Southern West Virginia
Community and Technical College
Financial Statements
Years Ended June 30, 2015 and 2014

and

Independent Auditor's Reports

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE

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Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2015 and 2014, 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.

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.

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Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College as of June 30, 2015 and 2014, 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.

Change in Accounting Principle

As described in Note 3 to the financial statements, in 2015, the College adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, the schedule of proportionate share of the net pension liability and schedule of contributions, and related footnote on pages 51 through 53 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 January 14, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
January 14, 2016

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

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, 2015 and June 30, 2014. 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 final category is unrestricted net position. Unrestricted net position is available to the College for any lawful purpose of the College.

Condensed Schedules of Net Position
June 30
(in thousands)

	2015	2014	2013
Assets and deferred outflows			
Current assets	$ 8,355	$ 8,522	$ 7,438
Other noncurrent assets	247	126	104
Capital assets, net	30,726	30,058	30,388
Total assets	39,328	38,706	37,930
Deferred outflows of resources	98	-	-
Total	$ 39,426	$ 38,706	$ 37,930
Liabilities, deferred inflows and net position			
Current liabilities	$ 3,777	$ 4,214	$ 3,254
Noncurrent liabilities	5,225	4,138	4,104
Total liabilities	9,002	8,352	7,358
Deferred inflows of resources	309	-	-
Net position			
Net investment in capital assets	30,726	30,051	30,353
Unrestricted (deficit) net position	(611)	303	219
Total net position	30,115	30,354	30,572
Total	$ 39,426	$ 38,706	$ 37,930

Total net position of the College decreased by $239 thousand from June 30, 2014 to June 30, 2015. Total net position decreased by $218 thousand from June 30, 2013 to June 30, 2014. These changes are related to a number of changes as described below:

- The unrestricted net position decreased by $914 thousand as of June 30, 2015 primarily due to the recognition of the net pension liability.

- The current ratio for fiscal years 2015 and 2014 is 2.21 and 2.02, 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.

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)

	2015	2014	2013
Operating revenues	$ 7,038	$ 6,349	$ 6,741
Operating expenses	19,836	19,854	21,791
Operating loss	(12,798)	(13,505)	(15,050)
Non-operating revenues	12,706	12,893	14,631
Capital payments on behalf	917	394	5,769
Other payments on behalf	117	-	-
Increase (decrease) in net position	942	(218)	5,350
Net position - beginning of year	30,354	30,572	25,222
Net effect of change in accounting policy	(1,181)	-	-
Net position - beginning of year (restated)	29,173	30,572	25,222
Net position - end of year	$ 30,115	$ 30,354	$ 30,572

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 2015 tuition and fees contributed approximately 11% of the total operating revenues. In fiscal year 2014, tuition and fees accounted for approximately 18% of total operating revenue. The percentage decrease in the tuition and fee percentage is due to increased grant revenue and a decline in enrollment.

- For fiscal year 2015 grant and contract revenues increased by $1.224 million for a 26% increase. The increase was due to additional funding from Federal and State grant awards and contracts in fiscal year 2015. As a percentage of operating revenue, grant and contract revenue accounted for 84% in fiscal year 2015 and 74% in 2014.

- In fiscal year 2015 other operating revenues decreased by $164 thousand mainly due to a decrease of auxiliary revenues and a decrease in mining class revenue.

Operating Expenses

- The total cost of benefits increased by 6% for fiscal year 2015 as compared to fiscal year 2014 reflecting an increase in other post employment benefits for the fiscal year.

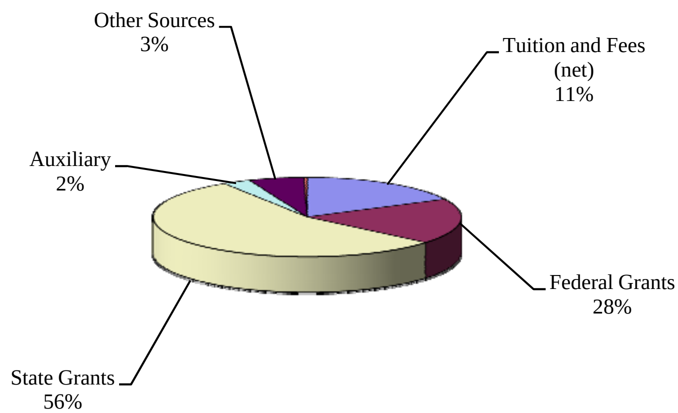
- In fiscal year 2015 salaries and wages decreased by $280 thousand or approximately 3%. This decrease was a result of not filling vacant positions.

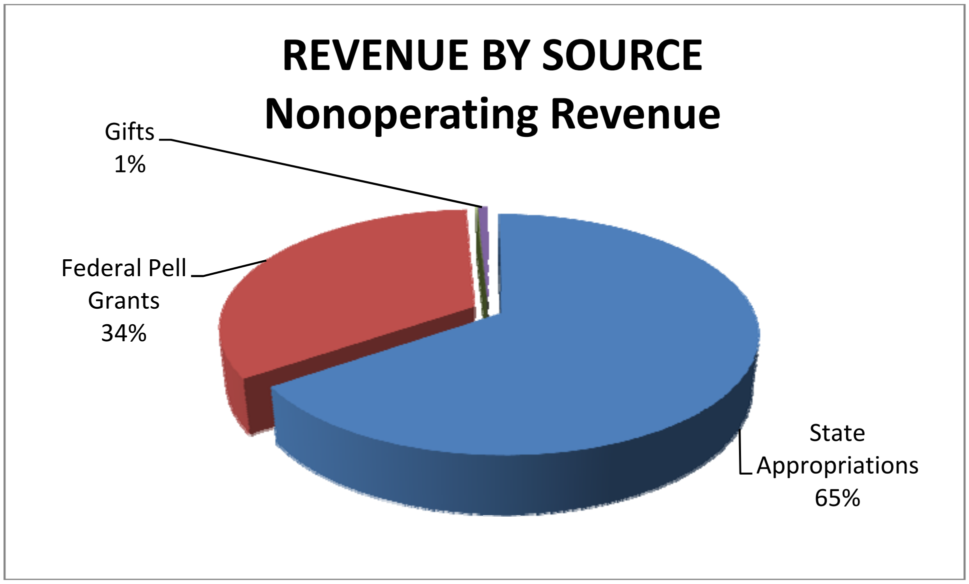
Non-operating Revenues

- For fiscal year 2015 Federal Pell grant revenues decreased by $85 thousand or approximately 2%. This decrease was a result of a decrease in enrollment and fewer students being eligible for aid than in fiscal year 2014.

- In fiscal year 2015 State appropriations decreased by $132 thousand or 2%.

REVENUE BY SOURCE
Operating Revenues

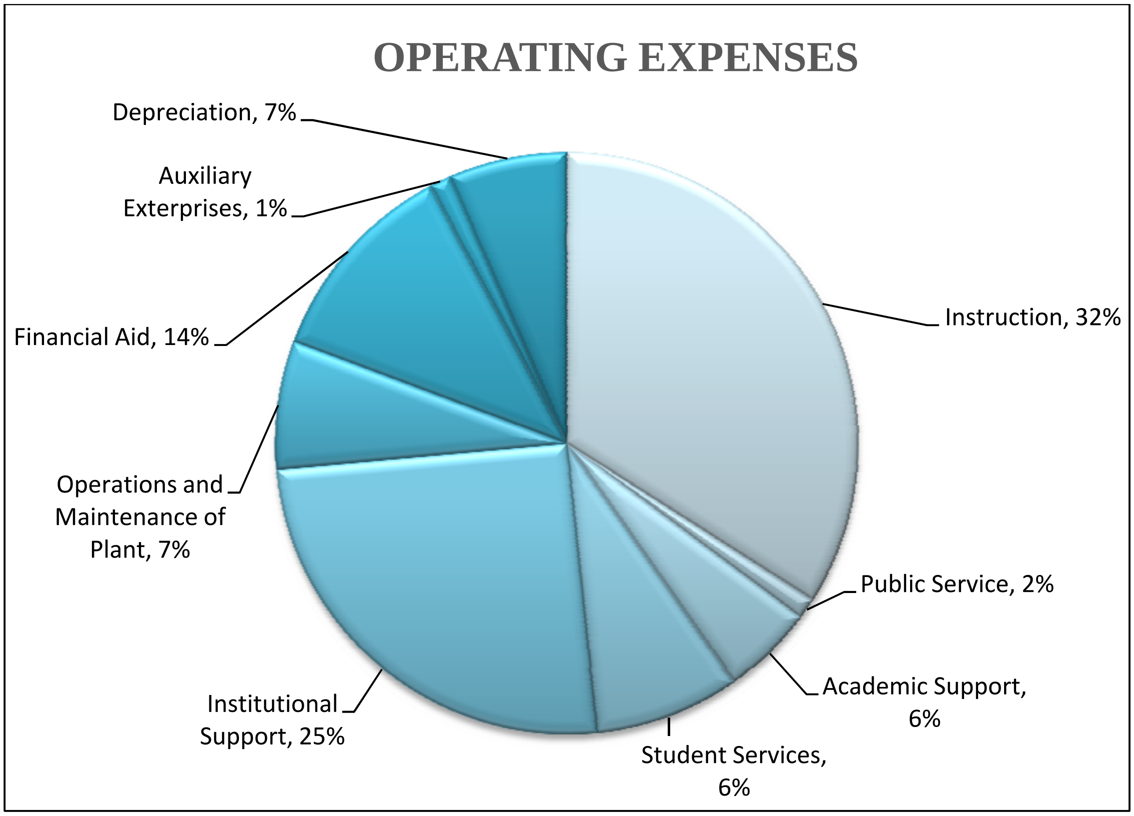




Operating Expenses
Years Ended June 30,
(in thousands)

	2015	2014	2013	(2014 to 2015) Increase (Decrease)	(2014 to 2015) Percent Change
Operating expense					
Instruction	$ 6,434	$ 6,737	$ 6,995	$ (303)	(4.50)%
Academic support	1,268	1,012	1,095	256	25.30%
Student services	1,223	1,591	1,615	(368)	(23.13)%
Public service	475	228	191	247	108.33%
Operations & maintenance plant	1,354	1,411	1,872	(57)	(4.04)%
Institutional support	4,881	4,993	5,071	(112)	(2.24)%
Financial aid	2,697	2,286	2,506	411	17.98%
Auxiliary	98	236	1,163	(138)	(58.47)%
Depreciation	1,341	1,300	1,226	41	3.15%
Other	65	60	57	5	8.33%
Total	$ 19,836	$ 19,854	$ 21,791	$ (18)	(0.09)%

The following is a graphic illustration of fiscal year 2015 operating expenses:



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)

	2015	2014	2013
Cash provided (used) by:			
Operating activities	$ (12,118)	$ (10,568)	$ (14,756)
Noncapital financing activities	12,717	12,935	14,005
Capital and related financing activities	(1,079)	(559)	-
Investing activities	9	8	9
Net change in cash	(471)	1,816	(742)
Cash, beginning of year	8,301	6,485	7,227
Cash, end of year	$ 7,830	$ 8,301	$ 6,485

Capital Asset and Debt Administration

Capital Assets, Net
June 30,
(in thousands)

	2015	2014	2013	(2014 to 2015) Increase (Decrease)	(2014 to 2015) Percent Change
Capital Assets					
Land and Improvements	$ 1,563	$ 1,563	$ 1,288	$ -	0.00%
Construction in Progress	917	394	4	523	132.74%
Buildings	38,376	37,860	37,860	516	1.36%
Equipment	6,894	5,995	5,843	899	15.00%
Library Holdings	3,977	3,958	3,990	19	.48%
Total	51,727	49,770	48,985	1,957	3.93%
Less: Accum Depreciation	(21,001)	(19,712)	(18,597)	(1,289)	6.54%
Net Capital Assets	$ 30,726	$ 30,058	$ 30,388	$ 668	2.22%

Capital assets net increase of $668 thousand was a result of current year additions offset by depreciation.

Current year additions to capital assets totaled approximately $2.402 million and were comprised of $142 thousand in the Wyoming roof replacement, $926 thousand in equipment additions, $43 thousand in library additions, $374 thousand for the Williamson Tech Building, and $917 in construction in progress, paid by the Council/Commission.

At June 30, 2015, the College had no significant outstanding contractual commitments for property, plant and equipment expenditures.

The OPEB liability increased by $227 thousand in fiscal year 2015 due to changes in PEIA's calculations.

The net pension liability was recognized as part of the adoption of GASB Statement No. 68, resulting in an increase of $880 thousand.

Readers interested in more detailed information regarding capital assets and debt administration should review the accompanying notes 6 and 7 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 consistent job growth between 2010 and 2012. However, employment has been on the decline since 2012 with a cumulative loss of approximately 8,000 jobs, many of which were directly and indirectly related to the coal industry. This loss of coal jobs is a major economic factor in southern West Virginia.

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 6,000 residents over the past two years (2013-2014) and projections are that West Virginia will lose an additional 23,000 residents over the next 20 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 25.4% 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.

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 2900, Mount Gay, West Virginia 25637. For additional information on the Southern West Virginia Community and Technical College Foundation, Inc. please see their separately issued financial statements.

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,716,981	$ 8,176,036
Accounts receivable, net of allowance for doubtful accounts	250,432	142,467
Due from the Commission	111,201	138,631
Due from Federal Government	72,350	25,546
Due from other State Agencies	148,344	-
Prepaid expenses	15,547	3,808
Inventories	40,032	35,327
Total current assets	8,354,887	8,521,815
NONCURRENT ASSETS:		
Cash and cash equivalents	113,517	125,265
Other accounts receivable	133,548	-
Capital assets, net of accumulated depreciation	30,726,189	30,058,400
Total noncurrent assets	30,973,254	30,183,665
DEFERRED OUTFLOWS OF RESOURCES:		
Employer pension contributions	98,203	-
Total deferred outflows of resources	98,203	-
TOTAL	$ 39,426,344	$ 38,705,480
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 306,544	$ 198,184
Due to the Commission/Council	-	1,969
Due to other State Agencies	1,156	-
Due to other governments	284,901	388,234
Accrued liabilities	672,447	627,125
Compensated absences - current portion	301,482	274,702
Capital lease - current portion	-	7,152
Unearned revenue	2,210,211	2,716,296
Total current liabilities	3,776,741	4,213,662
NONCURRENT LIABILITIES:		
Other postemployment benefit liability	4,212,364	3,985,523
Compensated absences	132,576	152,319
Net pension liability	879,883	-
Total noncurrent liabilities	5,224,823	4,137,842
DEFERRED INFLOWS OF RESOURCES:		
Net difference between projected and actual earnings on pension plan investments	116,312	-
Changes in proportion and differences in pension contributions	193,034	-
Total deferred inflows of resources	309,346	-
NET POSITION:		
Net investment in capital assets	30,726,189	30,051,248
Unrestricted net position (deficit)	(610,755)	302,728
Total net position	30,115,434	30,353,976
TOTAL	$ 39,426,344	$ 38,705,480

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES:		
Student tuition and fees, net of scholarship allowance of $3,951,997 and $3,927,070 for 2015 and 2014, respectively	$ 746,700	$ 1,117,536
Contracts and grants:		
Federal	1,990,961	1,175,243
State	3,912,674	3,482,804
Private	-	21,766
Auxiliary enterprise revenue	175,560	185,198
Miscellaneous, net	211,844	366,612
Total operating revenues	7,037,739	6,349,159
OPERATING EXPENSES:		
Salaries and wages	8,530,786	8,810,868
Benefits	2,584,585	2,444,153
Supplies and other services	3,968,130	4,223,210
Utilities	701,119	728,918
Student financial aid - scholarships and fellowships	2,645,248	2,286,004
Depreciation	1,341,038	1,299,589
Fees assessed by the Commission for operations	65,048	60,952
Total operating expenses	19,835,954	19,853,694
OPERATING LOSS	(12,798,215)	(13,504,535)
NONOPERATING REVENUES:		
State appropriations	8,321,687	8,453,274
Gifts	94,000	-
Investment income	9,131	8,803
Federal Pell grants	4,301,147	4,386,010
Other nonoperating revenues (expenses)	(20,300)	44,224
Total nonoperating revenues	12,705,665	12,892,311
DECREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(92,550)	(612,224)
CAPITAL PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF THE COLLEGE	917,323	393,663
PAYMENTS MADE AND EXPENSES INCURRED BY THE STATE ON BEHALF OF THE COLLEGE	117,462	-
INCREASE (DECREASE) IN NET POSITION	942,235	(218,561)
NET POSITION - Beginning of year	30,353,976	30,572,537
NET EFFECT OF CHANGE IN ACCOUNTING POLICY	(1,180,777)	-
NET POSITION - Beginning of year (restated)	29,173,199	30,572,537
NET POSITION - End of year	$ 30,115,434	$ 30,353,976

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from student tuition and fees	$ 329,296	$ 1,480,259
Cash received from contracts and grants	4,797,168	6,098,931
Payments to and on behalf of employees	(10,995,633)	(11,287,899)
Payments to suppliers	(3,863,001)	(4,285,511)
Payments to utilities	(701,119)	(779,066)
Payments for scholarships and fellowships	(1,989,939)	(2,286,004)
Auxiliary enterprise charges, net of scholarship allowance	158,208	185,198
Fees assessed by Commission	(65,048)	(60,952)
Other receipts, net	211,844	366,612
Net cash used in operating activities	(12,118,224)	(10,568,432)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	8,321,687	8,453,274
Federal student loan program - direct lending receipts	449,064	298,756
Federal student loan program - direct lending payments	(449,064)	(298,756)
Gifts	94,000	96,000
Pell grants	4,301,147	4,386,010
Net cash provided by noncapital financing activities	12,716,834	12,935,284
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(1,051,092)	(576,124)
Payments on long-term borrowings from financial institutions	(7,152)	(27,921)
Other nonoperating revenue	(20,300)	44,224
Net cash provided by (used in) capital financing activities	(1,078,544)	(559,821)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	9,131	8,803
Net cash provided by investing activities	9,131	8,803
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(470,803)	1,815,834
CASH AND CASH EQUIVALENTS - Beginning of year	8,301,301	6,485,467
CASH AND CASH EQUIVALENTS - End of year	$ 7,830,498	$ 8,301,301
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (12,798,215)	$ (13,504,535)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,341,038	1,299,589
Pension expense - special funding situation	117,462	-
Net effect of change in accounting policy	(1,180,777)	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable, net of allowance for doubtful accounts	(107,965)	363,735
Due from the Commission	27,430	(138,325)
Due from the Federal Government	(46,804)	22,561
Due from other State Agencies	(148,344)	367,519
Prepaid expenses	(11,739)	1,596
Inventories	(4,705)	(1,961)
Other accounts receivable	(133,548)	-
Deferred outflows of resources	(98,203)	-
Accounts payable	67,948	31,071
Due to the Commission/Council	(1,969)	(23,709)
Due to other State Agencies	1,156	-
Due to other governments	(103,333)	74,810
Accrued liabilities	45,322	(187,537)
Compensated absences	7,037	(55,173)
Other postemployment benefits	226,841	66,677
Net pension liability	879,883	-
Unearned revenue	(506,085)	1,115,250
Deferred inflows of resources	309,346	-
Net cash (used) in operating activities	$ (12,118,224)	$ (10,568,432)
NONCASH TRANSACTIONS:		
Capital payments made and expenses incurred on behalf of the College	$ 917,323	$ 393,663

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

		2014		2013
ASSETS				
Cash and cash equivalents	$	730,918	$	410,562
Certificates of deposit		58,944		58,773
Investments at estimated market value		2,993,683		2,793,608
Miscellaneous receivable		3,944		5,546
Interest and dividends receivable		9,350		9,350
Prepaid expenses		15,148		9,276
Unconditional promises to give, net		351,195		489,284
TOTAL ASSETS	$	4,163,182	$	3,776,399
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	$	37,500	$	39,964
Payable to related party		125,666		1,070
Total liabilities		163,166		41,034
NET ASSETS				
Unrestricted		21,053		5,740
Temporarily restricted		3,963,963		3,714,625
Permanently restricted		15,000		15,000
Total net assets		4,000,016		3,735,365
TOTAL LIABILITIES AND NET ASSETS	$	4,163,182	$	3,776,399

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, INVESTMENT INCOME, AND OTHER SUPPORT				
Contributions	$ -	$ 385,574	$ -	$ 385,574
Interest and dividend income	9,350	102,410	-	111,760
Gain on investment	55,657	229,828	-	285,485
Net assets released from restriction	442,738	(442,738)	-	-
Total revenues, investment income, and other support	507,745	275,074	-	782,819
EXPENSES				
Program services:				
Scholarships	283,289	-	-	283,289
Direct program support	95,000	-	-	95,000
Educational development	580	-	-	580
Total program services	378,869	-	-	378,869
Administrative and general	101,953	-	-	101,953
Fundraising	37,346	-	-	37,346
Total expenses	518,168	-	-	518,168
CHANGE IN NET ASSETS	(10,423)	275,074	-	264,651
NET ASSETS, BEGINNING OF YEAR	5,740	3,714,625	15,000	3,735,365
RECLASSIFICATION	25,736	(25,736)	-	-
NET ASSETS, END OF YEAR	$ 21,053	$ 3,963,963	$ 15,000	$ 4,000,016

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, INVESTMENT INCOME, AND OTHER SUPPORT				
Contributions	$ -	$ 343,412	$ -	$ 343,412
Interest and dividend income	9,350	115,777	-	125,127
Gain on investment	15,437	434,468	-	449,905
Net assets released from restriction	468,407	(468,407)	-	-
Total revenues, investment income, and other support	493,194	425,250	-	918,444
EXPENSES				
Program services:				
Scholarships	319,754	-	-	319,754
Educational development	7,289	-	-	7,289
Total program services	327,043	-	-	327,043
Administrative and general	122,203	-	-	122,203
Fundraising	44,104	-	-	44,104
Total expenses	493,350	-	-	493,350
CHANGE IN NET ASSETS	(156)	425,250	-	425,094
NET ASSETS, BEGINNING OF YEAR	5,896	3,289,375	15,000	3,310,271
NET ASSETS, END OF YEAR	$ 5,740	$ 3,714,625	$ 15,000	$ 3,735,365

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 standards (GASB), 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 provide 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 an operating 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 13, 14 and 16).

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 or 2014.

- *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, 2015 or 2014.

- *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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the 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 multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual audited financial report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd., E. Room E-122 Charleston, West Virginia, 25305 or http://www.wvbti.com.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities (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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***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 2015 and 2014.

***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.

***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 57th Street, SE, Suite 2, Charleston, WV 25304 or http://www.wvpeia.com.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The estimated expense and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense in the 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 12)

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

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

Risk Management **-** The State's Board of Risk and Insurance Management (BRIM) provides general, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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 2015 and 2014, the College received and disbursed $449,064 and $298,756, 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 2015 and 2014, the College received and disbursed $4,397,168 and $4,502,287 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 the Governmental Accounting Standards Board

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. This statement enhances the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. See Note 3 for a discussion of the effect and additional disclosures at Note 12.

The GASB also issued Statement No. 69¸ *Government Combinations and Disposals of Government Operations,* effective for fiscal years beginning after December 31, 2014. This statement provides guidance on measurement and reporting of combinations and disposals of government operations. The adoption of GASB Statement No. 69 had no impact on the June 30, 2015 financial statements.

The GASB has also issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This benefit will be achieved without the imposition of significant additional costs. See Note 3 for a discussion of the effect and additional disclosures at Note 12.

Recent Statements Issued by the Governmental Accounting Standards Board

The GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015. This Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The College has not yet determined the effect that the adoption of GASB Statement No. 72 may have on its financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB has also issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulate for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The College has not yet determined the effect that the adoption of GASB Statement No. 73 may have on its financial statements.

The GASB has also issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for fiscal years beginning after June 15, 2016. The requirements of this Statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The College has not yet determined the effect that the adoption of GASB Statement No. 74 may have on its financial statements.

The GASB has also issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The College has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The GASB has also issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The College has not yet determined the effect that the adoption of GASB Statement No. 76 may have on its financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB has also issued Statement No. 77, *Tax Abatement Disclosures*, effective for fiscal years beginning after December 15, 2015. The requirements of this Statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The College has not yet determined the effect that the adoption of GASB Statement No. 77 may have on its financial statements.

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

The College has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement Nos. 68 and 71 require the College to report its share of the defined benefit pension liabilities and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the CPRB. The balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources at July 1, 2014 is reported on the statement of revenues, expenses, and changes in net position as a restatement to the 2015 net position — beginning of year. The CPRB was not able to provide sufficient information to restate the financial statements for the period ending June 30, 2014.

Net position at the beginning of the year required restatement:

Net position - beginning of year, as previously stated	$ 30,353,976
Net effect of change in accounting policy	(1,180,777)
Net position - beginning of year, restated	$ 29,173,199

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	2015		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer/BTI	$ 7,681,157	$ -	$ 7,681,157
Cash in bank	31,024	113,517	144,541
Cash on hand	4,800	-	4,800
	$ 7,716,981	$ 113,517	$ 7,830,498

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

	2014		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer/BTI	$ 8,138,712	$ -	$ 8,138,712
Cash in bank	32,524	125,265	157,789
Cash on hand	4,800	-	4,800
	$ 8,176,036	$ 125,265	$ 8,301,301

Cash held by the State Treasurer includes $2,339,115 and $2,985,569 of restricted cash primarily for operating grants as of June 30, 2015 and 2014, respectively.

The combined carrying amount of cash in the bank at June 30, 2015 and 2014 was $144,541 and $157,789, as compared with the combined bank balance of $197,147 and $223,220, 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 as of June 30, 2015 and 2014, are comprised of three investment pools, the WV Money Market Pool, the WV Government Money Market Pool and the WV Short Term Bond Pool.

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:

	2015		2014	
External Pool	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	$ 1,890,464	AAAm	$ 1,959,590	AAAm
WV Government Money Market Pool	$ 248,868	AAAm	$ 238,954	AAAm
WV Short Term Bond Pool	$ 761,562	Not Rated	$ 771,941	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.

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All the 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 and the WV Government Money Market Pool:

	2015		2014	
External Pool	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	$ 1,890,464	47	$ 1,959,590	36
WV Government Money Market Pool	$ 248,868	51	$ 238,954	37

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

	2015		2014	
External Pool	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	$ 761,562	410	$ 771,941	407

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.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy limits investment maturities from potential fair value losses due to increasing interest rates. No more than 5% of the money market fund's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. government and its agencies.

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 5 - ACCOUNTS RECEIVABLE

Accounts receivable are as follows at June 30:

	2015	2014
Student tuition and fees, net of allowance for doubtful accounts of $463,014 and $488,832 in 2015 and 2014, respectively	$ 152,066	$ 58,165
Due from Foundation	40,021	6,009
Other accounts receivable	58,345	78,293
	$ 250,432	$ 142,467

NOTE 6 - CAPITAL ASSETS

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

	2015			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Construction in process	$ 393,663	$ 917,323	$ (393,663)	$ 917,323
Land	1,563,470	-	-	1,563,470
Total capital assets not being depreciated	$ 1,957,133	$ 917,323	$ (393,663)	$ 2,480,793
Other capital assets				
Buildings	$ 37,859,789	$ 516,258	$ -	$ 38,376,047
Equipment	5,995,119	925,572	(26,655)	6,894,036
Library holdings	3,958,305	43,337	(24,589)	3,977,053
Total other capital assets	47,813,213	1,485,167	(51,244)	49,247,136
Less accumulated depreciation for:				
Buildings	(11,430,124)	(855,360)	-	(12,285,484)
Equipment	(4,551,203)	(427,391)	26,655	(4,951,939)
Library holdings	(3,730,619)	(58,287)	24,589	(3,764,317)
Total accumulated depreciation	(19,711,946)	(1,341,038)	51,244	(21,001,740)
Other capital assets, net	$ 28,101,267	$ 144,129	$ -	$ 28,245,396
Capital asset summary:				
Capital assets not being depreciated	$ 1,957,133	$ 917,323	$ (393,663)	$ 2,480,793
Other capital assets	47,813,213	1,485,167	(51,244)	49,247,136
Total cost of capital assets	49,770,346	2,402,490	(444,907)	51,727,929
Less accumulated depreciation	(19,711,946)	(1,341,038)	51,244	(21,001,740)
Capital assets, net	$ 30,058,400	$ 1,061,452	$ (393,663)	$ 30,726,189

NOTE 6 - CAPITAL ASSETS (Continued)

	2014			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Construction in process	$ 3,801	$ 393,663	$ (3,801)	$ 393,663
Land	1,288,470	275,000	-	1,563,470
Total capital assets not being depreciated	$ 1,292,271	$ 668,663	$ (3,801)	$ 1,957,133
Other capital assets				
Buildings	$ 37,859,789	$ -	$ -	$ 37,859,789
Equipment	5,843,221	248,490	(96,592)	5,995,119
Library holdings	3,989,896	56,435	(88,026)	3,958,305
Total other capital assets	47,692,906	304,925	(184,618)	47,813,213
Less accumulated depreciation for:				
Buildings	(10,582,402)	(847,722)	-	(11,430,124)
Equipment	(4,257,186)	(390,609)	96,592	(4,551,203)
Library holdings	(3,757,387)	(61,258)	88,026	(3,730,619)
Total accumulated depreciation	(18,596,975)	(1,299,589)	184,618	(19,711,946)
Other capital assets, net	$ 29,095,931	$ (994,664)	$ -	$ 28,101,267
Capital asset summary:				
Capital assets not being depreciated	$ 1,292,271	$ 668,663	$ (3,801)	$ 1,957,133
Other capital assets	47,692,906	304,925	(184,618)	47,813,213
Total cost of capital assets	48,985,177	973,588	(188,419)	49,770,346
Less accumulated depreciation	(18,596,975)	(1,299,589)	184,618	(19,711,946)
Capital assets, net	$ 30,388,202	$ (326,001)	$ (3,801)	$ 30,058,400

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, 2015, the College had no significant outstanding contractual commitments for property, plant and equipment expenditures.

NOTE 7 - LONG-TERM LIABILITIES

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

	2015				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital leases	$ 7,152	$ -	$ 7,152	$ -	$ -
Other postemployment benefits liability	3,985,523	594,769	367,928	4,212,364	-
Net pension liability	-	879,883	-	879,883	-
Compensated absences	427,021	7,037	-	434,058	301,482
Total noncurrent liabilities	$ 4,419,696	$ 1,481,689	$ 375,080	$ 5,526,305	$ 301,482

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital leases	$ 35,073	$ -	$ 27,921	$ 7,152	$ 7,152
Other postemployment benefits liability	3,918,846	481,829	415,152	3,985,523	-
Compensated absences	482,194	-	55,173	427,021	274,702
Total noncurrent liabilities	$ 4,436,113	$ 481,829	$ 498,246	$ 4,419,696	$ 281,854

NOTE 8 - OPERATING LEASE OBLIGATIONS

The College leases various equipment, automobiles, and buildings, under operating lease agreements. Aggregate payment for operating leases amounted to $121,657 and $170,690 for the years ended June 30, 2015 and 2014, respectively. Future minimum rental commitments are as follows as of June 30, 2015:

Years Ending June 30,	
2016	$ 38,038
2017	7,443
	$ 45,481

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2015, 2014, and 2013 the noncurrent liability related to OPEB costs was $4,212,364 $3,985,523, and $3,918,846, respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $594,769 and $86,176 respectively, during 2015, or 14%. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $481,829 and $97,472 respectively, during 2014, or 20%. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was 568,531 and $115,213, respectively, during 2013, or 20%. As of the years ended June 30, 2015, 2014 and 2013, there were 43, 41 and 35 retirees receiving these benefits, respectively. During the 2014 legislative session, the State took proactive measures to address this unfunded liability, which will take effect in future fiscal years and fully fund the liability by 2037.

NOTE 10 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

During December 2009, the Commission, on behalf of the Council, issued $78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the 2009 Bonds). The proceeds of the 2009 Bonds will be used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The bond projects listed in the bond offering for the 2009 Bonds proposes bond funding of $6,000,000 for the College. State lottery funds will be used to repay the debt. As of June 30, 2015, the College had drawn down all of these bond funds to pay for capital projects.

NOTE 11 - UNRESTRICTED NET POSITION

The College did not have any designated unrestricted net position as of June 30, 2015 or 2014.

	2015	2014
Total unrestricted net position before OPEB liability	$ 3,601,609	$ 4,288,251
Less: OPEB liability	4,212,364	3,985,523
Total unrestricted net position (deficit)	$ (610,755)	$ 302,728

NOTE 12 - 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. Contributions to and participation in the West Virginia Teachers' Defined Contribution Plan by College employees have not been significant to date.

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan. As of June 30, 2015, 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 is the College's pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal year ended June 30, 2015 (dollars in thousands):

	STRS
Net pension liability	$ 879,883
Deferred outflows of resources	98,203
Deferred inflows of resources	309,346
Revenues	117,462
Pension expense	125,914
Contributions made by the College	98,203

NOTE 12 - RETIREMENT PLANS (Continued)

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.

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.

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. Contribution requirements are set by the CPRB. 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.

NOTE 12 - RETIREMENT PLANS (Continued)

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

- 15% of gross salary of their State-employed members hired prior to July 1, 1991;
- 15% of School Aid Formula (SAF) covered payroll of county-employed members for entities other than institutions of higher education;
- 7.5% of SAF-covered payroll of members of the Teachers' Defined Contributions Retirement System for entities other than institutions of higher education;
- 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, 2014, the College's proportionate share attributable to this special funding subsidy was $117,462.

The College's contributions to STRS for the years ended June 30, 2015, 2014, and 2013, were $98,203, $117,492, and $142,096, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2013 and rolled forward to June 30, 2014. 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 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.75–5.25% and non-teachers 3.40–6.50%, based on age.
- Inflation rate of 2.2%.
- Discount rate of 7.5%.

NOTE 12 - RETIREMENT PLANS (Continued)

- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 1.2-30% and non-teachers 1.4-22.5%.
- Disability rates: 0-0.8%.
- 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, 2005 to June 30, 2010. 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 arithmetic real rates of return for each major asset class included in STRS' target asset allocation as of June 30, 2014, are summarized below.

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	5.4%	27.5%
International equity	6.3%	27.5%
Core fixed income	0.7%	-
High-yield fixed income	2.6%	15.0%*
TIPS	0.7%	-
Real estate	4.6%	10.0%
Private equity	7.7%	10.0%
Hedge funds	2.8%	10.0%

* Core and high-yield fixed income securities have a combined target allocation of 15.0%.

Discount rate. The discount rate used to measure the total STRS pension liability was 7.50%. 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. In the event of benefit payments that are not covered by the pension plan's fiduciary net position, a municipal bond rate of 3.66% is to be used to discount the benefit payments not covered by the plan's fiduciary net position. The rate equals the S&P Municipal Bond 20-Year High Grade Rate Index at June 30, 2014.

NOTE 12 - 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, 2015 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 (dollars in thousands).

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	$ 1,141,188	$ 879,883	$ 655,664

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

The STRS net pension liability was measured as of June 30, 2014. The total pension liability was determined by an actuarial valuation as of July 1, 2013 and rolled forward to the measurement date.

At June 30, 2015, the College's proportionate share of the STRS net pension liability was $2,868,042. Of this amount, the College recognized approximately $879,883 as its proportionate share on the statement of net position. The remainder of $1,988,159 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, 2014 and 2013. Employer contributions are recognized when due. At June 30, 2014, the College's proportion was 0.025505%, a decrease of 0.005560% from its proportion of 0.031065% calculated as of June 30, 2013.

For the year ended June 30, 2015, the College recognized STRS pension expense of $125,914. Of this amount, $8,452 was recognized as the College's proportionate share of the STRS expense and $117,462 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The College also recognized revenue of $117,462 for support provided by the State.

NOTE 12 - RETIREMENT PLANS (Continued)

At June 30, 2015, deferred outflows of resources and deferred inflows of resources related to the STRS pension are as follows.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ -	$ 193,034
Net difference between projected and actual investment earnings	-	116,312
Contributions after the measurement date	98,203	-
Total	$ 98,203	$ 309,346

The College will recognize the $98,203 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, 2016. 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
2016	$ 68,392
2017	68,392
2018	68,392
2019	68,392
2020	35,778

Payables to the Pension Plan

The College did not report any amounts payable for normal contributions to the STRS as of June 30, 2015.

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, 2015, 2014 and 2013 were $866,498, $874,262, and $895,158 respectively, which consisted of equal contributions from the College and covered employees in 2015, 2014, and 2013 of $433,249, $437,131, and $447,579, respectively.

NOTE 12 - RETIREMENT PLANS (Continued)

The College's total payroll for the years ended June 30, 2015, 2014, and 2013 was $8,663,859, $8,849,131, and $9,096,215, respectively; total covered employees' salaries in the STRS and TIAA-CREF were $654,684 and $7,220,817 in 2015; $783,432 and $7,285,513 in 2014, and $947,307 and $7,459,642 in 2013, respectively.

NOTE 13 - 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 $4,000,016 and $3,735,365 at December 31, 2014 and 2013, 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, 2015 and 2014, the Foundation made $283,289 and $319,754 respectively, in contributions to the College for student scholarships and other support. As of June 30, 2015 and 2014, the College had accounts receivable of $40,021 and $6,009 due from the Foundation. Complete financial statements for the Foundation can be obtained from the Southern West Virginia Community College Foundation, Inc.

NOTE 14 - AFFILIATED ORGANIZATION

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).

NOTE 15 - 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.

NOTE 16 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 and Financial Statement Presentation - The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles ("U. S. GAAP"). The accompanying financial statements of the Foundation present information regarding its net assets and activities in the following three categories:

Unrestricted - Net assets are under the discretionary control of the Board of Directors (the "Board") and include amounts designated by the Board for specified purposes.

Temporarily Restricted - Net assets are restricted by the donor for a specific purpose (generally scholarships or educational development programs) or use in a future time period. The income on these net assets is either temporarily restricted or unrestricted based on the intentions of the donor.

Permanently Restricted - Net assets are subject to the donor's restriction that the principal remain invested in perpetuity. The income on these net assets generally is used for scholarships or educational development programs.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

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 permanently and temporarily 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 temporarily restricted net assets and reclassified to unrestricted net assets in the year the restrictions are satisfied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Unconditional Promises to Give - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates for United States Government securities. Accretion of the discounts is included in 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.

An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. At December 31, 2014, management determined that all 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 and change in net assets when the specified conditions are satisfied.

Fixed Assets - The Foundation's fixed assets are carried at cost. Depreciation is computed using the straight-line method with estimated useful lives of three and five years for software and equipment, respectively. All fixed assets were fully depreciated as of December 31, 2013. No fixed assets were acquired in 2014. Therefore no depreciation expense was recorded in 2014.

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 at December 31, 2014.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2011.

NOTE 2 - INVESTMENTS

The cost and estimated fair values of investments at December 31, 2014, are as follows:

	Estimated Fair Value	Cost
Publicly traded equity securities	$ 2,993,683	$ 2,106,061

The cost and estimated fair values of investments at December 31, 2013, are as follows:

	Estimated Fair Value	Cost
Publicly traded equity securities	$ 2,793,608	$ 2,102,446

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give at December 31, 2014 and 2013 are as follows:

	2014	2013
Receivable in less than one year	$ 139,026	$ 139,630
Receivable in one to five years	201,446	327,832
Receivable in more than five years	28,921	51,804
Total unconditional promises	369,393	519,266
Discounts to net present value	(18,198)	(29,982)
Net unconditional promises	$ 351,195	$ 489,284

The discount rate used on long-term promises to give was 3.25 percent in 2014 and 2013.

NOTE 4 - RELATED-PARTY TRANSACTIONS

The Foundation scholarships are awarded by the College. The Foundation recognized expenses in the amount of $283,289 and $ 319,754 in 2014 and 2013, respectively, for student scholarships and other support payments to the College.

At December 31, 2014 and 2013, the Foundation's total related-party payable to the College for scholarships and faculty educational awards was $125,666 and $1,070.

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 5 - NET ASSETS

Temporary and permanent restrictions on net assets at December 31, 2014, are for scholarships and educational development.

Net assets were released from restriction for the following purposes during the year ended December 31, 2014 and 2013:

	2014	2013
Scholarships	$ 283,289	$ 319,754
Education development	580	7,289
Fundraising	37,346	44,104
Other	121,523	97,260
Total	$ 442,738	$ 468,407

NOTE 6 - 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).

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. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets in a manner consistent with the standard of prudence prescribed by UPMIFA. Currently, all investment returns are recorded in temporarily 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 unrestricted net assets. Gains that restore the fair value of the asset to the required level are included as increase in unrestricted net assets until funds are no longer considered "under water."

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 or deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

NOTE 6 - ENDOWMENT FUNDS (Continued)

The cost and estimated fair values of endowment investments at December 31, 2014, are as follows:

	Estimated Fair Value	Cost
Cash and cash equivalents	$ 290,624	$ 290,624
Equity and equity mutual funds	2,474,689	1,732,586
Total	$ 2,765,313	$ 2,023,210

Endowment net asset composition by restriction as of December 31, 2014, is as follows:

Unrestricted and Board-designated	$ -
Temporarily restricted	2,765,313
Permanently restricted	-
Total	$ 2,765,313

Changes in endowment net assets from the prior year to the current year are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ENDOWMENT NET ASSETS, BEGINNING OF YEAR	$ -	$ 2,539,085	$ -	$ 2,539,085
Endowment investment return:				
Interest and dividends	-	91,622	-	91,622
Realized gains	-	51,680	-	51,680
Unrealized gains	-	185,026	-	185,026
Endowment investment return	-	328,328	-	328,328
Contributions	-	72,097	-	72,097
Appropriation of endowments - released from restrictions	-	(174,197)	-	(174,197)
ENDOWMENT NET ASSETS, END OF YEAR	$ -	$ 2,765,313	$ -	$ 2,765,313

The cash equivalents, representing approximately 11 percent of the investment assets at December 31, 2014, are held in liquid asset funds managed by financial institutions.

NOTE 7 - 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 I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: 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 III: 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, 2014 and 2013, by level within the fair value hierarchy. Equity securities are classified as Level I 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.

2014	Level I	Level II	Level III	Total
Valued on a recurring basis:				
Assets:				
Equity securities	$ 2,993,683	$ -	$ -	$ 2,993,683

2013	Level I	Level II	Level III	Total
Valued on a recurring basis:				
Assets:				
Equity securities	$ 2,793,608	$ -	$ -	$ 2,793,608

NOTE 8 - SUBSEQUENT EVENTS

The Foundation assessed events occurring subsequent to December 31, 2014, through July 16, 2015, 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 16, 2015.

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 17 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

2015

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 4,304,020	$ 1,066,293	$ 1,054,577	$ 9,503	$ -	$ -	$ -	$ 6,434,393
Public service	296,438	100,821	77,641	-	-	-	-	474,900
Academic support	862,315	231,359	174,084	-	-	-	-	1,267,758
Student services	865,325	264,114	93,591	-	-	-	-	1,223,030
General institutional support	1,870,404	837,968	1,992,672	179,858	-	-	-	4,880,902
Operations and maintenance of plant	225,628	69,750	547,349	511,758	-	-	-	1,354,485
Student financial aid	51,671	-	-	-	2,645,248	-	-	2,696,919
Auxiliary enterprises	54,985	14,280	28,216	-	-	-	-	97,481
Depreciation	-	-	-	-	-	1,341,038	-	1,341,038
Other	-	-	-	-	-	-	65,048	65,048
Total	$ 8,530,786	$ 2,584,585	$ 3,968,130	$ 701,119	$ 2,645,248	$ 1,341,038	$ 65,048	$ 19,835,954

2014

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 4,706,727	$ 1,191,802	$ 821,630	$ 16,404	$ -	$ -	$ -	$ 6,736,563
Public service	104,218	28,126	95,970	-	-	-	-	228,314
Academic support	656,366	189,290	166,454	-	-	-	-	1,012,110
Student services	1,075,068	292,828	222,852	-	-	-	-	1,590,748
General institutional support	2,083,735	714,892	2,191,005	3,498	-	-	-	4,993,130
Operations and maintenance of plant	46,091	5,216	650,197	709,016	-	-	-	1,410,520
Student financial aid	-	-	-	-	2,286,004	-	-	2,286,004
Auxiliary enterprises	138,663	21,999	75,102	-	-	-	-	235,764
Depreciation	-	-	-	-	-	1,299,589	-	1,299,589
Other	-	-	-	-	-	-	60,952	60,952
Total	$ 8,810,868	$ 2,444,153	$ 4,223,210	$ 728,918	$ 2,286,004	$ 1,299,589	$ 60,952	$ 19,853,694

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2015

State Teachers' Retirement System
Last 10 Fiscal Years*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
College's proportion of the net pension liability (asset) (percentage)	0.025505%									
College's proportionate share of the net pension liability (asset)	$ 879,883									
State's proportionate share of the net pension liability (asset)	1,988,159									
Total proportionate share of the net pension liability (asset)	$ 2,868,042									
College's covered-employee payroll	$ 783,432									
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	112.31%									
Plan fiduciary net position as a percentage of the total pension liability	65.95%									

* - The amounts presented for each fiscal year were determined as of June 30th.
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 CONTRIBUTIONS
June 30, 2015

State Teachers' Retirement System
Last 10 Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Contractually required contribution	$ 116,043	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	(117,492)	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ (1,449)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 783,432	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered-employee payroll	15.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. With only one year reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Governors
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 the 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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 14, 2016, which states reliance on other auditors for the discretely presented component unit. Our report includes a reference to other auditors who audited the financial statements of The Southern West Virginia Community and Technical College Foundation, Inc., as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Suttle & Stalnaker, PLLC

Charleston, West Virginia
January 14, 2016