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Southern West Virginia  
Community and Technical College  
Financial Statements  
Years Ended June 30, 2020 and 2019

and

Independent Auditor's Reports



A Professional Limited Liability Company



**SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE**

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## INDEPENDENT AUDITOR'S REPORT

Board of Governors  
Southern West Virginia Community and Technical College  
Mt. Gay, West Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Southern West Virginia Community and Technical College (the College), a component unit of the West Virginia Council for Community and Technical College Education, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the discretely presented Southern West Virginia Community and Technical College Foundation, Inc. (a component unit of the College). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of the Southern West Virginia Community and Technical College Foundation, Inc., is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Southern West Virginia Community and Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audits and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2020 and 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 14, the schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of proportionate share of the net OPEB liability, and schedule of OPEB contributions, and related footnotes on pages 66 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2020, 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.

A handwritten signature in cursive script that reads "Seettle & Stalnak, PLLC".

Charleston, West Virginia  
October 1, 2020

### **Overview of the Financial Statements and Financial Analysis**

Southern West Virginia Community and Technical College (the College) presents its financial statements for the fiscal years ended June 30, 2020 and June 30, 2019. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. This discussion and analysis of the College's financial statements provides an overview of its financial activities for the year and is required supplemental information. Since this analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the College's basic financial statements and the footnotes to these financial statements. Responsibility for the completeness and fairness of this information rests with the College.

The Governmental Accounting Standards Board (GASB) establishes standards for the presentation format of College financial statements. The current format places emphasis on the overall economic resources of the College.

### **Statements of Net Position**

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

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors and lending institutions. The Statement of Net Position provides a picture of the net position and its availability for College expenditures.

Net Position is divided into three major categories. The first category, net investment in capital assets, provides the College's equity in property, plant and equipment owned by the College. The next asset category is restricted net position, which is divided into two categories, nonexpendable and expendable. The College does not currently have nonexpendable restricted net position since all funds of this nature would be directed to the Southern West Virginia Community College Foundation, Inc. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The College does not currently have expendable restricted net position. The final category is unrestricted net position. Unrestricted net position is available to the College for any lawful purpose of the College.

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Condensed Schedules of Net Position  
June 30  
(in thousands)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets and deferred outflows			
Current assets	\$ 14,366	\$ 12,800	\$ 11,510
Other noncurrent assets	159	164	177
Capital assets, net	<u>28,189</u>	<u>28,734</u>	<u>29,215</u>
Total assets	<u>42,714</u>	<u>41,698</u>	<u>40,902</u>
Deferred outflows of resources	<u>589</u>	<u>529</u>	<u>372</u>
Total	<u>\$ 43,303</u>	<u>\$ 42,227</u>	<u>\$ 41,274</u>
Liabilities, deferred inflows and net position			
Current liabilities	\$ 4,664	\$ 3,964	\$ 3,730
Noncurrent liabilities	<u>3,475</u>	<u>4,244</u>	<u>4,699</u>
Total liabilities	<u>8,139</u>	<u>8,208</u>	<u>8,429</u>
Deferred inflows of resources	<u>1,550</u>	<u>1,338</u>	<u>1,121</u>
Net position			
Net investment in capital assets	28,189	28,734	29,215
Unrestricted (deficit) net position	<u>5,425</u>	<u>3,947</u>	<u>2,509</u>
Total net position	<u>33,614</u>	<u>32,681</u>	<u>31,724</u>
Total	<u>\$ 43,303</u>	<u>\$ 42,227</u>	<u>\$ 41,274</u>

Total net position of the College increased by \$933 thousand from June 30, 2019 to June 30, 2020. Total net position increased by \$957 thousand from June 30, 2018 to June 30, 2019. These changes are related to a number of changes as described below:

- The total net position increased in 2020 mainly due to more state appropriations and an influx of cash from the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- The current ratio for fiscal years 2020 and 2019 is 3.08 and 3.23, respectively. The current ratio measures the ability to meet short-term obligations. The current ratio is the most widely-used measure of liquidity. Typically, current ratios range from 1 to 4.

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Statements of Revenues, Expenses and Changes in Net Position**

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

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 6,248	\$ 6,382	\$ 7,120
Operating expenses	<u>19,323</u>	<u>18,739</u>	<u>19,715</u>
Operating loss	(13,075)	(12,357)	(12,595)
Non-operating revenues	13,470	12,965	12,736
Capital payments on behalf	234	19	-
Other payments on behalf	<u>304</u>	<u>330</u>	<u>380</u>
Increase in net position	<u>933</u>	<u>957</u>	<u>521</u>
Net position - beginning of year	32,681	31,724	31,243
Net effect of change in accounting policy	-	-	(40)
Net position - beginning of year (restated)	<u>32,681</u>	<u>31,724</u>	<u>31,203</u>
Net position - end of year	<u>\$ 33,614</u>	<u>\$ 32,681</u>	<u>\$ 31,724</u>

A review of the individual revenue and expense categories and those items that contributed to the overall increases in net position reveals the following explanations:

***Operating Revenues***

- For fiscal year 2020, tuition and fees contributed approximately 11% of the total operating revenues. The 1% decrease from 2019 is due to a slight decrease in student enrollment due to COVID-19.



**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2020**

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- For fiscal year 2020, grant and contract revenues decreased by \$8 thousand for a 0.2% decrease. The decrease is mainly due to fewer grants and the average size of new grants. As a percentage of operating revenue, grant and contract revenue accounted for 86% in fiscal year 2020 and 84% in 2019, an increase of 2%.
- For fiscal year 2020, other operating revenues decreased by \$38 thousand mainly due to a decrease of mining class revenue.

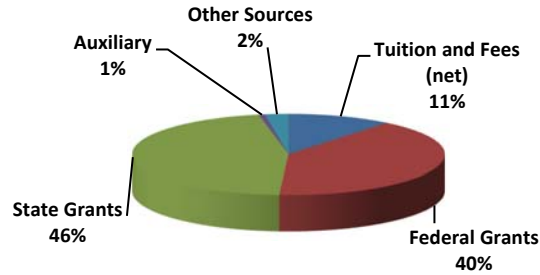
***Operating Expenses***

- For fiscal year 2020, the total cost of scholarships increased by \$536 thousand for a 14.3% increase. The increase is primarily due to distributing approximately \$686 thousand in CARES Act funds to students.
- For fiscal year 2020, salaries and wages increased by \$372 thousand due to filling vacant positions.
- For fiscal year 2020, benefits decreased \$159 thousand primarily due to changes in estimates related to the pension and OPEB plans.
- For fiscal year 2020, supplies and other services decreased by \$135 thousand for 5.1% decrease. The decrease is primarily due to a general and necessary decrease in spending because of COVID-19.

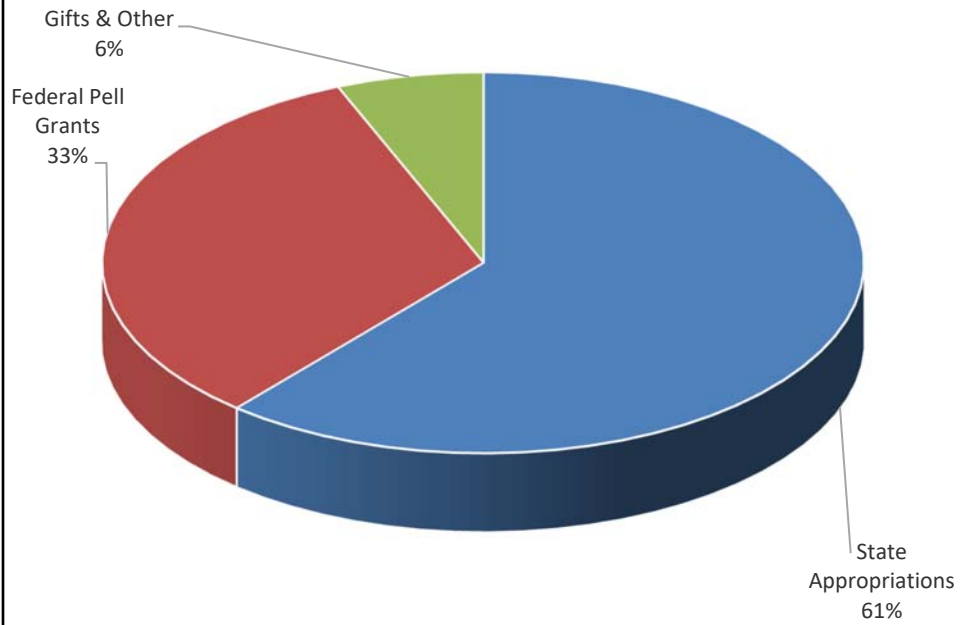
***Non-operating Revenues***

- For fiscal year 2020, Federal Pell grant revenues decreased by \$279 thousand or approximately 6%. This decrease was a result of fewer students being eligible for aid than in fiscal year 2019.
- For fiscal year 2020, State appropriations increased by \$298 thousand or approximately 3.8%. This increase is primarily due to the state funded salary increases.
- For fiscal year 2020, CARES Act revenues increased by \$686 thousand. The College received approximately \$1.5 million in CARES Act funding in fiscal year 2020. The CARES Act required 50% of this funding to be used as emergency financial aid grants to students with the remaining portion to be used by the College for institutional costs. The College disbursed \$668 thousand of the funding to students during fiscal year 2020. The remaining portion will be spent in fiscal year 2021 as additional disbursements to students and to defray additional institutional costs incurred by the College associated with COVID-19.
- For fiscal year 2020, capital payments on behalf increased by \$215 thousand or approximately 1,141%. This increase is primarily due to the State paying for several new capital projects.

### REVENUE BY SOURCE Operating Revenues



### REVENUE BY SOURCE Nonoperating Revenue

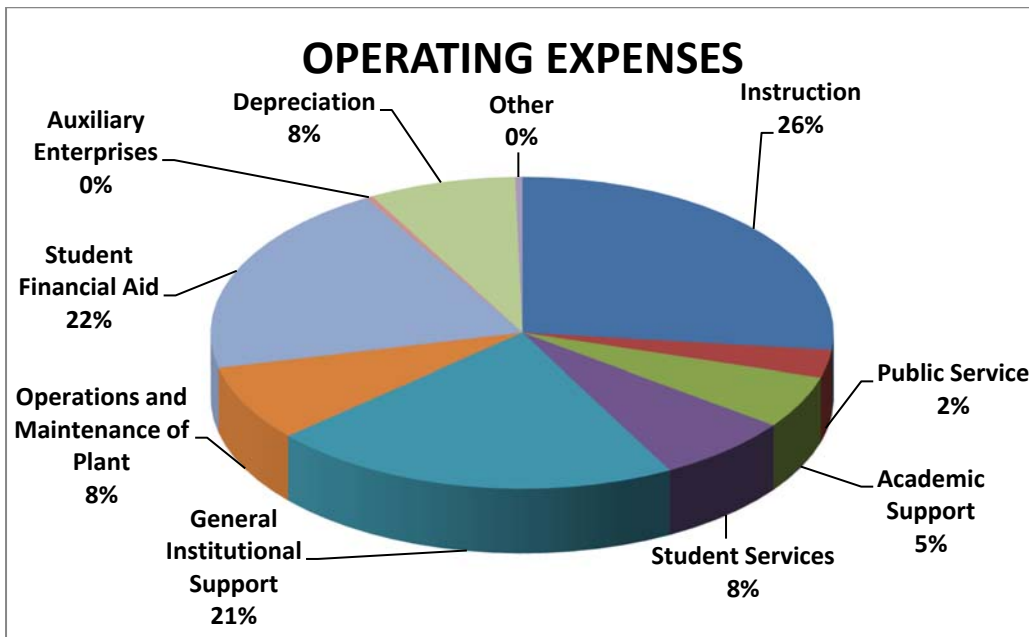


**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Operating Expenses  
Years Ended June 30,  
(in thousands)**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>(2019 to 2020) Increase (Decrease)</b>	<b>(2019 to 2020) Percent Change</b>
Operating expense					
Instruction	\$ 5,026	\$ 5,015	\$ 5,960	\$ 11	0.2%
Academic support	956	1,022	1,035	(66)	(6.5%)
Student services	1,488	1,326	1,304	162	12.2%
Public service	467	537	459	(70)	(13.0%)
Operations & maintenance plant	1,430	1,471	1,433	(41)	(2.8%)
Institutional support	4,112	4,002	3,652	110	2.7%
Financial aid	4,340	3,798	4,275	542	14.3%
Auxiliary	6	65	119	(59)	(90.8%)
Depreciation	1,431	1,432	1,408	(1)	(0.1%)
Other	67	71	70	(4)	(5.6%)
<b>Total</b>	<b>\$ 19,323</b>	<b>\$ 18,739</b>	<b>\$ 19,715</b>	<b>\$ 584</b>	<b>3.1%</b>

The following is a graphic illustration of fiscal year 2020 operating expenses:



**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Statements of Cash Flows**

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

**Condensed Schedules of Cash Flows  
Years Ended June 30,  
(in thousands)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash provided (used) by:			
Operating activities	\$ (11,151)	\$ (10,743)	\$ (11,634)
Noncapital financing activities	13,366	12,719	12,636
Capital and related financing activities	(721)	(895)	(678)
Investing activities	<u>173</u>	<u>208</u>	<u>130</u>
Net change in cash	1,667	1,289	454
Cash, beginning of year	<u>12,534</u>	<u>11,245</u>	<u>10,791</u>
Cash, end of year	<u>\$ 14,201</u>	<u>\$ 12,534</u>	<u>\$ 11,245</u>

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Capital Asset and Debt Administration**

<b>Capital Assets, Net June 30, (in thousands)</b>					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<b>(2019 to 2020) Increase (Decrease)</b>	<b>(2019 to 2020) Percent Change</b>
Capital Assets					
Land and Improvements	\$ 1,563	\$ 1,563	\$ 1,563	\$ -	-
Construction in Progress	238	60	283	178	296.7%
Buildings	42,091	41,640	40,667	451	1.1%
Equipment	5,955	6,478	6,362	(523)	(8.1%)
Library Holdings	3,951	4,004	4,022	(53)	(1.3%)
Total	<u>53,798</u>	<u>53,745</u>	<u>52,897</u>	53	0.1%
Less: Accum Depreciation	<u>(25,609)</u>	<u>(25,011)</u>	<u>(23,682)</u>	<u>(598)</u>	2.4%
Net Capital Assets	<u>\$ 28,189</u>	<u>\$ 28,734</u>	<u>\$ 29,215</u>	<u>\$ (545)</u>	(1.9%)

Capital assets net decrease of \$545 thousand was a result of current year additions offset by depreciation and retirements.

Current year additions to capital equipment totaled \$217 thousand and equipment retirements totaled \$739 thousand. Library book additions totaled \$42 thousand and library retirements totaled \$95 thousand. Building additions totaled \$450 thousand and construction in progress at the end of 2020 was \$238 thousand.

At June 30, 2020, the College had no significant outstanding contractual commitments for property, plant and equipment expenditures.

The OPEB liability decreased by \$806 thousand in fiscal year 2020 due to changes driven by the actuarial report and allocation of the liability based on the College's proportionate share.

Readers interested in more detailed information regarding capital assets and debt administration should review the accompanying notes 5 and 6 to the financial statements.

**Economic Outlook**

The economy of West Virginia, like many other states, has struggled over the past several years. A major factor in this economic downturn is the loss of energy-related jobs, primarily in coal, and a slowdown in hiring in the natural gas industry. According to the West Virginia University Bureau of Business and Economic Research (BBER), our state experienced large job losses between early-2012 and late-2018, with a cumulative decline of roughly 26,000 jobs over that period. Then in March of 2020, southern West Virginia, like the rest of the United States faced sharp job losses and economic activity due to the COVID-19 pandemic.

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2020**

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A second factor influencing the economy of West Virginia is the declining population. Again based on data from BBER, the state's population has declined by nearly 25,000 residents since 2012, but losses are projected to slow in the coming years. Among all states, West Virginia now ranks as the second oldest with a median age of 42 years with only 20% of the population age 18 and under. Additional demographic trends for our state show that only 40% of the population (age 25 and over) has a high school diploma but no college credits and an additional 25% who have some college but no degree.

Although these are stark realities faced by our state, and more particularly the six-county district served by the College, these challenges are viewed as opportunities by the College. Southern is a major provider of education and retraining for those impacted by layoffs in the coal industry; not only the individual worker but his/her spouse and children. The College continues to provide opportunities for workforce preparation, occupational education and transfer programs to those who have lost jobs and their dependents. New programs in Mechatronics, Electro-mechanical Instrumentation, and Advanced Welding have been developed to attract the adult male population. In addition, through contract training, small business assistance and other economic development-related services, the College continues to serve as a valuable resource for those involved in economic development efforts in our region and throughout the state.

A new challenge arose for all colleges in the nation in 2020 with the COVID-19 pandemic. This has drastically changed our economic outlook for years to come, yet Southern has attempted to adapt quickly to a remote-learning environment, which is being adopted by colleges across the country and the world.

**Requests for Information**

The financial report is designed to provide an overview of the finances of the College for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Southern West Virginia Community and Technical College at Post Office Box 2900, Mount Gay, West Virginia 25637. For additional information on the Southern West Virginia Community College Foundation, Inc. please see their separately issued financial statements.

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2020 AND 2019**

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	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 14,123,806	\$ 12,457,688
Accounts receivable, net of allowance for doubtful accounts	168,621	137,177
Due from the Commission/Council	55,542	174,702
Due from Federal Government	10,038	27,900
Prepaid expenses	8,380	2,363
Total current assets	14,366,387	12,799,830
<b>NONCURRENT ASSETS:</b>		
Cash and cash equivalents	77,302	76,543
Other accounts receivable	81,325	87,489
Capital assets, net of accumulated depreciation	28,189,450	28,733,662
Total noncurrent assets	28,348,077	28,897,694
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflows relating to the net pension liability	107,134	82,359
Deferred outflows relating to the net OPEB liability	482,019	446,755
Total deferred outflows of resources	589,153	529,114
<b>TOTAL</b>	<b>\$ 43,303,617</b>	<b>\$ 42,226,638</b>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 76,029	\$ 40,307
Due to other State agencies	46,446	1,942
Due to other governments	284,740	284,740
Accrued liabilities	1,218,421	1,017,158
Compensated absences - current portion	352,476	312,802
Unearned revenue	2,686,038	2,306,649
Total current liabilities	4,664,150	3,963,598
<b>NONCURRENT LIABILITIES:</b>		
Compensated absences	178,392	156,785
Net other postemployment benefit (OPEB) liability	2,845,763	3,652,018
Net pension liability	451,185	435,555
Total noncurrent liabilities	3,475,340	4,244,358
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows relating to the net pension liability	179,303	290,649
Deferred inflows relating to the net OPEB liability	1,370,424	1,046,996
Total deferred inflows of resources	1,549,727	1,337,645
<b>NET POSITION:</b>		
Net investment in capital assets	28,189,450	28,733,662
Unrestricted net position	5,424,950	3,947,375
Total net position	33,614,400	32,681,037
<b>TOTAL</b>	<b>\$ 43,303,617</b>	<b>\$ 42,226,638</b>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

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	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES:</b>		
Student tuition and fees, net of scholarship allowance of \$4,853,844 and \$4,679,397 for 2020 and 2019, respectively	\$ 675,832	\$ 764,491
Contracts and grants:		
Federal	2,506,946	2,623,816
State	2,871,735	2,762,812
Auxiliary enterprise revenue	42,932	45,214
Miscellaneous, net	150,437	186,143
Total operating revenues	<u>6,247,882</u>	<u>6,382,476</u>
<b>OPERATING EXPENSES:</b>		
Salaries and wages	8,270,296	7,897,885
Benefits	1,978,676	2,137,349
Supplies and other services	2,485,007	2,619,651
Utilities	801,457	827,541
Student financial aid - scholarships and fellowships	4,289,439	3,753,578
Depreciation	1,430,971	1,432,452
Fees assessed by the Commission for operations	66,918	70,609
Total operating expenses	<u>19,322,764</u>	<u>18,739,065</u>
<b>OPERATING LOSS</b>	<u>(13,074,882)</u>	<u>(12,356,589)</u>
<b>NONOPERATING REVENUES:</b>		
State appropriations	8,241,823	7,944,214
Gifts	49,000	107,734
Investment income	172,473	207,861
Federal Pell grants	4,388,879	4,667,427
CARES Act revenue	686,475	-
Other nonoperating revenues (expenses)	(68,229)	36,947
Total nonoperating revenues	<u>13,470,421</u>	<u>12,964,183</u>
<b>INCREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	395,539	607,594
<b>CAPITAL PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF THE COLLEGE</b>	233,932	18,853
<b>PAYMENTS MADE AND EXPENSES INCURRED BY THE STATE ON BEHALF OF THE COLLEGE</b>	<u>303,892</u>	<u>330,321</u>
<b>INCREASE IN NET POSITION</b>	<u>933,363</u>	<u>956,768</u>
<b>NET POSITION - Beginning of year</b>	<u>32,681,037</u>	<u>31,724,269</u>
<b>NET POSITION - End of year</b>	<u>\$ 33,614,400</u>	<u>\$ 32,681,037</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements



SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019

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	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from student tuition and fees	\$ 644,388	\$ 789,945
Cash received from contracts and grants	3,905,465	3,745,060
Payments to and on behalf of employees	(10,398,999)	(9,981,654)
Payments to suppliers	(2,371,257)	(2,876,124)
Payments to utilities	(801,457)	(827,541)
Payments for scholarships and fellowships	(2,255,308)	(1,753,288)
Auxiliary enterprise charges	42,932	45,214
Fees assessed by Commission	(66,918)	(70,609)
Other receipts, net	150,437	186,143
Net cash used in operating activities	<u>(11,150,717)</u>	<u>(10,742,854)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	8,241,823	7,944,214
Federal student loan program - direct lending receipts	2,034,131	2,000,290
Federal student loan program - direct lending payments	(2,034,131)	(2,000,290)
Gifts	49,000	107,734
Pell grants	4,388,879	4,667,427
CARES Act revenue	686,475	-
Net cash provided by noncapital financing activities	<u>13,366,177</u>	<u>12,719,375</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Purchases of capital assets	(652,827)	(931,774)
Other nonoperating revenues (expenses)	(68,229)	36,947
Net cash used in capital financing activities	<u>(721,056)</u>	<u>(894,827)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	172,473	207,861
Net cash provided by investing activities	<u>172,473</u>	<u>207,861</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,666,877</b>	<b>1,289,555</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>12,534,231</b>	<b>11,244,676</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b><u>\$ 14,201,108</u></b>	<b><u>\$ 12,534,231</u></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (13,074,882)	\$ (12,356,589)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,430,971	1,432,452
Pension expense - special funding situation	131,364	99,612
OPEB expense - special funding situation	172,528	230,709
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Accounts receivable, net of allowance for doubtful accounts	(31,444)	25,454
Due from the Commission/Council	119,160	(12,967)
Due from the Federal Government	17,862	(13,767)
Prepaid expenses	(6,017)	(286)
Other accounts receivable	6,164	13,610
Deferred outflows of resources	(60,039)	(156,617)
Accounts payable	35,722	8,357
Due to other State agencies	44,504	(17,641)
Accrued liabilities	201,263	(194,496)
Compensated absences	61,281	65,808
Other postemployment benefits	(806,255)	(316,145)
Net pension liability	15,630	(170,551)
Unearned revenue	379,389	403,097
Deferred inflows of resources	212,082	217,106
Net cash used in operating activities	<u>\$ (11,150,717)</u>	<u>\$ (10,742,854)</u>
<b>NONCASH TRANSACTIONS:</b>		
Capital payments made and expenses incurred on behalf of the College	<u>\$ 233,932</u>	<u>\$ 18,853</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>		
Cash and cash equivalents classified as current	\$ 14,123,806	\$ 12,457,688
Cash and cash equivalents classified as noncurrent	77,302	76,543
	<u>\$ 14,201,108</u>	<u>\$ 12,534,231</u>

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2019 AND 2018

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 241,421	\$ 306,860
Certificates of deposit	60,197	59,463
Investment securities at fair value	4,070,417	3,178,352
Interest and dividends receivable	7,385	7,613
Prepaid expenses	12,381	13,234
Contributions receivable, net	32,838	85,577
<b>TOTAL ASSETS</b>	<b>\$ 4,424,639</b>	<b>\$ 3,651,099</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Payable to related party	\$ 1,266	\$ -
<b>Total liabilities</b>	<b>1,266</b>	<b>-</b>
<b>NET ASSETS</b>		
With donor restrictions	3,576,111	2,696,747
Without donor restrictions	847,262	954,352
<b>Total net assets</b>	<b>4,423,373</b>	<b>3,651,099</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,424,639</b>	<b>\$ 3,651,099</b>

The Accompanying Notes Are An Integral  
 Part Of These Financial Statements

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, INVESTMENT INCOME, AND OTHER SUPPORT</b>			
Contributions	\$ -	\$ 419,864	\$ 419,864
Interest and dividend income	-	130,365	130,365
Gain on investment	17,166	521,325	538,491
Net assets released from restriction	192,190	(192,190)	-
<b>Total revenues, investment income, and other support</b>	<u>209,356</u>	<u>879,364</u>	<u>1,088,720</u>
<b>EXPENSES</b>			
Program services:			
Scholarships	99,240	-	99,240
Direct program support	86,202	-	86,202
Educational development	3,221	-	3,221
Total program services	<u>188,663</u>	-	<u>188,663</u>
Administrative and general	126,381	-	126,381
Fundraising	1,402	-	1,402
<b>Total expenses</b>	<u>316,446</u>	-	<u>316,446</u>
<b>CHANGE IN NET ASSETS</b>	(107,090)	879,364	772,274
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>954,352</u>	<u>2,696,747</u>	<u>3,651,099</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 847,262</u>	<u>\$ 3,576,111</u>	<u>\$ 4,423,373</u>

The Accompanying Notes Are An Integral  
 Part Of These Financial Statements

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, INVESTMENT INCOME, AND OTHER SUPPORT</b>			
Contributions	\$ -	\$ 184,798	\$ 184,798
Interest and dividend income	-	124,228	124,228
Gain (loss) on investment	66,970	(222,155)	(155,185)
Net assets released from restriction	205,361	(205,361)	-
<b>Total revenues, investment income, and other support</b>	<u>272,331</u>	<u>(118,490)</u>	<u>153,841</u>
<b>EXPENSES</b>			
Program services:			
Scholarships	107,490	-	107,490
Direct program support	88,015	-	88,015
Educational development	3,201	-	3,201
Total program services	<u>198,706</u>	<u>-</u>	<u>198,706</u>
Administrative and general	162,558	-	162,558
Fundraising	689	-	689
<b>Total expenses</b>	<u>361,953</u>	<u>-</u>	<u>361,953</u>
<b>CHANGE IN NET ASSETS</b>	(89,622)	(118,490)	(208,112)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,043,974</u>	<u>2,815,237</u>	<u>3,859,211</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 954,352</u>	<u>\$ 2,696,747</u>	<u>\$ 3,651,099</u>

The Accompanying Notes Are An Integral  
 Part Of These Financial Statements

**NOTE 1 - ORGANIZATION**

Southern West Virginia Community and Technical College (the College) is governed by the Southern West Virginia Community and Technical College Board of Governors (the Board). The Board was established by Senate Bill 653 (S.B. 653).

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

S.B. 653 also created the West Virginia Higher Education Policy Commission (the Commission), which is responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda. 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's public policy agenda as it relates to community and technical college education.

As a requirement of Governmental Accounting Standards Board (GASB) standards, the College has included information from the Southern West Virginia Community College Foundation, Inc. (the Foundation).

Although the College benefits from the activities of the Foundation, the Foundation is independent of the College in all respects. The Foundation is not a subsidiary of the College and is not directly or indirectly controlled by the College. The Foundation has its own separate, independent Board of Directors. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the College. The College is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The College does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the College. Under State law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of State-appropriated funds allocated to the College. Third parties dealing with the College, the Board, and the State of West Virginia (the State) (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all the foregoing conditions and limitations.

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity** - The College is a blended component unit of the West Virginia Higher Education Fund and represents a separate fund of the State of West Virginia that is not included in the State's general fund. The College is a separate entity which, along with all State institutions of higher education, the Council, and the Commission (which includes 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 the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related Southern Alumni Association (Alumni Association) of the College is not part of the College's reporting entity and is not included in the accompanying financial statements as the College has no ability to designate management, cannot significantly influence operations of the entity and is not accountable for the fiscal matters of the Alumni Association under GASB.

The audited financial statements of the Foundation are presented here as a discrete component unit with the College financial statements in accordance with GASB. The Foundation is a private non-profit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Notes 10, 11 and 13).

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

- *Net investment in capital assets* - This represents the College's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- *Restricted net position, expendable* - This includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected as State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2005 simplified the tuition and fee structure and removed the restrictions but included designations associated with auxiliary and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the West Virginia State Legislature. The College does not have any restricted expendable net position at June 30, 2020 or 2019.

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

- *Restricted net position, nonexpendable* - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have any restricted nonexpendable net position at June 30, 2020 or 2019.
- *Unrestricted net position* - Unrestricted net position represents resources derived from student tuition and fees, state appropriations and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the Board of Governors to meet current expenses for any purpose. These resources also include resources of auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

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

Cash and cash 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, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short Term Bond Pool and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

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

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

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 (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature, and any other program investments authorized by the legislature.

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

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

***Noncurrent Cash and Cash Equivalents, and Investments*** - Cash and cash equivalents 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 (3) permanently restricted net position, are classified as a noncurrent asset in the accompanying statements of net position.

***Capital Assets*** - Capital assets include property, plant and equipment and books and materials that are part of a catalogued library. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings and infrastructure, 20 years for land improvements, 7 years for library holdings, and 5 to 10 years for furniture and equipment. The College's capitalization threshold is \$5,000. There was no interest capitalized during 2020 and 2019.

***Unearned Revenue*** - Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue. Unearned revenue at the College primarily consists of grant funding not spent or with unmet timing requirements and summer tuition collected in advance. Financial aid and other deposits are separately classified as deposits.



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

**Compensated Absences and Other Postemployment Benefits (OPEB)** - GASB provides for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. The College is required to participate in this multiple-employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), 601 57<sup>th</sup> Street, SE, Suite 2, Charleston, WV 25304 or <http://peia.wv.gov>.

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. (See Note 8)

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

**Net Pension Liability** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (STRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the STRS fiduciary net position have been determined on the same basis as they are reported in the STRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of STRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the STRS financial statements. Management of STRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ. (See Note 9)

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

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

**NOTE 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 the College and its employees. Such coverage may be provided to the College by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

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

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

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

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (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 non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell Grants, investment income, and sale of capital assets (including natural resources).
- **Other revenues** - Other revenues consist primarily of capital grants and gifts.

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

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

**Federal Financial Assistance Programs** - The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through institutions like the College. Direct student loan receivables are not included in the College's statements of net position as the loans are repayable directly to the U. S. Department of Education. In 2020 and 2019, the College received and disbursed \$2,034,131 and \$2,000,290, respectively, under the Federal Direct Student Loan Program on behalf of the U. S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The College distributes 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 2020 and 2019, the College received and disbursed \$4,515,402 and \$4,799,509, respectively, under these federal student aid programs.

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

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and College Business Officers (NACUBO). Certain aid such as loans and funds provided to students as awarded by third parties are 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. The College recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to five years.

**Income Taxes** - The College is exempt from income taxes, except for unrelated business income, as a governmental instrumentality under Federal income tax laws and regulations of the Internal Revenue Service as described in Section 115 of the Internal Revenue Code.

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

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

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

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

**Newly Adopted Statements Issued By GASB** - The College implemented GASB Statement No. 90, *Majority Equity Interests*, which is effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and will improve the relevance of financial statement information for certain component units. This Statement also provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The adoption of GASB Statement No. 90 had no impact on the June 30, 2020 financial statements.

The College implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which is effective immediately. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Providing governments with sufficient time to apply the authoritative guidance addressed in this Statement will help to safeguard the reliability of their financial statements, which in turn will benefit the users of those financial statements. The adoption of GASB Statement No. 95 by the College extended the implementation date of all statements through GASB Statement No. 94.

**Recent Statements Issued By GASB** - GASB has issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The College has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

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

GASB has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The College has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2020. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The College has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

GASB has also issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2020. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. The College has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

GASB has also issued Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2021. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The College has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

GASB has also issued Statement No. 93, *Replacement of Interbank Offered Rates*. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The College has not yet determined the effect that the adoption of GASB Statement No. 93 may have on its financial statements.

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

GASB has also issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is effective for fiscal years beginning after June 15, 2023. The requirements of this Statement will improve financial reporting by establishing the definitions of Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The College has not yet determined the effect that the adoption of GASB Statement No. 94 may have on its financial statements.

GASB has also issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement will improve financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements (SBITA) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The College has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

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

GASB has also issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. The portion of GASB Statement No. 97 that was implemented during the current fiscal year had no impact on the June 30, 2020 financial statements. The College has not yet determined the effect that the adoption of the remaining portions of GASB Statement No. 97 may have on its financial statements.

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The composition of cash and cash equivalents was as follows at June 30:

	2020		
	Current	Noncurrent	Total
Cash on deposit with the State			
Treasurer/BTI	\$ 13,161,251	\$ -	\$ 13,161,251
Cash in bank	958,355	77,302	1,035,657
Cash on hand	4,200	-	4,200
	\$ 14,123,806	\$ 77,302	\$ 14,201,108
	2019		
	Current	Noncurrent	Total
Cash on deposit with the State			
Treasurer/BTI	\$ 12,403,927	\$ -	\$ 12,403,927
Cash in bank	49,111	76,543	125,654
Cash on hand	4,650	-	4,650
	\$ 12,457,688	\$ 76,543	\$ 12,534,231

Cash held by the State Treasurer includes \$1,789,338 and \$2,201,240 of restricted cash primarily for operating grants as of June 30, 2020 and 2019, respectively.

The combined carrying amount of cash in the bank at June 30, 2020 and 2019 was \$1,035,657 and \$125,654, as compared with the combined bank balance of \$1,053,767 and \$141,576, respectively. The difference is primarily caused by items in transit and outstanding checks. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Amounts with the State Treasurer were \$13,161,251 and \$12,403,927 as of June 30, 2020 and 2019, respectively. Of these amounts \$11,880,115 and \$11,230,797 were invested in the WV Money Market Pool and the WV Short Term Bond Pool as of June 30, 2020 and 2019, respectively. The remainder of the cash held with the State Treasurer was not invested at June 30, 2020 and 2019.



**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

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

External Pool	2020		2019	
	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	\$ 11,598,470	AAAm	\$ 10,971,127	AAAm
WV Short Term Bond Pool	281,645	Not Rated	259,670	Not Rated

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

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

External Pool	2020		2019	
	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	\$ 11,598,470	44	\$ 10,971,127	42

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

External Pool	2020		2019	
	Carrying Value	Effective Duration (Days)	Carrying Value	Effective Duration (Days)
WV Short Term Bond Pool	\$ 281,645	620	\$ 259,670	723

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

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

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

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

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

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Student tuition and fees, net of allowance for doubtful accounts of \$178,973 and \$201,863 in 2020 and 2019, respectively	\$ 18,663	\$ 8,216
Other accounts receivable, net of allowance for doubtful accounts of \$21,611 and \$21,611 in 2020 and 2019, respectively	<u>149,958</u>	<u>128,961</u>
	<u>\$ 168,621</u>	<u>\$ 137,177</u>

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 5 - CAPITAL ASSETS**

The following is a summation of capital asset transactions for the College for the years ended June 30:

	2020			
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Capital assets not being depreciated:				
Construction in process	\$ 60,167	\$ 237,730	\$ (60,167)	\$ 237,730
Land	<u>1,563,470</u>	<u>-</u>	<u>-</u>	<u>1,563,470</u>
Total capital assets not being depreciated	<u>\$ 1,623,637</u>	<u>\$ 237,730</u>	<u>\$ (60,167)</u>	<u>\$ 1,801,200</u>
Other capital assets:				
Buildings	\$ 41,640,024	\$ 450,397	\$ -	\$ 42,090,421
Equipment	6,477,156	216,658	(738,529)	5,955,285
Library holdings	<u>4,004,078</u>	<u>42,141</u>	<u>(95,010)</u>	<u>3,951,209</u>
Total other capital assets	<u>52,121,258</u>	<u>709,196</u>	<u>(833,539)</u>	<u>51,996,915</u>
Less accumulated depreciation for:				
Buildings	(16,064,260)	(1,031,882)	-	(17,096,142)
Equipment	(5,077,208)	(342,305)	738,529	(4,680,984)
Library holdings	<u>(3,869,765)</u>	<u>(56,784)</u>	<u>95,010</u>	<u>(3,831,539)</u>
Total accumulated depreciation	<u>(25,011,233)</u>	<u>(1,430,971)</u>	<u>833,539</u>	<u>(25,608,665)</u>
Other capital assets, net	<u>\$ 27,110,025</u>	<u>\$ (721,775)</u>	<u>\$ -</u>	<u>\$ 26,388,250</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,623,637	\$ 237,730	\$ (60,167)	\$ 1,801,200
Other capital assets	<u>52,121,258</u>	<u>709,196</u>	<u>(833,539)</u>	<u>51,996,915</u>
Total cost of capital assets	53,744,895	946,926	(893,706)	53,798,115
Less accumulated depreciation	<u>(25,011,233)</u>	<u>(1,430,971)</u>	<u>833,539</u>	<u>(25,608,665)</u>
Capital assets, net	<u>\$ 28,733,662</u>	<u>\$ (484,045)</u>	<u>\$ (60,167)</u>	<u>\$ 28,189,450</u>

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 5 - CAPITAL ASSETS (Continued)**

	2019			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Construction in process	\$ 282,465	\$ 60,167	\$ (282,465)	\$ 60,167
Land	<u>1,563,470</u>	-	-	<u>1,563,470</u>
Total capital assets not being depreciated	<u>\$ 1,845,935</u>	<u>\$ 60,167</u>	<u>\$ (282,465)</u>	<u>\$ 1,623,637</u>
Other capital assets:				
Buildings	\$ 40,666,615	\$ 973,409	\$ -	\$ 41,640,024
Equipment	6,362,259	160,635	(45,738)	6,477,156
Library holdings	<u>4,022,424</u>	<u>38,881</u>	<u>(57,227)</u>	<u>4,004,078</u>
Total other capital assets	<u>51,051,298</u>	<u>1,172,925</u>	<u>(102,965)</u>	<u>52,121,258</u>
Less accumulated depreciation for:				
Buildings	(15,054,132)	(1,010,128)	-	(16,064,260)
Equipment	(4,764,223)	(358,723)	45,738	(5,077,208)
Library holdings	<u>(3,863,391)</u>	<u>(63,601)</u>	<u>57,227</u>	<u>(3,869,765)</u>
Total accumulated depreciation	<u>(23,681,746)</u>	<u>(1,432,452)</u>	<u>102,965</u>	<u>(25,011,233)</u>
Other capital assets, net	<u>\$ 27,369,552</u>	<u>\$ (259,527)</u>	<u>\$ -</u>	<u>\$ 27,110,025</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,845,935	\$ 60,167	\$ (282,465)	\$ 1,623,637
Other capital assets	<u>51,051,298</u>	<u>1,172,925</u>	<u>(102,965)</u>	<u>52,121,258</u>
Total cost of capital assets	52,897,233	1,233,092	(385,430)	53,744,895
Less accumulated depreciation	<u>(23,681,746)</u>	<u>(1,432,452)</u>	<u>102,965</u>	<u>(25,011,233)</u>
Capital assets, net	<u>\$ 29,215,487</u>	<u>\$ (199,360)</u>	<u>\$ (282,465)</u>	<u>\$ 28,733,662</u>

The College maintains certain collections of inexhaustible assets to which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art, 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.

At June 30, 2020, the College had no significant outstanding contractual commitments for property, plant and equipment expenditures.

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 6 - LONG-TERM LIABILITIES**

The following is a summary of long-term obligation transactions for the College for the years ended June 30:

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Net other postemployment benefit liability	\$ 3,652,018	\$ 228,028	\$ 1,034,283	\$ 2,845,763	\$ -
Net pension liability	435,555	150,013	134,383	451,185	-
Compensated absences	<u>469,587</u>	<u>61,281</u>	<u>-</u>	<u>530,868</u>	<u>352,476</u>
Total noncurrent liabilities	<u>\$ 4,557,160</u>	<u>\$ 439,322</u>	<u>\$ 1,168,666</u>	<u>\$ 3,827,816</u>	<u>\$ 352,476</u>
	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Net other postemployment benefit liability	\$ 3,968,163	\$ 437,129	\$ 753,274	\$ 3,652,018	\$ -
Net pension liability	606,106	2,016	172,567	435,555	-
Compensated absences	<u>403,779</u>	<u>65,808</u>	<u>-</u>	<u>469,587</u>	<u>312,802</u>
Total noncurrent liabilities	<u>\$ 4,978,048</u>	<u>\$ 504,953</u>	<u>\$ 925,841</u>	<u>\$ 4,557,160</u>	<u>\$ 312,802</u>

**NOTE 7 - OPERATING LEASE OBLIGATIONS**

The College leases various equipment, automobiles, and buildings, under operating lease agreements. Aggregate payment for operating leases amounted to \$131,837 and \$124,997 for the years ended June 30, 2020 and 2019, respectively. Future minimum rental commitments are as follows as of June 30, 2020:

<u>Years Ending June 30,</u>	
2021	\$ 29,367
2022	<u>17,892</u>
Total	<u>\$ 47,259</u>

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS**

As related to the implementation of GASB 75, following are the College's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal years ended June 30, 2020 and 2019:

	2020	2019
Net OPEB liability	\$ 2,845,763	\$ 3,652,018
Deferred outflows of resources	482,019	446,755
Deferred inflows of resources	1,370,424	1,046,996
Revenues	172,528	230,709
OPEB expense	(41,610)	290,564
Contributions made by the College	336,192	276,087

***Plan Description***

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

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

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

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***Benefits Provided***

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

***Contributions***

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

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2019 and 2018 were:

	2019	2018
Paygo premium	\$183	\$ 177

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

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

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

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

The College's contributions to the OPEB plan for the years ended June 30, 2020, 2019, and 2018, were \$336,192, \$276,087, and \$280,764, respectively.

***Assumptions***

The June 30, 2020 OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2018 and rolled forward to June 30, 2019. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Inflation rate: 2.75%.
- Wage inflation rate: 4.00%.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Asset valuation method: Investments are reported at fair (market) value.
- Actuarial cost method: Entry age normal cost method.
- Amortization method: Level percentage of payroll over a 20-year closed period.
- Projected salary increases: Dependent upon pension system ranging from 3.0-6.5%, including inflation.
- Retirement age: Experience-based table of rates that are specific to the type of eligibility condition.
- Aging factors: Based on the 2013 SOA Study "Health Care Costs – From Birth to Death".
- Mortality rates based on RP-2000 Mortality Tables.
- Healthcare cost trend rates: Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
- Expenses: Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.

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

Certain assumptions have been changed since the prior actuarial valuation of June 30, 2017 and a measurement date of June 30, 2019. The net effect of assumption changes to the State OPEB plan was approximately \$236 million. The assumption changes that most significantly impacted the total OPEB liability were an approximate \$11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate \$224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total OPEB liability.



**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions (CMA), and a 10-year forecast of nominal geometric returns by major asset class were provided by the plan's investment advisors, including the West Virginia Investment Management Board (WV-IMB). The projected nominal return for the Money Market Pool held with the BTI was estimated based on the WV-IMB assumed inflation of 2.0% plus a 25 basis point spread.

The target allocation and estimates of annualized long-term expected returns assuming a 10-year horizon are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Return
Global equity	49.5%	4.8%
Core plus fixed income	13.5%	2.1%
Core real estate	9.0%	4.1%
Hedge fund	9.0%	2.4%
Private equity	9.0%	6.8%
Cash and cash equivalents	10.0%	0.3%

Real returns by asset class, as shown in the above tables, were estimated using a static inflation assumption of 2.0%. Consequently, real returns may not reflect the potential volatility of inflation by asset class.

**Single discount rate.** A single discount rate of 7.15% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.15% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.62% as of the beginning of the year and 3.13% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2033, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability did not change from the June 30, 2017 valuation to the June 30, 2018 valuation.

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Sensitivity of the net OPEB liability to changes in the discount rate.** The following presents the College's proportionate share of the net OPEB liability as of June 30, 2020 and 2019 calculated using the discount rate of 7.15%, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate.

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
2020 Net OPEB liability	\$ 3,396,334	\$ 2,845,763	\$ 2,385,028
2019 Net OPEB liability	4,292,221	3,652,018	3,118,341

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate.** The following presents the College's proportionate share of the net OPEB liability as of June 30, 2020 and 2019 calculated using the healthcare cost trend rate, as well as what the College's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
2020 Net OPEB liability	\$ 2,294,697	\$ 2,845,763	\$ 3,514,482
2019 Net OPEB liability	3,021,849	3,652,018	4,419,859

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

The June 30, 2020 net OPEB liability was measured as of June 30, 2019, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to the measurement date of June 30, 2019. The June 30, 2019 net OPEB liability was measured as of June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018.

At June 30, 2020, the College's proportionate share of the net OPEB liability was \$3,428,133. Of this amount, the College recognized \$2,845,763 as its proportionate share on the statement of net position. The remainder of \$582,370 denotes the College's proportionate share of net OPEB liability attributable to the special funding.

At June 30, 2019, the College's proportionate share of the net OPEB liability was \$4,406,793. Of this amount, the College recognized \$3,652,018 as its proportionate share on the statement of net position. The remainder of \$754,775 denotes the College's proportionate share of net OPEB liability attributable to the special funding.

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2019 and 2018. Employer contributions are recognized when due. At the June 30, 2019 measurement date, the College's proportion was 0.171521178%, an increase of 0.001298510% from its proportion of 0.170222668% calculated as of June 30, 2018. At the June 30, 2018 measurement date, the College's proportion was 0.170222668%, an increase of 0.008848926% from its proportion of 0.161373742% calculated as of June 30, 2017.

For the year ended June 30, 2020, the College recognized OPEB expense of \$(41,610). Of this amount, \$(214,138) was recognized as the College's proportionate share of OPEB expense and \$172,528 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of \$172,528 for support provided by the State.

For the year ended June 30, 2019, the College recognized OPEB expense of \$290,564. Of this amount, \$59,855 was recognized as the College's proportionate share of OPEB expense and \$230,709 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of \$230,709 for support provided by the State.

At June 30, 2020 and 2019, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

<u>June 30, 2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 331,897
Changes in proportion and difference between employer contributions and proportionate share of contributions	145,125	354,122
Net difference between projected and actual investment earnings	-	30,699
Changes in assumptions	-	577,143
Reallocation of opt-out employer changes in proportionate share	702	76,563
Contributions after the measurement date	336,192	-
Total	<u>\$ 482,019</u>	<u>\$ 1,370,424</u>

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

<u>June 30, 2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 54,021
Changes in proportion and difference between employer contributions and proportionate share of contributions	170,668	560,728
Net difference between projected and actual investment earnings	-	67,598
Change in assumption	-	364,649
Contributions after the measurement date	<u>276,087</u>	<u>-</u>
Total	<u>\$ 446,755</u>	<u>\$ 1,046,996</u>

The College will recognize the \$336,192 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amortization</u>
2021	\$ (484,545)
2022	(483,520)
2023	(260,480)
2024	<u>3,948</u>
	<u>\$ (1,224,597)</u>

***Payables to the OPEB Plan***

The College did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2020 and 2019.

**NOTE 9 - RETIREMENT PLANS**

Substantially all full-time employees of the College participate in either the West Virginia Teachers' Retirement System (the STRS) or the Teachers' Insurance and Annuities Association - College Retirement Equities Fund (the TIAA-CREF). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants. Current participants in the STRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan.

**NOTE 9 - RETIREMENT PLANS (Continued)**

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan. As of June 30, 2020, there were no employees enrolled in the Educators Money 401(a) basic retirement plan.

**DEFINED BENEFIT PENSION PLAN**

Some employees of the College are enrolled in a defined benefit pension plan, the STRS plan, which is administered by the CPRB.

As related to the implementation of GASB 68, following are the College's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal years ended June 30:

STRS	2020	2019
Net pension liability	\$ 451,185	\$ 435,555
Deferred outflows of resources	107,134	82,359
Deferred inflows of resources	179,303	290,649
Revenues	131,364	99,612
Pension expense	81,384	20,322
Contributions made by the College	63,111	65,693

***Plan Description***

STRS is a multiple employer defined benefit cost-sharing public employee retirement system providing retirement benefits as well as death and disability benefits. It covers all full-time employees of the 55 county public school systems in the State of West Virginia (the State) and certain personnel of the 13 State-supported institutions of higher education, State Department of Education, and the Higher Education Policy Commission hired prior to July 1, 1991. Employees of the State-supported institutions of higher education and the Higher Education Policy Commission hired after June 30, 1991 are required to participate in the Higher Education Retirement System. STRS closed membership to new hires effective July 1, 1991. However, effective July 1, 2005, all new employees hired for the first time are required to participate in STRS.

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

**NOTE 9 - RETIREMENT PLANS (Continued)**

***Benefits Provided***

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

***Contributions***

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

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

**Employer Contributions:** The State (including institutions of higher education) contributes:

- 15% of gross salary of their TRS members hired prior to July 1, 1991;
- 7.5% of the gross salary of their TRS covered employees hired for the first time after July 1, 2005 and for those TDCRS members who elected to transfer to TRS effective July 1, 2008;
- a certain percentage of fire insurance premiums paid by State residents; and
- under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the STRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2020 and 2019, the College's proportionate share attributable to this special funding subsidy was \$131,634 and \$99,612, respectively.

The College's contributions to STRS for the years ended June 30, 2020, 2019, and 2018, were \$63,111, \$65,693, and \$63,694, respectively.

**NOTE 9 - RETIREMENT PLANS (Continued)**

***Assumptions***

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2018 and 2017 and rolled forward to June 30, 2019 and 2018, respectively. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2035.
- Investment rate of return: 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.00-6.00% and non-teachers 3.00-6.50%, based on age.
- Inflation rate: 3.0%.
- Discount rate: 7.5%.
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 0.8-35.00% and non-teachers 1.316-24.75%.
- Disability rates: 0.008-0.704%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%.
- Ad hoc cost-of-living increases in pensions are periodically granted by the Legislature. However, the retirement system makes no automatic provision for such increases.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term geometric real rates of return for each major asset class included in STRS' target asset allocation as of June 30, 2019 and 2018, are summarized below.

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**NOTE 9 - RETIREMENT PLANS (Continued)**

June 30, 2019		
Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	5.8%	27.5%
International equity	7.7%	27.5%
Fixed income	3.3%	15.0%
Real estate	6.1%	10.0%
Private equity	8.8%	10.0%
Hedge funds	4.4%	<u>10.0%</u>
Total		<u>100.0%</u>
June 30, 2018		
Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	4.5%	27.5%
International equity	8.6 %	27.5%
Core fixed income	3.3%	15.0%
Real estate	6.0%	10.0%
Private equity	6.4%	10.0%
Hedge funds	4.0%	<u>10.0%</u>
Total		<u>100.0%</u>

**Discount rate.** The discount rate used to measure the total STRS pension liability was 7.50% for fiscal years 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on STRS' investments was applied to all periods of projected benefit payments to determine the total pension liability.



**NOTE 9 - RETIREMENT PLANS (Continued)**

**Sensitivity of the net pension liability to changes in the discount rate.** The following presents the College's proportionate share of the STRS net pension liability as of June 30, 2020 and 2019 calculated using the discount rate of 7.50%, as well as what the College's STRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability 2020	\$ 615,825	\$ 451,185	\$ 310,352
Net pension liability 2019	587,919	435,555	305,294

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

The June 30, 2020 STRS net pension liability was measured as of June 30, 2019, and the total pension liability was determined by an actuarial valuation as of July 1, 2018, rolled forward to the measurement date of June 30, 2019. The June 30, 2019 STRS net pension liability was measured as of June 30, 2018, and the total pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018.

At June 30, 2020, the College's proportionate share of the STRS net pension liability was \$1,540,388. Of this amount, the College recognized \$451,185 as its proportionate share on the statement of net position. The remainder of \$1,089,203 denotes the College's proportionate share of net pension liability attributable to the special funding.

At June 30, 2019, the College's proportionate share of the STRS net pension liability was \$1,564,127. Of this amount, the College recognized \$435,555 as its proportionate share on the statement of net position. The remainder of \$1,128,572 denotes the College's proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to STRS for each of the fiscal years ended June 30, 2019 and 2018. Employer contributions are recognized when due. At the June 30, 2019 measurement date, the College's proportion was 0.015165%, an increase of 0.001215% from its proportion of 0.013950% calculated as of June 30, 2018. At the June 30, 2018 measurement date, the College's proportion was 0.013950%, a decrease of 0.003593% from its proportion of 0.017543% calculated as of June 30, 2017.

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 - RETIREMENT PLANS (Continued)**

For the year ended June 30, 2020, the College recognized STRS pension expense of \$81,384. Of this amount, \$(49,980) was recognized as the College's proportionate share of the STRS expense and \$131,364 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of \$131,364 for support provided by the State.

For the year ended June 30, 2019, the College recognized STRS pension expense of \$20,322. Of this amount, \$(79,290) was recognized as the College's proportionate share of the STRS expense and \$99,612 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of \$99,612 for support provided by the State.

At June 30, 2020 and 2019, deferred outflows of resources and deferred inflows of resources related to the STRS pension are as follows.

<u>June 30, 2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 32,027	\$ 151,611
Net difference between projected and actual investment earnings	-	12,271
Differences between expected and actual experience	2,254	15,421
Changes in assumptions	9,742	-
Contributions after the measurement date	63,111	-
	<hr/>	<hr/>
Total	\$ 107,134	\$ 179,303
	<hr/>	<hr/>
<u>June 30, 2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ -	\$ 259,192
Net difference between projected and actual investment earnings	-	22,676
Differences between expected and actual experience	3,132	8,781
Changes in assumptions	13,534	-
Contributions after the measurement date	65,693	-
	<hr/>	<hr/>
Total	\$ 82,359	\$ 290,649
	<hr/>	<hr/>

**NOTE 9 - RETIREMENT PLANS (Continued)**

The College will recognize the \$63,111 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the STRS net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in STRS pension expense as follows.

Fiscal Year Ended June 30,	Amortization
2021	\$ (55,489)
2022	(50,128)
2023	(20,775)
2024	(8,888)
2025	-
	\$ (135,280)

***Payables to the Pension Plan***

The College did not report any amounts payable for normal contributions to the STRS as of June 30, 2020 and 2019.

**DEFINED CONTRIBUTION BENEFIT PLANS**

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

Total contributions to the TIAA-CREF for the years ended June 30, 2020, 2019 and 2018 were \$874,986, \$839,272, and \$859,006, respectively, which consisted of equal contributions from the College and covered employees in 2020, 2019, and 2018 of \$437,493, \$419,636, and \$429,503, respectively.

The College's total payroll for the years ended June 30, 2020, 2019, and 2018 was \$8,156,587, \$7,878,476, and \$7,944,548, respectively; total covered employees' salaries in the STRS and TIAA-CREF were \$420,743 and \$7,291,556 in 2020; \$437,954 and \$6,993,928 in 2019, and \$424,629 and \$7,158,377 in 2018, respectively.

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 - FOUNDATION**

The Foundation is a separate nonprofit organization incorporated in the State of West Virginia and has as its purpose “to support, encourage and assist in the development and growth of the College, to render service and assistance to the College, and through it to the citizens of the State of West Virginia...” Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is therefore discretely presented with the College’s financial statements in accordance with GASB.

The Foundation’s net assets totaled \$4,423,373 and \$3,651,099 at December 31, 2019 and 2018, respectively. The net assets include amounts which are restricted by donors to use for specific projects or departments of the College. During the years ended June 30, 2020 and 2019, the Foundation made \$185,442 and \$195,505 respectively, in contributions to the College for student scholarships and other support. Complete financial statements for the Foundation can be obtained from the Southern West Virginia Community College Foundation, Inc.

**NOTE 11 - AFFILIATED ORGANIZATION AND OTHER STATE AGENCIES**

The College has a separately incorporated affiliated organization, the Southern Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the College. Accordingly, the financial statements of such organizations are not included in the accompanying financial statements under the blended component unit requirements. They are not included in the College’s accompanying financial statements under discretely presented component unit requirements as, they (1) are not material or (2) have dual purposes (i.e., not entirely or almost entirely for the benefit of the College).

In addition to the relationships and transactions previously described, the College receives funding or grants from and provides services to other state agencies, and utilizes services, supplies and equipment provided by other state agencies. Amounts due from and due to other state agencies at June 30, are as follows:

	2020	2019
Due to:		
WVNET	\$ 35,406	\$ 1,942
WV State Treasurer’s Office	78	-
WV Office of the Attorney General	52	-
WV Department of Administration	4,632	-
WV Public Employees Insurance Agency	6,278	-
	\$ 46,446	\$ 1,942

**NOTE 12 - CONTINGENCIES**

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

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

The College owns various buildings which are known to contain asbestos. The College is not required by federal, state or local law to remove the asbestos from its buildings. The College is required under Federal Environmental Health and Safety Regulations to manage the presence of asbestos in its buildings in a safe condition. The College addresses its responsibility to manage the presence of asbestos in its buildings on a case-by-case basis. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. The College also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing or operating with the asbestos in a safe condition.

Beginning in the first quarter of 2020, the nation and the College's primary market area were affected by the consequences from the COVID-19 (coronavirus) pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies of many states, including the geographical area in which the College operates. It is unknown how long these conditions will last and what the complete financial effect will be to the College. Additionally, it is reasonably possible that estimates made in the financial statements may be adversely impacted in the near-term as a result of these conditions.

**NOTE 13 - COMPONENT UNIT DISCLOSURES**

The following are the notes taken directly from the Foundation's financial statements starting on the following page:

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** – Southern West Virginia Community College Foundation, Inc. (the “Foundation”) was incorporated in September 1971 as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code for the purpose of collecting donations from individuals, corporations, and foundations to be distributed as scholarships to persons attending what is now known as Southern West Virginia Community and Technical College (the “College”), and to be used for other purposes benefiting the College. The Foundation is classified as other than a private foundation by the Internal Revenue Service and is exempt from income taxes. The Foundation is considered to be a component unit of the College. Administrative services are provided by the College.

**Basis of Accounting** – The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Net Assets** – The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as net assets without donor restrictions and net assets with donor restrictions.

**Net Assets without Donor Restrictions** – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**Net Assets with Donor Restrictions** – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in accordance with the donor's instructions. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

**Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents** – Cash and cash equivalents include cash in checking accounts and short-term investments with an original maturity of 3 months or less.

**Investments** – The Foundation carries investments and endowment assets created by donor-restricted endowments and donor-designated funds in equities and cash equivalents with readily determinable fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Interest and gains restricted by donors are reported as increases in net assets with donor restrictions and are reclassified as net assets without donor restrictions in the year the restrictions are satisfied.

**Contributions and Unconditional Promises to Give** – Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. Conditional promises to give are not recorded as support until the conditions are substantially met. The majority of the promises to give are received from local individual and business contributors as a result of the VISION 2020 campaign.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received.

The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. As of December 31, 2019 and 2018, management has written off approximately \$38,100 and \$76,545, respectively of uncollected promises. Management has determined that the remaining outstanding promises to give are fully collectible.

**Program Services Expenses** – All scholarships and other program services distributions are approved by the Board. Unconditional grants to the College are recognized when approved. Grants approved by the Board that are payable upon performance of specified conditions by the grantee (if any) are recognized in the statement of activities when the specified conditions are satisfied.

**SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Expense Recognition and Allocation** - The cost of providing the Foundation's programs and other activities is summarized below. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

Fundraising costs are expensed as incurred, even though they may result in contributions to be received in future years. The Foundation generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

	2019	2018
Program Services:		
Scholarships	\$ 99,240	\$ 107,490
Direct program support	86,202	88,015
Educational development	3,221	3,201
Total program services	188,663	198,706
Supporting Services:		
Administrative and general:		
Outside services	44,385	51,254
Bad debt expense	38,100	76,545
Bank fees	35,739	32,588
Insurance	3,010	1,097
Business expense	5,147	1,074
Total administrative and general	126,381	162,558
Fundraising	1,402	689
Total supporting services	127,783	163,247
Total functional expenses	\$ 316,446	\$ 361,953



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fixed Assets** – The Foundation's fixed assets are carried at cost. Depreciation is computed using the straight-line method with estimated useful lives of 3 and 5 years for software and equipment, respectively. All fixed assets were fully depreciated as of December 31, 2013. No fixed assets were acquired in 2019. Therefore, no depreciation expense was recorded in 2019.

**Income Taxes** – The Foundation has qualified for a tax exemption under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision has been recorded for income taxes in the accompanying financial statements.

The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state and local jurisdictions where it operates. Management believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's statement of financial position. Accordingly, the Foundation has not recorded any reserves or related accruals for interest and penalties for uncertain tax positions as of December 31, 2019.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for tax years prior to 2016.

**New Accounting Standards** – The Foundation adopted Accounting Standards Update (ASU) No. 2017-09 - *Revenue from Contracts with Customers (Topic 606)*, as amended, as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

The Foundation also adopted ASU No. 2018-08 - *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

Analysis of various provisions of the standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis.

**SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 2 - LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019, are:

Financial assets:

Cash and cash equivalents	\$	241,421
Contributions receivable, net		32,838
Investments		4,070,417
Certificates of deposit		60,197
Other assets		<u>7,385</u>
 Total financial assets		 4,412,258
 Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets (Note 6)		(558,153)
Donor-restricted endowment funds (Note 7)		(3,017,958)
 Less financial assets not available within one year:		
Pledges receivable		<u>(543)</u>
 Amount available for general expenditures within one year	 \$	 <u>835,604</u>

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Foundation's intention to invest those resources for the long-term support of the Foundation.

**NOTE 3 - INVESTMENTS**

The cost and estimated fair values of investments at December 31, 2019, are as follows:

	<u>Estimated Fair Value</u>	<u>Cost</u>
Publicly traded equity securities	\$ 4,016,417	\$ 2,586,090
Real estate	<u>54,000</u>	<u>54,000</u>
 Total	 <u>\$ 4,070,417</u>	 <u>\$ 2,640,090</u>

The cost and estimated fair values of investments at December 31, 2018, are as follows:

	<u>Estimated Fair Value</u>	<u>Cost</u>
Publicly traded equity securities	<u>\$ 3,178,352</u>	<u>\$ 2,264,135</u>

**SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 4 - PROMISES TO GIVE**

Unconditional promises to give at December 31, 2019 and 2018, are as follows:

	<b>2019</b>	<b>2018</b>
Receivable in one year	\$ 32,295	\$ 71,344
Receivables in two to five years	1,500	15,190
Total unconditional promises to give	33,795	86,534
Discounts to net present value	(957)	(957)
Net unconditional promises to give	\$ 32,838	\$ 85,577

The discount rate used on long-term promises to give was 3.25 percent in 2019 and 3.5 percent in 2018.

**NOTE 5 - RELATED-PARTY TRANSACTIONS**

The Foundation scholarships are awarded by the College. The Foundation recognized expenses in the amount of \$99,240 and \$107,490 in 2019 and 2018, respectively, for student scholarships and \$86,202 and \$88,015 in 2019 and 2018, respectively, for other support payments to the College.

Contributed services received from the College and from unrelated volunteers have not been recorded, as the value of the services cannot be reasonably determined.

**NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS**

At December 31, 2019 and 2018, net assets with donor restrictions are available for the following purposes or periods:

	<b>2019</b>	<b>2018</b>
Purpose restrictions, available for spending:		
Scholarships	\$ 542,780	\$ 373,736
Educational development	15,373	12,915
Total purpose-restricted net assets	558,153	386,651
Donor restricted endowment funds, which must be appropriated by the Board of Directors before use:		
Scholarships	1,574,436	1,960,997
Athletic programs	1,443,522	338,469
Other	-	10,630
Total endowment funds managed by the Foundation	3,017,958	2,310,096
Total net assets with donor restrictions	\$ 3,576,111	\$ 2,696,747

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 7 – ENDOWMENT FUNDS**

The Foundation classifies investment and endowment funds in accordance with Accounting Standards Codification 958-205: *Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*. This standard provides guidance on net asset classification of donor-restricted funds subject to the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the UPMIFA as requiring the preservation of fair value as of the original gift date of the donor-restricted endowment funds absent any explicit donor stipulations to the contrary. Donor-restricted endowment funds are subject to a time restriction imposed by UPMIFA until amounts are appropriated for expenditure by the Foundation. In addition, most donor-restricted endowment funds are subject to restrictions on the use of the appropriated amounts. Note 6 describes the purposes for which donor-restricted endowment funds may be used. As a result, donor-restricted endowment funds are classified as net assets with donor restrictions.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Currently, all investment returns are recorded as donor-restricted net assets based upon donor restrictions on use of investment income or return, with the exception of unrealized gains or losses that reduce the value of the endowment assets below the level required by the donor. These amounts are reported as net assets without donor restrictions. Gains that restore the fair value of the asset to the required level are included as increases in net assets without donor restrictions until funds are no longer considered "under water".

The cost and estimated fair values of endowment investments at December 31, 2019, are as follows:

	<u>Estimated Fair Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 63,529	\$ 63,529
Equity and equity mutual funds	<u>2,954,429</u>	<u>2,002,780</u>
Total	<u>\$ 3,017,958</u>	<u>\$ 2,066,309</u>

**SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 7 – ENDOWMENT FUNDS (CONTINUED)**

The cost and estimated fair values of endowment investments at December 31, 2018, are as follows:

	<u>Estimated Fair Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 63,231	\$ 63,231
Equity and equity mutual funds	<u>2,246,865</u>	<u>1,650,928</u>
<b>Total</b>	<u><u>\$ 2,310,096</u></u>	<u><u>\$ 1,714,159</u></u>

Endowment net asset composition by restriction as of December 31, 2019, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,017,958	\$ 3,017,958
Board-designated endowment funds	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u><u>\$ -</u></u>	<u><u>\$ 3,017,958</u></u>	<u><u>\$ 3,017,958</u></u>

Changes in endowment net assets from 2018 to 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>ENDOWMENT NET ASSETS, BEGINNING OF YEAR</b>	<u>\$ -</u>	<u>\$ 2,310,096</u>	<u>\$ 2,310,096</u>
Endowment investment return:			
Interest and dividends	-	92,871	92,871
Realized gains	-	23,778	23,778
Unrealized losses	<u>-</u>	<u>355,400</u>	<u>355,400</u>
Total endowment investment return	<u>-</u>	<u>472,049</u>	<u>472,049</u>
Contributions	-	400,572	400,572
Appropriation of endowments - release from restrictions	<u>-</u>	<u>(164,759)</u>	<u>(164,759)</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ 3,017,958</u></u>	<u><u>\$ 3,017,958</u></u>

The cash equivalents, representing approximately 3 percent of the investment assets as of December 31, 2019, are held in liquid asset funds managed by financial institutions.

**SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 7 – ENDOWMENT FUNDS (CONTINUED)**

Endowment net asset composition by restriction as of December 31, 2018, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,310,096	\$ 2,310,096
Board-designated endowment funds	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 2,310,096</u>	<u>\$ 2,310,096</u>

Changes in endowment net assets from 2017 to 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>ENDOWMENT NET ASSETS, BEGINNING OF YEAR</b>	<u>\$ -</u>	<u>\$ 2,447,696</u>	<u>\$ 2,447,696</u>
Endowment investment return:			
Interest and dividends	-	87,561	87,561
Realized gains	-	74,057	74,057
Unrealized losses	<u>-</u>	<u>(179,365)</u>	<u>(179,365)</u>
Total endowment investment return	<u>-</u>	<u>(17,747)</u>	<u>(17,747)</u>
Contributions	-	87,506	87,506
Appropriation of endowments - release from restrictions	<u>-</u>	<u>(207,359)</u>	<u>(207,359)</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 2,310,096</u>	<u>\$ 2,310,096</u>

**NOTE 8 – FAIR VALUE MEASUREMENTS**

Accounting standards require that the Foundation adopt fair value measurement for financial assets and financial liabilities. This enhanced guidance for using fair value to measure assets and liabilities applies whenever other standards require or permit assets or liabilities to be measured at fair value. This guidance does not expand the use of fair value in any new circumstances.

Accounting standards establish a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The three broad levels defined by these standards are as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 8 – FAIR VALUE MEASUREMENTS (CONTINUED)**

*Level 2:* Pricing inputs other than quoted prices available in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available, but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

*Level 3:* Assets or liabilities that have little or no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The following table presents assets reported on the financial statements at their fair value as of December 31, 2019 and 2018 by level within the fair value hierarchy. Equity securities are classified as Level 1 securities and are valued using observable market prices. As required by accounting standards, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2019</u>				
<u>Valued on a recurring basis:</u>				
Assets:				
Equity securities	\$ 4,016,417	\$ -	\$ -	\$ 4,016,417
Real Estate	-	-	54,000	54,000
	<u>\$ 4,016,417</u>	<u>\$ -</u>	<u>\$ 54,000</u>	<u>\$ 4,070,417</u>
<u>2018</u>				
<u>Valued on a recurring basis:</u>				
Assets:				
Equity securities	<u>\$ 3,178,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,178,352</u>

**NOTE 9 - SUBSEQUENT EVENTS**

Beginning in the first quarter of 2020, the nation and the Foundation's primary market area were affected by the consequences from the COVID-19 (coronavirus) pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies of many states, including the geographical area in which the Foundation operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Foundation. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near-term as a result of these conditions.

The Foundation assessed events occurring subsequent to December 31, 2019, through July 15, 2020, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to, or disclosure in, the financial statements which were available to be issued on July 15, 2020.

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 14 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

These tables represent operating expenses within both natural and functional classifications for the years ended June 30:

	2020							Total
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	
Instruction	\$ 3,528,151	\$ 941,226	\$ 542,190	\$ 14,349	\$ -	\$ -	\$ -	\$ 5,025,916
Public service	327,008	95,922	43,688	-	-	-	-	466,618
Academic support	718,178	205,402	31,865	-	-	-	-	955,445
Student services	1,088,879	312,099	86,941	-	-	-	-	1,487,919
General institutional support	2,204,100	305,440	1,365,306	237,368	-	-	-	4,112,214
Operations and maintenance of plant	352,989	118,587	408,678	549,740	-	-	-	1,429,994
Student financial aid	50,991	-	-	-	4,289,439	-	-	4,340,430
Auxiliary enterprises	-	-	6,339	-	-	-	-	6,339
Depreciation	-	-	-	-	-	1,430,971	-	1,430,971
Other	-	-	-	-	-	-	66,918	66,918
<b>Total</b>	<b>\$ 8,270,296</b>	<b>\$ 1,978,676</b>	<b>\$ 2,485,007</b>	<b>\$ 801,457</b>	<b>\$ 4,289,439</b>	<b>\$ 1,430,971</b>	<b>\$ 66,918</b>	<b>\$ 19,322,764</b>

	2019							Total
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	
Instruction	\$ 3,529,645	\$ 947,638	\$ 529,736	\$ 8,241	\$ -	\$ -	\$ -	\$ 5,015,260
Public service	288,885	82,313	165,699	-	-	-	-	536,897
Academic support	667,703	195,456	158,476	-	-	-	-	1,021,635
Student services	900,565	274,608	150,642	-	-	-	-	1,325,815
General institutional support	2,100,442	508,099	1,163,568	229,828	-	-	-	4,001,937
Operations and maintenance of plant	335,745	117,164	429,049	589,472	-	-	-	1,471,430
Student financial aid	44,714	-	147	-	3,753,578	-	-	3,798,439
Auxiliary enterprises	30,186	12,071	22,334	-	-	-	-	64,591
Depreciation	-	-	-	-	-	1,432,452	-	1,432,452
Other	-	-	-	-	-	-	70,609	70,609
<b>Total</b>	<b>\$ 7,897,885</b>	<b>\$ 2,137,349</b>	<b>\$ 2,619,651</b>	<b>\$ 827,541</b>	<b>\$ 3,753,578</b>	<b>\$ 1,432,452</b>	<b>\$ 70,609</b>	<b>\$ 18,739,065</b>



**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
June 30, 2020**

**State Teachers' Retirement System**

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
College's proportion of the net pension liability (asset) (percentage)	0.015165%	0.013950%	0.017543%	0.018586%	0.021596%	0.025505%				
College's proportionate share of the net pension liability (asset)	\$ 451,185	\$ 435,555	\$ 606,106	\$ 763,874	\$ 754,590	\$ 879,883				
State's proportionate share of the net pension liability (asset)	<u>1,089,203</u>	<u>1,128,572</u>	<u>1,340,375</u>	<u>1,454,976</u>	<u>1,707,576</u>	<u>1,988,159</u>				
Total proportionate share of the net pension liability (asset)	<u>\$ 1,540,388</u>	<u>\$ 1,564,127</u>	<u>\$ 1,946,481</u>	<u>\$ 2,218,850</u>	<u>\$ 2,462,166</u>	<u>\$ 2,868,042</u>				
College's covered payroll	<u>\$ 437,954</u>	<u>\$ 424,629</u>	<u>\$ 484,171</u>	<u>\$ 480,377</u>	<u>\$ 654,684</u>	<u>\$ 783,432</u>				
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	103.02%	102.57%	125.18%	159.02%	115.26%	112.31%				
Plan fiduciary net position as a percentage of the total pension liability	72.64%	71.20%	67.85%	61.42%	66.25%	65.95%				

\* - The amounts presented for each fiscal year were determined as of June 30th of the previous year. (Measurement date)

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

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PENSION CONTRIBUTIONS  
 June 30, 2020

State Teachers' Retirement System  
 Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 63,111	\$ 65,693	\$ 63,694	\$ 72,626	\$ 72,057	\$ 98,203				
Contributions in relation to the contractually required contribution	<u>(63,111)</u>	<u>(65,693)</u>	<u>(63,694)</u>	<u>(72,626)</u>	<u>(72,057)</u>	<u>(98,203)</u>				
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
College's covered payroll	\$ 420,743	\$ 437,954	\$ 424,629	\$ 484,171	\$ 480,377	\$ 654,684				
Contributions as a percentage of covered payroll	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%				

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

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 June 30, 2020

Last 10 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
College's proportion of the net OPEB liability (asset) (percentage)	0.171521178%	0.170222668%	0.161373742%							
College's proportionate share of the net OPEB liability (asset)	\$ 2,845,763	\$ 3,652,018	\$ 3,968,163							
State's proportionate share of the net OPEB liability (asset)	<u>582,370</u>	<u>754,775</u>	<u>815,065</u>							
Total proportionate share of the net OPEB liability (asset)	<u>\$ 3,428,133</u>	<u>\$ 4,406,793</u>	<u>\$ 4,783,228</u>							
College's covered-employee payroll	<u>\$ 6,083,379</u>	<u>\$ 6,268,021</u>	<u>\$ 6,247,930</u>							
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	46.78%	58.26%	63.51%							
Plan fiduciary net position as a percentage of the total OPEB liability	39.69%	30.98%	25.10%							

\* - The amounts presented for each fiscal year were determined as of June 30th of the previous year. (Measurement date)

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

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF OPEB CONTRIBUTIONS  
 June 30, 2020

Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 336,192	\$ 276,087	\$ 280,764							
Contributions in relation to the statutorily required contribution	<u>(336,192)</u>	<u>(276,087)</u>	<u>(280,764)</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
College's covered-employee payroll	\$ 6,791,670	\$ 6,083,379	\$ 6,268,021							
Contributions as a percentage of covered-employee payroll	4.95%	4.54%	4.48%							

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

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION  
YEARS ENDED JUNE 30, 2020 AND 2019**

**Notes to Required Supplementary Information**

Amounts reported reflect changes in assumptions to more closely reflect actual experience. Significant changes in assumptions are related to projected salary increases, inflation rate, and mortality tables.

	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality</u>	<u>Discount Rate</u>
<b><u>2019</u></b>	3.0%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	7.5%, net of pension plan investment expense, including inflation.	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	7.5%
<b><u>2018</u></b>	3.0%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	7.5%, net of pension plan investment expense, including inflation.	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	7.5%
<b><u>2017</u></b>	3.0%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	7.5%, net of pension plan investment expense, including inflation.	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	7.5%

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION  
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality</u>	<u>Discount Rate</u>
<b><u>2016</u></b>	3.0%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	7.5%, net of pension plan investment expense, including inflation.	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	7.5%
<b><u>2015</u></b>	3.0%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75 to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40 to 6.50%.	7.5%, net of pension plan investment expense, including inflation.	Active: RP2000, non-annuitant monthly mortality table. Retired: RP2000 healthy annuitant, scale AA; Disabled: RP2000 disabled annuitant mortality table, scale AA.	7.5%
<b><u>2014</u></b>	3.0%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75 to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40 to 6.50%.	7.5%, net of pension plan investment expense, including inflation.	Active: RP2000, non-annuitant monthly mortality table; Retired: RP2000 healthy annuitant, scale AA; Disabled: RP2000 disabled annuitant mortality table, scale AA.	7.5%

There are no other significant factors that affect trends in the amounts reported, such as a change of benefit terms or other assumptions. Additional information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report for the corresponding year.

**SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

Actuarial Changes Other Postemployment Benefits Plan

The actuarial assumptions used in the total OPEB liability calculation can change from year to year. Please see table below which summarizes the actuarial assumptions used for the respective measurement dates.

	<u>Inflation Rate</u>	<u>Salary Increases</u>	<u>Wage Inflation Rate</u>	<u>Investment Rate of Return &amp; Discount Rate</u>	<u>Mortality</u>	<u>Retirement Age</u>	<u>Aging Factors</u>	<u>Expenses</u>	<u>Healthcare Cost Trend Rates</u>
<b><u>2019</u></b>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
<b><u>2018</u></b>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
<b><u>2017</u></b>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.5% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.





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  
Southern West Virginia Community and Technical College  
Mt. Gay, 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 and discretely presented component unit of Southern West Virginia Community and Technical College (the College), as of and for the year ended June 30, 2020, 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 1, 2020, which states reliance on another auditor for the discretely presented component unit. Our report includes a reference to another auditor who audited the financial statements of The Southern West Virginia Community and Technical College Foundation, Inc. (the Foundation), as described in our report on the College's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Charleston, West Virginia  
October 1, 2020