries and wages	7,263,340	7,025,438
Benefits	1,594,620	2,406,423
Supplies and other services	2,723,027	2,618,743
Utilities	4,192	1,514
Student financial aid — scholarships and fellowships	5,191,809	5,641,125
Depreciation	1,094,022	1,049,830
Assessment for student activity costs	173,279	178,851
Assessment for auxiliary fees and debt service	1,163,803	1,343,350
Assessment for faculty services	1,401,248	1,428,331
Assessment for operating costs	2,166,296	2,334,530
Assessment for support services	3,265,612	3,588,054
Loan cancellations and write-offs	308,318	216,783
Fees assessed by the Commission for operations	122,812	116,560
Total operating expenses	26,472,378	27,949,532
OPERATING LOSS	(14,911,423)	(16,044,156)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	8,443,703	8,421,177
Federal Pell grant revenue	6,746,909	7,275,903
Gifts	24,586	7,629
E&G capital and debt service support revenue	836,735	865,921
Investment income	14,922	11,294
Loss on disposal of fixed assets	(4,643)	(166,348)
Assessment for E&G capital and debt service costs	(1,000,164)	(1,050,889)
Fees assessed by the Commission for debt service	(65,502)	(101,647)
Fees assessed by the Fairmont State for debt service	(66,760)	(217,962)
Net nonoperating revenues	14,929,786	15,045,078
INCREASE/(DECREASE) IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES, AND TRANSFER	18,363	(999,078)
STATE CAPITAL GRANTS (FEDERAL)	-	474,841
CAPITAL PROJECTS PROCEEDS FROM THE COMMISSION	-	159,298
CAPITAL BOND PROCEEDS FROM THE STATE	4,564,879	542,309
INCREASE IN NET POSITION BEFORE TRANSFER	4,583,242	177,370
TRANSFER OF NET POSITION FROM FAIRMONT STATE	165,777	40,019
NET INCREASE IN NET POSITION	4,749,019	217,389
NET POSITION — Beginning of year (as amended)	20,091,789	19,874,400
NET POSITION — End of year	$ 24,840,808	$ 20,091,789

The Accompanying Notes Are An Integral Part Of These Financial Statements

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012 As Amended See Note 2
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 4,325,335	$ 4,415,193
Contracts and grants	3,899,150	3,828,796
Payments to and on behalf of employees	(8,724,991)	(8,389,007)
Payments to suppliers	(2,718,409)	(2,599,337)
Payments to utilities	(3,469)	(1,608)
Payments for scholarships and fellowships	(5,034,322)	(5,504,979)
Auxiliary enterprise charges	1,160,387	1,342,539
Fees assessed by Commission	(122,812)	(116,560)
Other receipts — net	384,973	476,440
Assessment support services	(3,264,644)	(3,588,859)
Support services revenue	249,311	352,030
Assessment for student activity costs	(173,279)	(178,851)
Assessment for auxiliary fees and debt service	(1,163,803)	(1,343,350)
Faculty services revenue	1,284,767	1,319,526
Assessment for faculty services	(1,401,248)	(1,428,331)
Operating support services revenue	134,002	178,291
Assessment for operating cost	(2,149,357)	(2,308,228)
Net cash used in operating activities	(13,318,409)	(13,546,295)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	8,443,703	8,421,177
Reappropriated state funding	-	716
Federal Pell grant revenues	6,746,655	7,275,464
Gift receipt	24,586	7,629
William D. Ford direct lending receipts	11,823,206	12,885,251
William D. Ford direct lending payments	(11,817,655)	(12,892,125)
Transfers from Fairmont State	14,135	1,621
Transfers from/to Fairmont State	46,033	26,033
Net cash provided by noncapital financing activities	15,280,663	15,725,766
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
State capital grants (federal)	-	474,841
Capital projects proceeds from Commission	-	159,298
Capital projects proceeds from State	4,584,890	267,295
E&G capital and debt service support revenue	836,735	865,921
Fees assessed by the Commission	(65,502)	(101,647)
Purchases of capital assets	(4,660,293)	(1,320,848)
Purchases of equipment	(298,077)	(271,828)
Assessment for E&G capital and debt service costs	(1,000,164)	(1,050,889)
Payments to the Commission on debt obligation	(55,977)	(121,162)
Payments to the Fairmont State on debt obligation	(197,168)	(303,823)
Fees assessed by Fairmont State	(169,961)	(208,527)
Net cash used in capital financing activities	(1,025,517)	(1,611,369)
CASH FLOWS FROM INVESTING ACTIVITY — Investment income	15,353	10,242
INCREASE IN CASH AND CASH EQUIVALENTS	952,090	578,344
CASH AND CASH EQUIVALENTS — Beginning of year	9,652,342	9,073,998
CASH AND CASH EQUIVALENTS — End of year	$ 10,604,432	$ 9,652,342

(Continued)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012 As Amended See Note 2
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (14,911,423)	$ (16,044,156)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation expense	1,094,022	1,049,830
Changes in assets and liabilities:		
Receivables — net	157,163	167,331
Inventories	25,363	(169)
Accounts payable	(60,309)	84,620
Accrued liabilities — payroll	54,475	32,461
Compensated absences	15,055	13,222
Other post employment benefits liability	62,776	998,071
Unearned revenue	254,263	55,618
Undistributed receipts — deposits	(9,794)	96,877
NET CASH USED IN OPERATING ACTIVITIES	$ (13,318,409)	$ (13,546,295)
NONCASH TRANSACTIONS:		
Property additions in accounts payable	$ 694,519	$ 248,544
Property additions in retainage	$ 176,710	$ 21,116
Transfer from Fairmont State (exclusive of $60,168 and $27,654 of cash in 2013 and 2012, respectively)	$ 105,609	$ 12,365
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS:		
Cash and cash equivalents classified at current	$ 10,604,367	$ 9,651,511
Cash and cash equivalents classified at noncurrent	65	831
	$ 10,604,432	$ 9,652,342

The Accompanying Notes Are An Integral Part Of These Financial Statements (Concluded)

1. ORGANIZATION

Pierpont Community & Technical College ("Pierpont") is governed by the Pierpont Community & Technical College Board of Governors (the "Board"). The Board was established by House Bill 3215, which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges.

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity - Pierpont is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State of West Virginia ("the State") that are not included in the State's general fund. Pierpont is a separate entity which, along with all State institutions of higher education, the Council, and the West Virginia Higher Education Policy Commission (the "Commission", which includes the West Virginia Network for Educational Telecomputing), 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 Pierpont. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from Pierpont's ability to significantly influence operations and accountability for fiscal matters of related entities. Fairmont State Foundation, Inc., doing business as the Pierpont Foundation (the "Foundation") and the Fairmont State Alumni Association (the "Association") are not part of Pierpont's reporting entity and are not included in the accompanying financial statements, since Pierpont has no ability to designate management, cannot significantly influence operations, and is not accountable for the fiscal matters of the Foundation or the Association under GASB.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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. Pierpont does not have any restricted nonexpendable net position at June 30, 2013 and 2012.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Appropriations Due from Primary Government - For financial reporting purposes, appropriations due from the State are presented separate from cash and cash equivalents, as amounts are not specific deposits with the State Treasurer but are obligations of the State.

Allowance for Doubtful Accounts - It is Pierpont's policy to provide for future losses on uncollectible accounts, contracts, and grants receivable based on an evaluation of the underlying account, contract, and grant balances; the historical collectability experienced by Pierpont on such balances; and such other factors that, in Pierpont's judgment, require consideration in estimating doubtful accounts.

Inventories - Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out method.

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

Capital Assets - Capital assets include plant and equipment; books and materials that are part of a catalogued library; and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or at fair value at the date of donation in the case of gifts. Interest on related borrowings, net of interest earnings on invested proceeds, is capitalized during the period of construction and was $89,399 and $14,916 for the years ended June 30, 2013 and 2012, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 15 years for land improvements, 7 years for library books, and 3 to 10 years for furniture and equipment.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences and Other Postemployment Benefits - GASB provides standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Pierpont is required to participate in this multiple-employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), 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. Pierpont'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 one-and-a-half 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 on 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.

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 Pierpont. 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 on the statements of revenues, expenses, and changes in net position.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

Federal Financial Assistance Programs - Pierpont makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest-subsidized and nonsubsidized loans directly to students, through universities like Pierpont. Direct student loan receivables are not included in Pierpont's statements of net position as the loans are repayable directly to the U.S. Department of Education. In 2013 and 2012, Pierpont received and disbursed approximately $11.8 million and $12.9 million, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense in the statements of revenues, expenses, and changes in net position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pierpont also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2013 and 2012, Pierpont was awarded approximately $7.0 million and $7.5 million, respectively, under these federal student aid programs. The distribution of these awards was made on their behalf by Fairmont State University (Fairmont State).

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

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers. Certain aid, such as loans, funds provided to students as awarded by third parties, and Federal 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.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Statements Issued by the Governmental Accounting Standards Board

The College has 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 of resources to the statement of net position.

The College has 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 recalculation of the fiscal year 2013 and 2012 Debt Obligation due to Fairmont State related to the amortization of bond issue costs previously report as assets and the reclassification of deferred loss on bond refunding to deferred outflows of resources. See “Early Adoption of GASB No 65” section below for further description of the amendments.

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

Recent Statements Issued by the Governmental Accounting Standards Board

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

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

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

Early Adoption of GASB No 65 - As required with the adoption of GASB Statement No. 65 as discussed above, Pierpont's financial statements have been amended from the amounts previously reported as described below. The adoption of GASB Statement No. 65 required the amortization of bond issue costs previously reported as assets and reclassification of deferred loss on bond refunding to deferred outflows of resources. As described in Note 9, Pierpont has a long-term obligation to Fairmont State for the repayment of outstanding bond debt. The calculation previously included amounts classified as bond issue costs and deferred loss on bond refunding. Implementation of GASB Statement No. 65 required a recalculation of the Debt Obligation due to Fairmont State resulting in an increase in the obligation of $73,539 for fiscal year 2012. The cumulative effect on the net position as of the earliest period presented was $51,967.

	As Previously Reported	Statement of Net Position Effect	Statement of Revenues, Expenses, And Changes in Net Position Effect	As Amended
Debt obligation due to Fairmont State - current portion	$ 198,287	$ 4,142	$ -	$ 202,429
Debt obligation due to Fairmont State	4,103,776	69,397	-	4,173,173
Net investment in capital assets	16,066,452	(73,539)	-	15,992,913
Fees assessed by Fairmont State for debt service	(196,435)	-	(21,527)	(217,962)
Loss before other revenues, expenses, gains, or losses	(977,551)	-	(21,527)	(999,078)
Transfer of net position from Fairmont State	40,064	-	(45)	40,019
Increase in net position	238,961	-	(21,572)	217,389
Net position - beginning of year	19,926,367	(51,967)	-	19,874,400
Net position - end of year	20,165,328	(73,539)	-	20,091,789

3. CASH AND CASH EQUIVALENTS

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

	2013		
	Current	Noncurrent	Total
State Treasurer	$ 10,594,029	$ -	$ 10,594,029
Trustee		65	65
In bank	9,738	-	9,738
On hand	600	-	600
	$ 10,604,367	$ 65	$ 10,604,432

	2012		
	Current	Noncurrent	Total
State Treasurer	$ 9,641,471	$ -	$ 9,641,471
Trustee		831	831
In bank	9,440	-	9,440
On hand	600	-	600
	$ 9,651,511	$ 831	$ 9,652,342

The combined carrying amount of cash in the bank and the combined bank balance at June 30, 2013 and 2012, was $9,738 and $9,440, respectively. 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 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 Pierpont invests, all are subject to credit risk. The following BTI investment risk information has been extracted from the notes of BTI's financial statements.

3. CASH AND CASH EQUIVALENTS (CONTINUED)

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 Pierpont's ownership represents 0.29% and 0.24%, respectively.

WV Government Money Market Pool - *Credit Risk* - For the years ended June 30, 2013 and 2012, the WV Government Money Market Pool has been rated AAAm by Standard & Poor's. A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

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

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

3. CASH AND CASH EQUIVALENTS (CONTINUED)

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):

	Credit Rating*			2013		2012	
Security Type	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
				158,961	25.81	144,419	28.68
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
				227,557	36.95	151,248	30.03
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
				$615,807	100 %	$503,617	100 %

* 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.

3. CASH AND CASH EQUIVALENTS (CONTINUED)

At June 30, 2013 and 2012, Pierpont's ownership represents 0.09% and 0.18%, respectively, of these amounts held by the BTI.

Interest Rate Risk **-** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All the BTI's Consolidated Fund pools and accounts are subject to interest rate risk.

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

	2013		2012	
Security Type	**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
	$ 2,495,868	52	$ 2,786,968	46

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

	2013		2012	
Security Type	**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	99	1	5	1
	$ 287,184	50	$ 299,629	54

3. CASH AND CASH EQUIVALENTS (CONTINUED)

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

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

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

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

***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.

4. ACCOUNTS RECEIVABLE

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

	2013	2012
Student tuition and fees — net of allowance for doubtful accounts of $1,213,421 and $905,103, respectively	$ 302,001	$ 324,124
Due from other State agencies	296,277	326,061
Due from Commission	380	22,963
Other accounts receivable	12,270	466
Due from Fairmont State	7,001	2,460
Grants and contracts receivable	10,348	121,344
	$ 628,277	$ 797,418

5. CAPITAL ASSETS

A summary of capital assets transactions for Pierpont for the years ended June 30, 2013 and 2012, is as follows:

	2013				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	$ -	$ -	$ -	$ -	$ -
Construction in progress	627,597	4,393	5,354,568	(493,967)	5,492,591
Total capital assets not being depreciated	$ 627,597	$ 4,393	$ 5,354,568	$ (493,967)	$ 5,492,591
Other capital assets:					
Land improvements	$ 456,706	$ 3,197	$ 46,446	$ -	$ 506,349
Infrastructure	5,291,962	37,039	72,155	-	5,401,156
Buildings	24,519,626	171,616	375,366	-	25,066,608
Equipment	1,865,375	1,395	277,038	(129,217)	2,014,591
Computer software	223,000	-	-	-	223,000
Library books	2,180,616	15,262	12,251	(62,247)	2,145,882
Total other capital assets	34,537,285	228,509	783,256	(191,464)	35,357,586
Less accumulated depreciation for:					
Land improvements	185,288	1,297	33,499	-	220,084
Infrastructure	2,467,830	17,273	359,813	-	2,844,916
Buildings	7,773,099	54,405	486,346	-	8,313,850
Equipment	994,784	756	167,437	(124,574)	1,038,403
Computer software	124,668	-	20,000	-	144,668
Library books	2,110,401	14,771	26,927	(62,247)	2,089,852
Total accumulated depreciation	13,656,070	88,502	1,094,022	(186,821)	14,651,773
Other capital assets — net	$ 20,881,215	$ 140,007	$ (310,766)	$ (4,643)	$ 20,705,813
Capital asset summary:					
Capital assets not being depreciated	$ 627,597	$ 4,393	$ 5,354,568	$ (493,967)	$ 5,492,591
Other capital assets	34,537,285	228,509	783,256	(191,464)	35,357,586
Total cost of capital assets	35,164,882	232,902	6,137,824	(685,431)	40,850,177
Less accumulated depreciation	13,656,070	88,502	1,094,022	(186,821)	14,651,773
Capital assets — net	$ 21,508,812	$ 144,400	$ 5,043,802	$ (498,610)	$ 26,198,404

5. CAPITAL ASSETS (CONTINUED)

	2012				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	$ -	$ -	$ -	$ -	$ -
Construction in progress	273,324	239	1,491,188	(1,137,154)	627,597
Total capital assets not being depreciated	$ 273,324	$ 239	$ 1,491,188	$ (1,137,154)	$ 627,597
Other capital assets:					
Land improvements	$ 437,694	$ 383	$ 27,619	$ (8,990)	$ 456,706
Infrastructure	5,219,950	4,571	67,441	-	5,291,962
Buildings	23,629,718	20,693	1,021,908	(152,693)	24,519,626
Equipment	1,705,659	145	287,369	(127,798)	1,865,375
Computer software	168,942	-	-	54,058	223,000
Library books	2,260,883	1,980	16,205	(98,452)	2,180,616
Total other capital assets	33,422,846	27,772	1,420,542	(333,875)	34,537,285
Less accumulated depreciation for:					
Land improvements	160,832	141	29,359	(5,044)	185,288
Infrastructure	2,116,561	1,853	349,416	-	2,467,830
Buildings	7,309,414	6,401	468,439	(11,155)	7,773,099
Equipment	945,471	72	152,168	(102,927)	994,784
Computer software	104,668	-	20,000	-	124,668
Library books	2,122,440	1,859	30,448	(44,346)	2,110,401
Total accumulated depreciation	12,759,386	10,326	1,049,830	(163,472)	13,656,070
Other capital assets — net	$ 20,663,460	$ 17,446	$ 370,712	$ (170,403)	$ 20,881,215
Capital asset summary:					
Capital assets not being depreciated	$ 273,324	$ 239	$ 1,491,188	$ (1,137,154)	$ 627,597
Other capital assets	33,422,846	27,772	1,420,542	(333,875)	34,537,285
Total cost of capital assets	33,696,170	28,011	2,911,730	(1,471,029)	35,164,882
Less accumulated depreciation	12,759,386	10,326	1,049,830	(163,472)	13,656,070
Capital assets — net	$ 20,936,784	$ 17,685	$ 1,861,900	$ (1,307,557)	$ 21,508,812

Pierpont 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.

5. CAPITAL ASSETS (CONTINUED)

During December 2010, Fairmont State was approved to receive $18.7 million of Education, Arts, Science and Tourism (EAST) bond proceeds to be specifically used for four major renovation projects. As of June 30, 2013, $14,876,172 had been incurred for HEPC bond projects, with $818,669 included in accounts receivable from the West Virginia Development Office; 85% of these bond proceeds must be spent by December 2013. These bond proceeds will be accounted for as prescribed in the Separation of Assets and Liabilities Agreement between Fairmont State and Pierpont. At June 30, 2013, Pierpont's portion of the receivable was $282,686. Upon completion, the increase in capitalized assets for Fairmont State and Pierpont are estimated to be approximately $12.3 million and $6.4 million, respectively. The West Virginia Development Office is responsible for repayment of this debt.

Pierpont has construction commitments of $781,739 as of June 30, 2013.

Title for certain assets recorded above remains with Fairmont State.

6. LONG-TERM LIABILITIES

Long-term obligation activities for the years ended June 30, 2013 and 2012, are as follows:

	2013					
	Beginning Balance	Transfers*	Additions	Reductions	Ending Balance	Current Portion
Other post employment benefits liability	$ 3,192,921	$ -	$ 62,776	$ -	$ 3,255,697	$ -
Accrued compensated absences	542,625	-	300,598	(285,543)	557,680	366,159
Payable to the Commission	1,117,477	7,822	-	(55,978)	1,069,321	57,623
Payable to Fairmont State	4,375,602	30,625	-	(201,666)	4,204,561	208,553
Total long-term liabilities	$ 9,228,625	$ 38,447	$ 363,374	$ (543,187)	$ 9,087,259	$ 632,335

*Transfers represent the ownership change from FY12 to FY13

	2012					
	Beginning Balance	Transfers*	Additions	Reductions	Ending Balance	Current Portion
Other post employment benefits liability	$ 2,194,850	$ -	$ 998,071	$ -	$ 3,192,921	$ -
Accrued compensated absences	529,404	-	297,394	(284,173)	542,625	346,733
Payable to the Commission	1,237,555	1,084	-	(121,162)	1,117,477	55,588
Payable to Fairmont State	4,644,875	4,067	4,375,601	(4,648,941)	4,375,602	202,429
Total long-term liabilities	$ 8,606,684	$ 5,151	$ 5,671,066	$ (5,054,276)	$ 9,228,625	$ 604,750

*Transfers represent the ownership change from FY11 to FY12.

7. LEASES

Operating Leases - Pierpont leases office and storage spaces and various equipment. These obligations are accounted for as operating leases.

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

Year Ending June 30	
2014	$ 389,370
2015	585,238
2016	557,721
2017	568,617
2018	579,909
Total	$ 2,680,855

Total lease expense for the years ended June 30, 2013 and 2012, was $181,188 and $165,295, respectively. Pierpont does not have any noncancelable leases.

Capital Leases - Pierpont currently has no leases classified as capital.

8. OTHER POST EMPLOYMENT BENEFITS

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 costs was $3,255,697, $3,192,921, and $2,194,850, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $365,720 and $38,169 respectively, during 2013, or 10%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $1,277,150 and $35,203, respectively, during 2012, or 3%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $1,197,703 and $37,650, respectively, during 2011, or 3%. As of June 30, 2013, 2012, and 2011, there were 58, 54, and 55, respectively, 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.

9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

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 Pierpont. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the University and College Systems (the "Boards"). These obligations administered by the Municipal Bond Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Municipal Bond Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. During 2013 and 2012, Pierpont reduced its debt to the Commission against the debt obligation by $48,156 and $120,078, respectively. The amount due to Commission at June 30, 2013 and 2012, is $1,069,321 and $1,117,477, respectively.

10. FAIRMONT STATE UNIVERSITY INDEBTEDNESS

Due to HB 3215, which mandated a separation between Fairmont State and Pierpont, an agreement was made with regards to outstanding bond debt that was issued to Fairmont State while the two institutions were still as one. It was agreed that Fairmont State and Pierpont would share the outstanding bond debt proportionately based on a 10-year average of enrollments, due to the fact that the two institutions maintain a shared campus where the shared facilities funded by the bonds are located. On June 12, 2012, Fairmont State, in conjunction with Pierpont, issued Revenue Refunding Bonds, Series 2012 A in the principal amount of $20,165,000 and Revenue Refunding Bonds, Series 2012 B in the principal amount of $30,160,000. Pierpont Board of Governors signed the bond indenture to evidence its agreement to certain covenants contained in the indenture, which are applicable to Pierpont and to the pledge of fees imposed by it. Although the bonds remain as a capital obligation of Fairmont State, an estimate of the obligation of Pierpont is reported as a long-term payable to Fairmont State on Pierpont's financial statements and as a receivable of Fairmont State on their financial statements. During 2013 and 2012, Pierpont's liability was reduced by $171,041 and $269,274, respectively. The amount due to Fairmont State at June 30, 2013 and 2012 is $4,204,561 and $4,375,602, respectively.

11. NET POSITION

Pierpont's net position at June 30, 2013 and 2012, include certain designated net position, as follows:

	2013		
	Net Position Before OPEB Liability	OPEB Liability	Total Net Position
Net investment in capital assets	$ 20,747,812	$ -	$ 20,747,812
Restricted for — expendable:			
Scholarships	14,533	-	14,533
Capital projects	2,329,868	-	2,329,868
Debt Service	65	-	65
Total restricted	2,344,466	-	2,344,466
Unrestricted:			
Designated for auxiliaries	4,180	-	4,180
Designated for Fund managers	703,456	-	703,456
Designated for Advanced Technology Center	1,300,000	-	1,300,000
Undesignated	2,996,591	3,255,697	(259,106)
Total unrestricted	5,004,227	3,255,697	1,748,530
Total net position	$ 28,096,505	$ 3,255,697	$ 24,840,808

11. NET POSITION (CONTINUED)

	2012		
	Net Position Before OPEB Liability	OPEB Liability	Total Net Position
Net investment in capital assets	$ 15,992,913	$ -	$ 15,992,913
Restricted for — expendable:			
Scholarships	30,743	-	30,743
Sponsored projects	81,680	-	81,680
Capital projects	1,984,247	-	1,984,247
Debt service	126	-	126
Total restricted	2,096,796	-	2,096,796
Unrestricted:			
Designated for auxiliaries	7,303	-	7,303
Designated for Fund managers	769,454	-	769,454
Designated for Advanced Technology Center	1,300,000	-	1,300,000
Designated for Monongalia County Technical Education Center Shared Facility	500,000	-	500,000
Undesignated	2,618,244	3,192,921	(574,677)
Total unrestricted	5,195,001	3,192,921	2,002,080
Total net position	$ 23,284,710	$ 3,192,921	$ 20,091,789

12. RETIREMENT PLANS

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

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

12. RETIREMENT PLANS (CONTINUED)

The STRS is a cost-sharing, defined benefit, public employee retirement system. Employer and employee contribution rates are established annually by the West Virginia State Legislature. The contractual maximum contribution rate is 15%. Pierpont accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee’s total annual salary for the years ended June 30, 2013, 2012 and 2011. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2013, 2012 and 2011. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years’ salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2013, 2012 and 2011, were $10,303 $11,312 and $36,371, respectively, which consisted of $7,359, $8,080 and $25,979 from Pierpont and $2,944, $3,232 and $10,392 from the covered employees, respectively.

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

The TIAA-CREF and Great West are defined contribution benefit plans, in which benefits are based solely upon amounts contributed, plus investment earnings. Employees who elect to participate in this plan are required to make a contribution equal to 6% of total annual compensation for the years ended June 30, 2013, 2012 and 2011. Pierpont matches the employees’ 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF and Educators Money, which are not matched by Pierpont.

Total contributions to the TIAA-CREF for the years ended June 30, 2013, 2012 and 2011, were $631,780, $585,326 and $558,822, respectively, which consisted of equal contributions from Pierpont and covered employees of $315,890, $292,663 and $279,411, respectively.

Total contributions to Great West for the years ended June 30, 2013, 2012 and 2011, were $35,202, $25,050 and $29,020, respectively, which consisted of $17,601, $12,525 and $14,510 from both Pierpont and from covered employees, respectively.

Pierpont’s total payroll for the year ended June 30, 2013, was $7,221,440 and total covered employees’ salaries in the STRS, TIAA-CREF, and Great West were $49,064, $5,264,828 and $293,349, respectively.

Pierpont’s total payroll for the year ended June 30, 2012, was $7,006,629 and total covered employees’ salaries in the STRS, TIAA-CREF, and Great West were $53,868, $4,877,720 and $208,744, respectively.

Pierpont’s total payroll for the year ended June 30, 2011, was $6,831,628 and total covered employees’ salaries in the STRS, TIAA-CREF, and Great West were $173,195, $4,656,854 and $241,826, respectively.

13. FAIRMONT STATE FOUNDATION, INC. (UNAUDITED)

The Fairmont State Foundation, Inc. (the “Foundation”), is a separate nonprofit organization incorporated in the State whose purpose is to benefit the work and services of Fairmont State and Pierpont and their affiliated nonprofit organizations. The Foundation has a board of directors authorized to have 40 members selected by its Board members. At present, there are 27 members, including the President of Pierpont as a nonvoting ex-officio member. In carrying out its responsibilities, the board of directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. The economic resources of the Foundation do not entirely benefit Pierpont. Since Pierpont was part of Fairmont State for many years, the Foundation has obtained resources designated for Pierpont’s programs and/or students. The Foundation currently supports both Fairmont State and Pierpont, and there is no specific allocation plan at this time. Pierpont’s endowments are under the control and management of the Foundation. Accordingly, the financial statements of the Foundation are not included in the accompanying financial statements because it is not entirely or almost entirely for the benefit of Pierpont.

The Foundation’s assets totaled $19,180,975 and $16,897,103 at June 30, 2013 and 2012, with net position of $19,083,921 and $16,780,662, respectively. Gifts, grants, and bequests to the Foundation totaled $2,788,006 and $1,088,811 in fiscal years 2013 and 2012, respectively.

Total funds expended by the Foundation in support of Pierpont activities totaled $213,708 and $331,873 during the years 2013 and 2012, respectively. This support and the related expenditures are recorded in Pierpont’s financial statements.

14. AFFILIATED ORGANIZATION

Pierpont has a separately incorporated affiliated organization, the Fairmont State Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with Pierpont. Accordingly, the financial statements of this organization are not included in Pierpont’s accompanying financial statements under the blended component unit requirements. It is not included in Pierpont’s accompanying financial statements under the discretely presented component unit requirements as (1) it is not material, and (2) it has dual-purposes (i.e. not entirely or almost entirely for the benefit of Pierpont).

15. RELATED-PARTY TRANSACTIONS

Pierpont and Fairmont State enter into an annual contractual agreement to establish the contractual services that will be provided by both institutions. These contract services are referred to as chargeback services and occur from each institution to the other. The definition of chargeback services is services provided from teaching, administrative, academic support, student services, and physical plant support areas of Pierpont to Fairmont State and vice versa. Chargeback services costs range from teaching services to everyday upkeep of the facilities. The chargeback agreement also provides for the transfer of auxiliary, capital, and student activity fee revenues from the institution, which the student is enrolled to the fund from which the operating, capital, and debt service expenditures will be paid. These transfers are primarily pledged revenues to bond funds and required by bond covenants. A contractual agreement may be negotiated for services to be provided until the governing boards of both institutions mutually agree to end the contract agreement. Currently, a chargeback agreement for fiscal year 2013 has been negotiated and approval by the Boards of Governors of both Pierpont and Fairmont State. Additional information regarding these transactions may be found in the Component Parts Financial Data section of the Note to Schedules.

15. RELATED-PARTY TRANSACTIONS (CONTINUED)

Fiscal year 2013 and 2012 transactions associated with the chargeback agreement are as follows:

	2013	2012
Revenues:		
Faculty service revenue	$ 1,284,767	$ 1,319,526
Operating cost revenue	136,450	179,774
Support service revenue	248,441	351,776
E&G capital and debt service support revenue	836,735	865,921
Expenses:		
Assessment for student activity costs	173,279	178,851
Assessment for auxiliary fees and debt service	1,163,803	1,343,350
Assessment for faculty service	1,401,248	1,428,331
Assessment for operating costs	2,166,296	2,334,530
Assessment for support service	3,265,612	3,588,054
Assessment for E&G capital and debt service costs	1,000,164	1,050,889

Pierpont does not show any revenue for auxiliary support services due to Fairmont State's ownership of the auxiliaries.

16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT

House Bill 3215, effective July 1, 2008, provided for a separate governing board for Pierpont Community & Technical College. This new legislation defines a statewide network of independently accredited community and technical colleges and required the newly established Pierpont Board of Governors and Fairmont State University Board of Governors to jointly agree on a division of assets and liabilities. This agreement was executed on December 15, 2009, and was effective retroactively to July 1, 2009. The legislation requires a separate financial statement audit for Pierpont effective for fiscal year 2010 and all years thereafter.

The Board of Governors of Pierpont Community & Technical College and the Board of Governors of Fairmont State University recognize the historical association between the two institutions and the benefit of collaboration to the students. The preamble to the Separation of Assets and Liabilities Agreement that supports these statements reads as follows:

"The Board of Governors of Fairmont State University (BOG-FSU) and the Board of Governors of Pierpont Community and Technical College (BOG-PCTC) jointly endeavor to separate assets and liabilities in accordance with the provisions of HB3215, 2008. Despite the legal separation of the two institutions, the BOG-FSU and the BOG-PCTC wish to maintain the collaborative and cooperative spirit that has characterized the historical relationship between the University and Pierpont.

16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

The BOG-FSU and the BOG-PCTC recognize the historical association between the two institutions. The institution that is today Pierpont Community and Technical College grew from and was sponsored by Fairmont State University. Both institutions have been and, for the foreseeable future, will be co-located on a single campus in Fairmont, West Virginia. Both institutions have proportionally coordinated, shared, and paid for instructional services, course schedules, facilities, information systems, admissions processes, auxiliary functions, housing, debt service, development and advancement services, student activities and programs, and all the other resources necessary to deliver a high-quality postsecondary education experience.

Students have benefited and will continue to benefit from the relationship between Fairmont State University (FSU) and Pierpont Community and Technical College (PCTC). Those benefits include a wider range of instructional programs than would be available through an individual institution's offerings; a lower cost of attendance realized from shared institutional infrastructure and reduced duplication of facilities, personnel, and services; and a more diverse mix of student backgrounds, interests, experiences, abilities, and ambitions.

Although the BOG-FSU and the BOG-PCTC recognize the necessity of separation of assets and liabilities, both pledge themselves to continuing, fostering, and promoting collaborative and cooperative relationships between the two institutions. Such relations respect the historical association that has existed between FSU and PCTC. Such relations are to the benefit and best interest of the students at both institutions. Such relations recognize the proportional participation in institutional operations. Such relations recognize that the two institutions have been, are, and will be co-located on one site. Such relations demonstrate responsible stewardship of public resources by achieving efficiencies and synergies that would otherwise not be possible. Therefore, the Board of Governors of Fairmont State University and the Board of Governors of Pierpont Community and Technical College incorporate into their agreement to separate assets and liabilities this pledge of perpetual cooperation and collaboration."

With both Pierpont and Fairmont State Board of Governors promoting collaboration, the Separation of Assets and Liabilities Agreement was executed to comply with the guidelines established through West Virginia Legislation as stated in the agreement as follows:

*"**WHEREAS**, West Virginia Code - §18B-2A-7a(e)(2008 supp.) states "For purposes of generating audited financial statements for inclusion in the higher education fund and state single audits, the division of all assets and liabilities shall be effective retroactively to the first day of July, two thousand nine."*

and

***WHEREAS**, West Virginia Code - §18B-2A-7a(2008 supp.) states as follows:*

(g) Each former sponsoring institution and community and technical college shall enter into a comprehensive agreement to address the division of assets and liabilities and the allocation of revenues and expenditures between former sponsoring institutions and newly independent community and technical colleges.

16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

(h) Absent manifest injustice as determined jointly by the Council and Commission, the following general principles apply to the division of assets and liabilities and allocation of revenues and expenditures between former sponsoring institutions and the newly independent community and technical colleges:

(1) For accounting purposes, the institution that assumes responsibility for any asset also shall assume responsibility for any associated liabilities.

(2) Although one institution may assume responsibility for an asset and associated liabilities for accounting purposes, both institutions shall agree on their respective responsibilities for reducing and ultimately eliminating the liability over time if the asset was originally acquired and/or is being used for the benefit of both institutions.

(A) Any agreement to allocate system and institutional educational and general and auxiliary debt service payments shall be consistent with the provisions of all applicable bond covenants.

(B) Absent a controlling bond covenant or other agreement, debt service payments associated with bond indebtedness presumptively shall be allocated based on the relative full-time equivalent student enrollment of the two institutions either as a whole or on the campus where the asset is located and may be adjusted annually to reflect enrollment changes at the two institutions.

(3) The institutions shall agree to allocate educational and auxiliary capital fees in excess of those needed to cover bonded indebtedness to ensure that assets of both institutions are maintained in proper repair and that the institutions assume responsibility for a reasonable share of the total costs of maintaining the facilities.

(4) The institutions shall develop a plan that ensures the financial stability of auxiliary enterprises, including but not limited to, student housing, student centers, dining services, parking, and athletics through fiscal year two thousand twelve.

(A) If community and technical college students pay a mandatory athletics fee for the benefit of a sponsoring institution, but receive no direct benefit from that fee, the community and technical college may phase out that fee over a five-year period.

(B) If certain community and technical college students were required to live in institution housing consistent with rules or policies in effect on the effective date of this section, the former sponsoring institution may continue to require these students to live in institution housing for at least one year."

The Agreement also provides specific language in relation to outstanding bond indebtedness.

16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

On June 12, 2012, Fairmont State, in conjunction with Pierpont, issued Revenue Refunding Bonds, Series 2012 A in the principal amount of $20,165,000 and Revenue Refunding Bonds, Series 2012 B in the principal amount of $30,160,000. Pierpont Board of Governors signed the Bond Indenture to evidence its agreement to certain covenants contained in the Indenture, which are applicable to Pierpont and to the pledge of fees imposed by it. The Official Statement for the bonds states "*Pierpont is obligated to pay a portion of the debt service on the Series 2012 Bonds pursuant to a Separation of Assets and Liabilities Agreement, dated December 15, 2009, by and between the Issuer and Pierpont.*"

The Official Statement provides information to further explain the Separation of Assets Agreement and the application of it to all existing and future bond covenants.

Therefore, the Agreement pertains to the following current outstanding bond indebtedness:

(A) *Revenue Refunding Bonds 2012, Series A and Revenue Refunding Bonds 2012, Series B* — On June 12, 2012, Fairmont State, in conjunction with Pierpont, issued Revenue Refunding Bonds Series A and Revenue Refunding Bonds Series B (the "2012 Bonds") amounting to $20,165,000 and $30,160,000, respectively. The 2012A Bonds were issued to (1) currently refund in full the outstanding 2002A and 2002B Bonds, and (2) pay the costs of issuance of the Series 2012A Bonds and related costs. The 2012B Bonds were issued to (1) advance refund in full the outstanding 2003A and 2003B Bonds, and (2) pay the costs of issuance of the Series 2012B Bonds and related costs.

(B) Fairmont State Board of Governors Subordinate Facilities Improvement Revenue Bonds, Series 2006 (the "Series 2006 Bonds"; the Series 2002A Bonds, the Series 2002B Bonds, the Series 2003A Bonds, the Series 2003B Bonds, and the Series 2006 Bonds are hereinafter referred to together as the "Bonds"), issued in the principal amount of $8,500,000 pursuant to a Bond Authorizing Resolution adopted on May 3, 2006 (as supplemented and amended, the "2006 Resolution"; the 2002A Indenture, the 2002B Indenture, the 2003A Indenture, the 2003B Indenture, and the 2006 Resolution, together with the other documents authorizing, securing, or otherwise relating to the Bonds, are hereinafter referred to together as the "Bond Documents"), and currently outstanding in the principal amount of $6,277,712.85 and $6,634,905.91 updated as of June 30, 2013 and 2012, respectively.

The Agreement further states the following in regard to bond indebtedness:

WHEREAS*, in addition to the statutory requirements described above, the Bond Documents define Pierpont or University to include any successor thereto and, as such, bind both FSU and PCTC, and both FSU and PCTC have copies of the Bond Documents.*

and

WHEREAS*, the Bond Documents set forth controlling bond covenants and require pledged revenues, and the intent of this document is to adhere to all existing and future bond covenants."*

16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

The Board of Governors of Pierpont and Fairmont State agreed to the following terms for Separation of Assets and Liabilities to comply with the above stated West Virginia State Code and bond covenants: *Education and General Equipment Assets:*

1. *Equipment assets regardless of whether they are charged back, whether they be presently owned or purchased in the future by either the FSU or the PCTC will be owned by the institution that the equipment was intended for and reflected on the appropriate institution's equipment schedule.*

Education and General Buildings and Infrastructure:

1. *All capital and infrastructure fees assessed to both FSU and PCTC students for the purpose of paying E&G building and infrastructure bonds, and provide for repair and renovation of same, continue to be collected under the terms outlined in the bond covenants.*

2. *All E&G Capital Fee Revenue and Infrastructure Capital Fee Revenue in excess of bond payments will be used for repair and renovation projects. When sufficient E&G and Infrastructure Capital excess revenues are available to bond for additional new capital project improvements, the E&G, and Infrastructure Capital Fees will be utilized and/or retained for that specific purpose. Both the FSU and the PCTC assume a shared responsibility proportionate to the full-time equivalent (FTE) enrollment of each institution for the total cost of maintaining the facilities.*

3. *Joint ownership of the E&G and Infrastructure Capital Assets and Liabilities shall be reflected on each Institution's Financial Statements at the end of each year. The percentage of ownership of assets and liabilities will be assigned and based on the average fall term census date credit hour enrollments (FTE) over the most recent ten (10) years.*

4. *All land assets will be owned by FSU and land deeds will stay in the name of FSU Board of Governors.*

5. *Should either institution, after paying off all E&G and Auxiliary bond debt, upon proper acknowledgement of its ongoing obligations under existing bond covenants, decide to build and move its own campus, that institution agrees to sell its ownership rights to the E&G building assets to the other institution at an agreed upon price.*

6. *All new capital projects that are provided to FSU and PCTC through state appropriations, bonding and/or student capital fee initiatives, that add to the joint ownership of assets and liabilities on a shared campus, will be assigned proportionately based on the average fall term census date credit hour enrollments (FTE) over the most recent ten (10) years. Any capital project designated to only FSU or only to PCTC and not located on a shared campus will be added to the assets and liabilities of the institution to which the capital project is specified.*

16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)

Auxiliary Enterprises:

1. *Assets and related liabilities of the Auxiliary Enterprises (Athletics, Bookstore, Conference Center, Convenience Store, Copy Center, Facilities [Parking & Security], Housing, and Recreation Center) are owned by FSU and all students of both FSU and PCTC who attend class on the main campus and/or pay user fees will have access to these facilities and activities.*

2. *All auxiliary-related student fees approved by the FSU BOG and the PCTC BOG and the Higher Education Policy Commission and the Community and Technical College Council, for the operation, debt service, and repair and maintenance of auxiliary enterprise facilities will be dedicated and provided to those specific Auxiliary Funds for appropriate indicated purposes. All Auxiliary net revenues annually are designated to support future costs of the auxiliary enterprise fund(s) and are managed by FSU for the benefit of each auxiliary enterprise.*

3. *Auxiliary Enterprise Bond Covenant obligations of FSU and PCTC will be met by continuing to honor the requirements stipulated in those covenants, and both FSU and PCTC students will be required to pay the fees stipulated in all Bond Document covenants.*

4. *FSU is responsible for managing the operation of the Auxiliary Enterprises, and maintaining the Auxiliary facilities in good repair.*

5. *All capital projects for the Auxiliary Enterprises will be approved by the FSU BOG.*

6. *Scholarship dollars provided from the non-athletic auxiliary enterprise funds will be allocated proportionately to FSU and PCTC students based on the percentage (%) of student fee contributions made to these funds from the respective FSU and PCTC students.*

The Agreement further specifies the methodology for the assignment of bond debt as follows:

"The Bond Debt assigned to each institution's balance sheet for E&G facilities is allocated based on the average of the past ten (10) years of credit hour enrollments. This average allocated 65.66% of the debt to FSU and 34.34% to the PCTC as of July 1, 2009. The assignment of debt for the Auxiliary facilities will be with the FSU since the FSU will own the assets. However, the PCTC students will continue to pay all Auxiliary fees based on the requirements of those bonds. The allocation of Bond Debt by this Agreement does not affect the obligation of both FSU and PCTC to the bondholders to pay the principal of and interest on the Bonds as the same come due.

As of June 30, 2013, the average allocated 34.53% of the debt to Pierpont and 65.47% of the debt to Fairmont. As of June 30, 2012, the average allocated 34.29% of the debt to Pierpont and 65.71% of the debt to Fairmont.

The Series 2012 A and Series 2012 B Continuing Disclosure Agreement provides for disclosure of Annual Financial Information to the Trustee and bond rating agencies. This information includes the Audited Financial Statements of Fairmont State and the Audited Financial Statements of Pierpont.

The financial statements have been prepared to comply with the Separation of Assets and Liabilities Agreement.

17. CONTINGENCIES

The nature of the educational industry is such that, from time-to-time, claims will be presented against Pierpont 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 Pierpont would not have a significant financial impact on the financial position of Pierpont.

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. Pierpont's management believes disallowances, if any, will not have a significant financial impact on Pierpont's financial position.

18. SUBSEQUENT EVENT

Pierpont Community & Technical College requested and received approval to make additions to the design of the Advanced Technology Center (the Center) in December 2012. The additions include space for a Student Services Center, Administrative Offices for the President, Cabinet Staff, Student Government and a Board Meeting Room. The additions also include space to accommodate the Medical Laboratory Technician Program and space for four additional classrooms. In return for these additions to the project, Pierpont Administration committed an additional $2.5 million to administrative, architectural and construction costs of the Center. On September 17, 2013, the Pierpont Community & Technical College Board of Governors approved $2.5 million in additional funding for the Advanced Technology Center Expansion. The designated funds consist of $1.5 million in Education & General Operating reserves and $1 million in Educational & General Capital funds. Construction of the Advanced Technology Center is expected to begin in October 2013.

PIERPONT COMMUNITY& TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

19. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2013 and 2012, the following tables represent operating expenses within both natural and functional classifications:

2013

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Assessment for Student Activity Costs	Assessment for Auxiliary Fees and Debt Service	Assessment for Faculty Services	Assessment for Operating Costs	Assessment for Support Services	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	$ 52,223	$ 651	$ -	$ -	$ -	$ -	$ -	$ 1,163,803	$ -	$ -	$ -	$ -	$ -	$ 1,216,677
Instruction	4,706,526	1,035,710	1,466,791	3,818	-	-	-	-	1,401,248	2,408	5,255	-	-	8,621,756
Research	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public service	267,856	59,444	349,984	374	-	-	-	-	-	-	-	-	-	677,658
Academic support	1,019,196	191,529	106,455	-	-	-	-	-	-	451,456	678,663	-	-	2,447,299
Student services	137,724	25,052	117,243	-	-	-	173,279	-	-	328,001	1,119,821	-	-	1,901,120
General institutional support	1,079,378	274,532	530,707	-	-	-	-	-	-	414,516	777,413	-	122,812	3,199,358
Operation and maintenance	437	6,517	151,847	-	-	-	-	-	-	969,915	684,460	-	-	1,813,176
Student financial aid	-	1,185	-	-	5,191,809	-	-	-	-	-	-	-	-	5,192,994
Depreciation	-	-	-	-	-	1,094,022	-	-	-	-	-	-	-	1,094,022
Loan cancellations and write-offs	-	-	-	-	-	-	-	-	-	-	-	308,318	-	308,318
TOTAL	$ 7,263,340	$ 1,594,620	$ 2,723,027	$ 4,192	$ 5,191,809	$ 1,094,022	$ 173,279	$ 1,163,803	$ 1,401,248	$ 2,166,296	$ 3,265,612	$ 308,318	$ 122,812	$ 26,472,378

2012

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Assessment for Student Activity Costs	Assessment for Auxiliary Fees and Debt Service	Assessment for Faculty Services	Assessment for Operating Costs	Assessment for Support Services	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	$ 44,973	$ 640	$ -	$ -	$ -	$ -	$ -	$ 1,343,350	$ -	$ -	$ -	$ -	$ -	$ 1,388,963
Instruction	4,676,609	1,380,460	1,428,945	207	-	-	-	-	1,428,331	105,967	159,615	-	-	9,180,134
Research	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public service	386,174	78,000	355,303	571	-	-	-	-	-	-	-	-	-	820,048
Academic support	1,008,388	196,468	136,878	-	-	-	-	-	-	439,291	778,785	-	-	2,559,810
Student services	98,815	114,966	33,223	-	-	-	178,851	-	-	388,411	1,207,657	-	-	2,021,923
General institutional support	806,365	526,341	527,445	736	-	-	-	-	-	425,412	773,921	-	116,560	3,176,780
Operation and maintenance	4,114	109,548	136,949	-	-	-	-	-	-	975,449	668,076	-	-	1,894,136
Student financial aid	-	-	-	-	5,641,125	-	-	-	-	-	-	-	-	5,641,125
Depreciation	-	-	-	-	-	1,049,830	-	-	-	-	-	-	-	1,049,830
Loan cancellations and write-offs	-	-	-	-	-	-	-	-	-	-	-	216,783	-	216,783
TOTAL	$ 7,025,438	$ 2,406,423	$ 2,618,743	$ 1,514	$ 5,641,125	$ 1,049,830	$ 178,851	$ 1,343,350	$ 1,428,331	$ 2,334,530	$ 3,588,054	$ 216,783	$ 116,560	$ 27,949,532

ADDITIONAL INFORMATION

SCHEDULE OF NET POSITION INFORMATION
YEAR ENDED JUNE 30, 2013

All Funds	Board of Governors Support Fund	Unrestricted, Restricted and Other Funds	Internal Fund Eliminations	Total Institution
ASSETS AND DEFERRED OUTFLOWS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 2,236,102	$ 8,368,265	$ -	$ 10,604,367
Accounts receivable — net	282,812	372,818	(27,353)	628,277
Inventories	-	28,999	-	28,999
Total current assets	2,518,914	8,770,082	(27,353)	11,261,643
NONCURRENT ASSETS:				
Cash and cash equivalents	65	-	-	65
Capital assets — net	24,810,918	1,387,486	-	26,198,404
Total noncurrent assets	24,810,983	1,387,486	-	26,198,469
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
TOTAL	$ 27,329,897	$ 10,157,568	$ (27,353)	$ 37,460,112
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
CURRENT LIABILITIES:				
Accounts payable	$ 313,638	$ 600,195	$ (27,353)	$ 886,480
Due to Council	-	764	-	764
Due to Fairmont State	21,411	59,206	-	80,617
Accrued liabilities — payroll	-	728,493	-	728,493
Retainages payable	176,710	-	-	176,710
Unearned revenue	43	1,658,938	-	1,658,981
Compensated absences — current portion	-	366,159	-	366,159
Debt obligation payable to the Commission — current portion	57,623	-	-	57,623
Debt obligation due to Fairmont State — current portion	208,553	-	-	208,553
Total current liabilities	777,978	3,413,755	(27,353)	4,164,380
NONCURRENT LIABILITIES:				
Other post employment benefits liability	-	3,255,697	-	3,255,697
Compensated absences	-	191,521	-	191,521
Debt obligation due to the Commission	1,011,698	-	-	1,011,698
Debt obligation due to Fairmont State	3,996,008	-	-	3,996,008
Total noncurrent liabilities	5,007,706	3,447,218	-	8,454,924
Total liabilities	5,785,684	6,860,973	(27,353)	12,619,304
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
NET POSITION:				
Net investment capital assets	19,360,327	1,387,485	-	20,747,812
Restricted for — expendable:				
Scholarships	10,645	3,888	-	14,533
Sponsored projects	-	-	-	-
Capital projects	2,173,176	156,692	-	2,329,868
Debt service	65	-	-	65
Total restricted	2,183,886	160,580	-	2,344,466
Unrestricted E&G Plant and President’s Control	-	1,040,894	-	1,040,894
Unrestricted Auxiliary and Fund Manager Funds	-	707,636	-	707,636
Total unrestricted	-	1,748,530	-	1,748,530
Total net position	21,544,213	3,296,595	-	24,840,808
TOTAL	$ 27,329,897	$ 10,157,568	$ (27,353)	$ 37,460,112

See note to schedules.

PIERPONT COMMUNITY & TECHNICAL COLLEGE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INFORMATION
YEAR ENDED JUNE 30, 2013

All Funds	Board of Governors Support Fund	Unrestricted, Restricted and Other Funds	Internal Fund Eliminations	Total Institution
OPERATING REVENUES:				
Student tuition and fees — net	$ -	$ 4,760,646	$ -	$ 4,760,646
Auxiliary enterprise revenue	-	1,165,462	-	1,165,462
Contracts and grants:				
Federal	-	206,516	-	206,516
State/local	(345)	2,805,086	-	2,804,741
Private	1,865	614,829	-	616,694
Faculty services revenue	-	1,284,767	-	1,284,767
Operating costs revenue	-	136,450	-	136,450
Support services revenue	-	248,441	-	248,441
Miscellaneous — net	-	337,238	-	337,238
Total operating revenues	1,520	11,559,435	-	11,560,955
OPERATING EXPENSES:				
Salaries and wages	-	7,263,340	-	7,263,340
Benefits	-	1,594,620	-	1,594,620
Supplies and other services	153,780	2,569,247	-	2,723,027
Utilities	-	4,192	-	4,192
Student financial aid — scholarships and fellowships	(345)	5,192,154	-	5,191,809
Depreciation	930,999	163,023	-	1,094,022
Assessment for student activity costs	-	173,279	-	173,279
Assessment for auxiliary fees and debt service	-	1,163,803	-	1,163,803
Assessment for faculty services	-	1,401,248	-	1,401,248
Assessment for operating costs	-	2,166,296	-	2,166,296
Assessment for support services	-	3,265,612	-	3,265,612
Loan cancellations and write-offs	-	308,318	-	308,318
Fees assessed by the Commission for operations	-	122,812	-	122,812
Total operating expenses	1,084,434	25,387,944	-	26,472,378
OPERATING LOSS	(1,082,914)	(13,828,509)	-	(14,911,423)
NONOPERATING REVENUES (EXPENSES):				
State appropriations	-	8,443,703	-	8,443,703
Federal Pell grant revenue	-	6,746,909	-	6,746,909
Gifts	12,086	12,500	-	24,586
E&G capital and debt service support revenue	1,364,238	-	(527,503)	836,735
Investment income	3,179	11,743	-	14,922
Loss on disposal of fixed assets	(2,364)	(2,279)	-	(4,643)
Assessment for E&G capital and debt service costs	-	(1,527,667)	527,503	(1,000,164)
Fees assessed by the Commission for debt service	(65,502)	-	-	(65,502)
Fees assessed by the Fairmont State for debt service	(66,760)	-	-	(66,760)
Total nonoperating revenues (expenses)	1,244,877	13,684,909	-	14,929,786
INCREASE (DECREASE) IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFER	161,963	(143,600)	-	18,363
STATE CAPITAL GRANTS (FEDERAL)	-	-	-	-
CAPITAL PROJECT PROCEEDS FROM THE COMMISSION	-	-	-	-
CAPITAL BOND PROCEEDS FROM THE STATE	4,564,879	-	-	4,564,879
INCREASE IN NET POSITION BEFORE TRANSFER	4,726,842	(143,600)	-	4,583,242
TRANSFER OF NET POSITION FROM FAIRMONT STATE	(290,962)	456,739	-	165,777
INCREASE IN NET POSITION	4,435,880	313,139	-	4,749,019
NET POSITION — Beginning of year	17,108,333	2,983,456	-	20,091,789
NET POSITION — End of year	$ 21,544,213	$ 3,296,595	$ -	$ 24,840,808

See note to schedules.

SCHEDULE OF CASH FLOW INFORMATION
YEAR ENDED JUNE 30, 2013

	Board of Governors Support Fund	Unrestricted, Restricted and Other Funds	Internal Fund Eliminations	Total Institution
CASH FLOWS FROM OPERATING ACTIVITIES:				
Student tuition and fees	$ (5,490)	$ 4,330,825	$ -	$ 4,325,335
Contracts and grants	8,403	3,890,747	-	3,899,150
Payments to and on behalf of employees	-	(8,724,991)	-	(8,724,991)
Payments to suppliers	(187,519)	(2,530,890)	-	(2,718,409)
Payments to utilities	-	(3,469)	-	(3,469)
Payments for scholarships and fellowships	-	(5,034,322)	-	(5,034,322)
Auxiliary enterprise charges	-	1,160,387	-	1,160,387
Fees assessed by the Commission	-	(122,812)	-	(122,812)
Other receipts — net	-	384,973	-	384,973
Assessment support services	-	(3,264,644)	-	(3,264,644)
Support services revenue	-	249,311	-	249,311
Assessment for student activity costs	-	(173,279)	-	(173,279)
Assessment for auxiliary fees and debt service	-	(1,163,803)	-	(1,163,803)
Faculty services revenue	-	1,284,767	-	1,284,767
Assessment for faculty services	-	(1,401,248)	-	(1,401,248)
Operating support services revenue	-	134,002	-	134,002
Assessment for operating cost	-	(2,149,357)	-	(2,149,357)
Net cash used in operating activities	(184,606)	(13,133,803)	-	(13,318,409)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	-	8,443,703	-	8,443,703
Federal Pell grant revenues	-	6,746,655	-	6,746,655
Gift receipts	12,086	12,500	-	24,586
William D. Ford direct lending receipts	-	11,823,206	-	11,823,206
William D. Ford direct lending payments	-	(11,817,655)	-	(11,817,655)
Transfer of cash from Fairmont State	14,135	-	-	14,135
Transfers from/to Fairmont State	(410,705)	456,738	-	46,033
Net cash provided by (used in) financing activities	(384,484)	15,665,147	-	15,280,663
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Capital projects proceeds from State	4,584,890	-	-	4,584,890
E&G capital and debt service support revenue	1,364,238	-	(527,503)	836,735
Fees assessed by the Commission	(65,502)	-	-	(65,502)
Purchases of capital assets	(4,660,293)	-	-	(4,660,293)
Purchases of equipment	(17,813)	(280,264)	-	(298,077)
Assessment for E&G capital and debt service costs	-	(1,527,667)	527,503	(1,000,164)
Payments to the Commission on debt obligation	(55,977)	-	-	(55,977)
Payments to the Fairmont State on debt obligation	(197,168)	-	-	(197,168)
Fees assessed by Fairmont State	(169,961)	-	-	(169,961)
Net cash provided by (used in) capital financing activities	782,414	(1,807,931)	-	(1,025,517)
CASH FLOW FROM INVESTING ACTIVITY — Interest on investments	3,191	12,162	-	15,353
INCREASE IN CASH AND CASH EQUIVALENTS	216,515	735,575	-	952,090
CASH AND CASH EQUIVALENTS — Beginning of year	2,019,652	7,632,690	-	9,652,342
CASH AND CASH EQUIVALENTS — End of year	$ 2,236,167	$ 8,368,265	$ -	$ 10,604,432

(Continued)

SCHEDULE OF CASH FLOW INFORMATION
YEAR ENDED JUNE 30, 2013

	Board of Governors Support Fund	Unrestricted, Restricted and Other Funds	Internal Fund Eliminations	Total Institution
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:				
Operating loss	$ (1,082,914)	$ (13,828,509)	$ -	$ (14,911,423)
Adjustments to reconcile net operating loss to net cash used in operating activities:				
Depreciation expense	930,999	163,023	-	1,094,022
Changes in assets and liabilities:				
Receivables — net	7,614	149,549	-	157,163
Inventories	-	25,363	-	25,363
Accounts payable	(34,748)	(25,561)	-	(60,309)
Accrued liabilities — payroll	-	54,475	-	54,475
Compensated absences	-	15,055	-	15,055
Other post employment benefits liability	-	62,776	-	62,776
Unearned revenue	(5,553)	259,816	-	254,263
Undistributed receipts — deposits	-	(9,794)	-	(9,794)
NET CASH USED IN OPERATING ACTIVITIES	$ (184,602)	$ (13,133,807)	$ -	$ (13,318,409)
NONCASH TRANSACTIONS:				
Property additions in accounts payable	$ 294,522	$ 399,997	$ -	$ 694,519
Property additions in retainage	$ 176,710	$ -	$ -	$ 176,710
Transfer from Fairmont State (exclusive of $60,168 of cash)	$ 105,609	$ -	$ -	$ 105,609

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and Cash equivalents classified as current	$ 10,604,367
Cash and Cash equivalents classified as noncurrent	65
	$ 10,604,432

See note to schedules. (Concluded)

PIERPONT COMMUNITY & TECHNICAL COLLEGE

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
YEAR ENDED JUNE 30, 2013

INTERNAL FUND: BOG SUPPORT

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Loan Cancellations	Function Total
Auxiliary enterprises	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Instruction	-	-	-	-	-	-	-	-
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-
Academic support	-	-	-	-	-	-	-	-
Student services	-	-	-	-	-	-	-	-
General institutional support	-	-	2,588	-	-	-	-	2,588
Operation and maintenance	-	-	151,192	-	-	-	-	151,192
Student financial aid	-	-	-	-	(345)	-	-	(345)
Depreciation	-	-	-	-	-	930,999	-	930,999
Loan cancellations and write-offs	-	-	-	-	-	-	-	-
TOTAL	$ -	$ -	$ 153,780	$ -	$ (345)	$ 930,999	$ -	$ 1,084,434

See notes to schedules.

(Continued)

PIERPONT COMMUNITY & TECHNICAL COLLEGE

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
YEAR ENDED JUNE 30, 2013

INTERNAL FUND: PIERPONT COMMUNITY AND TECHNICAL COLLEGE

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Assessment for Student Activity Costs	Assessment for Auxiliary Fees and Debt Service	Assessment for Faculty Services	Assessment for Operating Costs	Assessment for Support Services	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	$ 52,223	$ 651	$ -	$ -	$ -	$ -	$ -	$ 1,163,803	$ -	$ -	$ -	$ -	$ -	$ 1,216,677
Instruction	4,706,526	1,035,710	1,466,791	3,818	-	-	-	-	1,401,248	2,408	5,255	-	-	8,621,756
Research	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public service	267,856	59,444	349,984	374	-	-	-	-	-	-	-	-	-	677,658
Academic support	1,019,196	191,529	106,455	-	-	-	-	-	-	451,456	678,663	-	-	2,447,299
Student services	137,724	25,052	117,243	-	-	-	173,279	-	-	328,001	1,119,821	-	-	1,901,120
General institutional support	1,079,378	274,532	528,119	-	-	-	-	-	-	414,516	777,413	-	122,812	3,196,770
Operation and maintenance	437	6,517	655	-	-	-	-	-	-	969,915	684,460	-	-	1,661,984
Student financial aid	-	1,185	-	-	5,192,154	-	-	-	-	-	-	-	-	5,193,339
Depreciation	-	-	-	-	-	163,023	-	-	-	-	-	-	-	163,023
Loan cancellations and write-offs	-	-	-	-	-	-	-	-	-	-	-	308,318	-	308,318
TOTAL	$ 7,263,340	$ 1,594,620	$ 2,569,247	$ 4,192	$ 5,192,154	$ 163,023	$ 173,279	$ 1,163,803	$ 1,401,248	$ 2,166,296	$ 3,265,612	$ 308,318	$ 122,812	$ 25,387,944

See note to schedules.

(Concluded)

PIERPONT COMMUNITY & TECHNICAL COLLEGE

NOTE TO SCHEDULES
YEAR ENDED JUNE 30, 2013

1. INTERNAL FUND FINANCIAL DATA

The additional information schedules are included to comply with the requirements of the Council to provide financial information for all internal funds of Pierpont. This presentation provides financial information for Pierpont and BOG Support. The BOG Support fund comprises Pierpont's ownership based on the Separation of Assets and Liabilities Agreement which was 34.53% as of June 30, 2013. The BOG Support fund consists of capital funds for all E&G shared bonding and plant repairs and replacements, plant and other capitalized assets, and grants in support of capital projects

Financial Schedules - The financial schedules for Pierpont and BOG Support are driven by rollup of funds to fund type. Separate fund types for each internal fund established in each net position category (unrestricted, restricted, etc.). This setup has allowed Fairmont State and Pierpont to produce separate financial statements (net position, statement of revenues, expenses, and changes in net position, and Natural versus Functional Classification reports) from a shared financial accounting system. These supplemental schedules are produced as a by-product of the financial reporting system.

The following represents additional footnotes outlining faculty teaching services shared between Pierpont and Fairmont State University, services that are charged to both Pierpont and Fairmont State, and student fee distributions. These representations are based on the approved chargeback agreement between Pierpont and Fairmont State University and legislative actions:

a. *Revenues* - State appropriations are allocated by the Legislature each year. Appropriations increased by 0.27% for the two-year college.

   Student fee revenues are directly credited to the appropriate two-and four-year college funds based on the students' program major. Student enrollment in each college drives the fee revenue dollars available to each internal fund, as follows:

   1. Required auxiliary, capital, and student activity fee revenues are recorded as revenues to the institution in which the student is enrolled. Under the contract agreement, all (100%) of these revenues will be transferred as an expense to the capital, auxiliary, and student activity funds from which the operating, capital, and debt service expenditures are paid (primarily Fairmont State funds). Most of these fees are pledged on revenue bonds and must be transferred to maintain compliance with bond covenants.

   2. User fees collected from students of either institution are deposited directly to the appropriate auxiliary revenue account and are not recorded as revenues by separate institutions. Examples of this type of revenue are parking, books, meals, and rent.

   3. Grant revenues are deposited in the institution's fund to which the grant was awarded.

   4. Student payments made via lockbox, Web, etc., are deposited to the four-year clearing fund and are moved daily to the appropriate operating state fund for each institution.

5. Interest income is allocated by the Commission to both institutions based on current allocation methods.

b. Expenses —

Direct Expenditures:

1. Direct expenditures will be assigned directly to either Fairmont State or Pierpont.

2. Full- and part-time faculty personnel services and fringe benefit expenditures are paid from the institution where the personnel are employed.

Chargeback Expenditures:

1. Teaching service expenses are charged back from one institution to the other based on the number of credit hours taught. This chargeback process includes instructional salary and benefit costs. The calculation includes the faculty member’s salary and benefit costs, courses taught, the student being taught, and the number of student credit hours being taught. The teaching chargeback services calculations are performed once each semester. The teaching chargeback calculation results in a value allocated for each institution for the credit hours taught to both Pierpont and Fairmont State students.

2. Support service chargebacks are for salary and benefit costs from one institution to the other and/or services provided from the administrative, student service, and physical plant support areas of Fairmont State to the community and technical college and vice versa. The salary and benefit chargeback services from each institution to the other for support services are based on the agreed upon percentage in the chargeback agreement.

   Support service chargebacks for adjunct and/or supplemental pay contracts:

   Chargebacks at 100% of cost occur when one institution’s employee is hired to teach or work part-time by the other institution. This action of chargeback allows the employee to maintain one payroll account and ensures that one W-2 is issued to this employee.

   Support services salary and benefit chargebacks are performed each pay cycle and are supported with detailed reports showing employee costs being charged by Pierpont to Fairmont State and vice versa.

3. Operating (nonlabor) expenses for all support offices are charged back based on state code requirements. The organization manager of those offices has budget authority to expend against these budgets during the fiscal year. All unspent budgets at the end of each fiscal year are not carried forward to future fiscal years. Therefore, unspent budget increases the fund balance of both institutions. These fund balances are under the direct control of the respective Presidents of each institution.

4. Support staff actual liability costs:

   The liability costs incurred annually from employee benefits provided to support staff, such as retiree health premiums are allocated to the institutions based on the agreed upon percentage in the chargeback agreement.

5. Support staff accrued liabilities:

   Accrued liabilities (OPEB liability, annual leave, severance payable, etc.) required to be recorded in the financial statements annually for all support staff are allocated to the institutions based on the agreed upon percentage in the chargeback agreement.

6. PEIA retiree and severance payables in the current year:

   Compensated Absences — As of June 30, 2013, PEIA retiree and severance costs and liabilities are distributed to the component units based on funding source. However, the chargeback agreement for fiscal year 2013 between the institutions reads as follows: Payout of PEIA retiree and severance costs incurred during the year will be allocated to the institutions based on the percentage defined in the chargeback agreement. For fiscal year 2013, the percentages are 34.53% for the two-year institution and 65.47% for the four-year institution.

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Governors
Pierpont Community and Technical College
Fairmont, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Pierpont 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 30, 2013.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 30, 2013