

Eastern West Virginia Community and Technical College

Financial Statements
Years Ended June 30, 2020 and 2019
and
Independent Auditor's Reports



EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
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INDEPENDENT AUDITOR'S REPORT

Board of Governors
Eastern West Virginia Community and Technical College
Moorefield, West Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the College, as of June 30, 2020 and 2019, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Overview of the Financial Statements and Financial Analysis

The Governmental Accounting Standards Board (GASB) issued directives for presentation of college and university financial statements which were adopted in Fiscal Year 2002 by Eastern West Virginia Community and Technical College (Eastern or the College). The previous reporting format presented financial balances and activities by fund groups. The current format places emphasis on the overall economic resources of the College.

The discussion and analysis of Eastern West Virginia Community and Technical College's financial statements provides an overview of the College's financial activities for the fiscal years ended June 30, 2020, 2019 and 2018. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this report

The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the Statement of Net Position is designed to present the College's financial position as of a point in time. This statement combines current financial resources (short term spendable resources) with capital assets and other long term resources. The Statement of Revenues, Expenses, and Changes in Net Position, emphasizes the change in net position over the year to indicate whether there has been improvement or erosion of the College's financial health.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the College's finances is, "Is the College as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the

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MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity

MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Financial Highlights:

Operating revenues increased by \$13,632 in fiscal year 2020 as

MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Statement 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. Another way to assess the financial health of a College is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its ability to provide for the needs of its stakeholders.

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,679,380	\$ 1,810,189
Accounts receivable, net of allowance for doubtful accounts	284,560	1,071,883
Prepaid assets	2,591	
Total current assets	<u>2,966,531</u>	<u>2,882,072</u>
NONCURRENT ASSETS:		
Cash and cash equivalents	261,160	296,153

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of \$351,799 and \$412,152 in 2020 and 2019, respectively	\$ 751,217	\$ 591,008
Contracts and grants:		
Federal	721,257	811,499
State	656,702	643,848
Private	2,325	5,148
Sales and services of educational activities		2,298
Miscellaneous	<u>58,293</u>	<u>122,361</u>
 Total operating revenues	 <u>2,189,794</u>	 <u>2,176,162</u>
OPERATING EXPENSES:		
Salaries and wages	2,017,534	1,734,408
Benefits	381,540	366,282

CASH FLOWS FROM OPERATING ACTIVITIES:

2020

2019

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 ORGANIZATION

Eastern West Virginia Community and Technical College (the College) is governed by the Eastern West Virginia Community and Technical College Governing Board (the Board). The Board was established by Senate Bill 448.

Powers and duties of the Board include, but are not limited to, the power to determine, control, supervise, and manage the financial, business, and educational

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented 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:

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalent 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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets Capital assets include land, building/improvements, construction in progress, furniture 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, 7 years for library books and 3 to 10 years for furniture and equipment. The College's capitalization threshold is \$1,000.

Unearned Revenue Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue.

Compensated Absences and Other Postemployment Benefits (OPEBs) 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. Effective July 1, 2007, the College was required to participate in this multiple employer cost sharing

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Other revenues 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 is available. Generally, the College attempts to utilize restricted net position first when practicable.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Financial Assistance Programs Federal Direct Loan receivables are not included in the College's statements of net position, as the loans are repayable directly to the U.S. Department of Education. In 2020 and 2019, the College received and disbursed approximately \$204,000 and \$265,000, respectively, under the Federal Direct Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The College also distributes student financial aid.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Statements Issued by the Governmental Accounting Standards Board

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

GASB has issued Statement No. 87, _____, effective for fiscal years beginning after June 15, 2021. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision usefulness of the information provided to financial statement users by requiring notes to financial statements related to

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

GASB Board has issued Statement No. 93, _____, which is effective for fiscal years beginning after December 31, 2022. The requirements of this Statement will enhance comparability in the application

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB has issued Statement No. 97,

requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in part

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5 CAPITAL ASSETS

A summary of capital asset transactions for the College for the years ended June 30, 2020 and 2019, is as follows:

	2020				Ending Balance
	Beginning Balance	Transfers	Additions	Reductions	
Capital assets not being depreciated:					
Land	\$ 230,517	\$	\$	\$	\$ 230,517
Construction in progress			29,945		29,945
Total capital assets not being depreciated	<u>\$ 230,517</u>	<u>\$</u>	<u>\$ 29,945</u>	<u>\$</u>	<u>\$ 260,462</u>
Other capital assets:					
Building/improvements	\$ 11,450,330	\$	\$ 191,894	\$	\$11,642,224
Equipment	4,672,146		57,655	(79,195)	4,650,606
Total other capital assets	<u>16,122,476</u>		<u>249,549</u>	<u>(79,195)</u>	<u>16,292,830</u>
Less accumulated depreciation for:					
Building/improvements	1,912,107		266,740		2,178,847
Equipment	3,845,665		151,206	(9,195)	3,987,676
Total accumulated depreciation	<u>5,757,772</u>		<u>417,946</u>	<u>(9,195)</u>	<u>6,166,523</u>
Other capital assets, net	<u>\$ 10,364,704</u>	<u>\$</u>	<u>\$ (168,397)</u>	<u>\$ (70,000)</u>	<u>\$10,126,307</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 230,517	\$	\$ 29,945	\$	\$ 260,462
Other capital assets	<u>16,122,476</u>				

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5 CAPITAL ASSETS (Continued)

	2019				Ending Balance
	Beginning Balance	Transfers	Additions	Reductions	
Capital assets not being depreciated:					
Land	\$ 210,477	\$ 20,040	\$ _____	\$ _____	\$ 230,517
Total capital assets not being depreciated	<u>\$ 210,477</u>	<u>\$ 20,040</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 230,517</u>
Other capital assets:					
Building/improvements	\$ 11,110,801	\$ (20,040)	\$ 371,335	\$ (11,766)	\$11,450,330
Equipment	<u>4,639,259</u>	<u> A A A A A</u>	<u>32,887</u>	<u> </u>	<u>4,672,146</u>
Total other capital assets	<u>15,750,060</u>	<u>(20,040)</u>	<u>404,222</u>	<u>(11,766)</u>	<u>16,122,476</u>
Less accumulated depreciation for:					
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 LONG TERM LIABILITIES

A summary of long term obligation transactions for the College for the years ended June 30, 2020 and 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	\$ 111,551	\$ 10,677	\$	\$ 122,228	\$ 89,732
Funds due to West Virginia Development Office	2,419,931		(686,598)	1,733,333	66,668
Funds due to HEPC	67,500		(67,500)		
Net other postemployment benefit liability	<u>722,965</u>	<u>23,235</u>	<u>(134,410)</u>	<u>611,790</u>	

NOTES TO FINANCIAL STATEMENTS
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The Plan's fiduciary net position has been determined on the same basis used by the Plan. The RHBT is accounted for as a fiduciary fund, and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP for fiduciary funds as prescribed or permitted by the GASB. The primary sources of revenue are plan members and employer contributions. Members' contributions are recognized in the period in which the contributions are due. Employer contributions and related r

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

	2019	2018
Paygo premium	\$ 183	\$ 177

Members retired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired after July 1, 1997 or hired before June 30, 2010 pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010 pay

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Projected salary increases: Dependent upon pension system ranging from 3.0-6.5%, including inflation.

Retirement age: Experience based table of rates that are specific to the type of eligibility condition.

Aging factors: Based on the 2013 SOA Study "Health Care Costs - From Birth to Death".

Mortality rates based on RP 2000 Mortality Tables.

Healthcare cost trend rates: Trend rate for pre Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020, 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.

Expenses: Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

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

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

Single discount rate. A single discount rate of 7.15% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.15% and a tax exempt municipal bond rate based on an index of 20 year g

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB liability 2020	\$ 529,419	\$ 443,596	\$ 371,777
Net OPEB liability 2019	719,037	611,790	522,387

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the College's proportionate share of the net OPEB liability as of June 30, 2020 and 2019 calculated using the healthcare cost trend rate, as well as what the College's net OPEB liability would

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

The State has chartered the Commission with the responsibility to construct or renovate, finance, and maintain various academic and other facilities of the State's universities and colleges. As of June 30, 2013, the College had completed the construction of its new facility, which is being funded as noted below.

During the year ended June 30, 2005, the Commission issued \$167 million of 2004 Series B 30 year Revenue Bonds to fund capital projects at various higher education institutions in the State. The College was approved to receive \$8 million of these funds. State lottery funds will be used to repay the debt, although College revenues are pledged if lottery funds prove insufficient. The College has recognized approximately \$8,508,117 from these committed funds through June 30, 2020.

During the year ended June 30, 2018, the Commission issued \$82 million of Capital Improvement

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 14 AFFILIATED ORGANIZATION

The College has an affiliation agreement with Eastern Workforce Opportunity Regional Center and Services (Eastern WORCS). Although Eastern WORCS has been created "to foster and support applied research and workforce development" at the College, it is a separate nonprofit organization incorporated in the State of West Virginia. Oversight of Eastern WORCS is the responsibility of a separate and independently elected Board of Directors. Accordingly, the financial statements of Eastern WORCS are not included in the accompanying financial statements because the economic resources held by Eastern WORCS do not entirely or almost entirely benefit the College. No contributions were made to the College during either of the years ended June 30, 2020 or 2019.

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 ag sn , o C

NOTE 16 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The following tables represent operating expenses within both natural and functional classifications for the years ended June 30, 2020 and 2019.

	<u>Salaries and Wages</u>	<u>Benefits</u>	<u>Supplies and Other Services</u>	<u>Utilities</u>	<u>Scholarships</u>	<u>Depreciation</u>	<u>Fees Assessed by the Commission</u>	<u>Total</u>
Instruction	\$ 535,082	\$ 91,799	\$ 240,321	\$	\$	\$		

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Compliance and Other Matters

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