

*DRAFT - Incomplete  
for discussion purposes only*

# West Virginia Council for Community and Technical College Education

(A Component Unit of the West Virginia Higher Education Policy Commission)

Combined Financial Statements  
Years Ended June 30, 2019 and 2018  
and  
Independent Auditor's Reports

**WEST VIRGINIA COUNCIL FOR COMMUNITY  
AND TECHNICAL COLLEGE EDUCATION**

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## INDEPENDENT AUDITOR'S REPORT

West Virginia Council for Community and Technical College Education  
Charleston, West Virginia

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

We have audited the accompanying combined financial statements of the business-type activities and the aggregate discretely presented component units of the West Virginia Council for Community and Technical College Education (the Council), a component unit of the West Virginia Higher Education Policy Commission, as of and for the years ended June 30, 2019 and 2018, and the related notes to the combined financial statements, which collectively comprise the Council's combined financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the 2019 or 2018 financial statements of Blue Ridge Community and Technical College (Blue Ridge), Mountwest Community and Technical College (Mountwest), West Virginia Northern Community College (Northern), or West Virginia University at Parkersburg (WVU at Parkersburg), which collectively represent 47%, 48%, and 47% of the 2019 assets, net position, and revenues of the Council. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Blue Ridge, Mountwest, Northern, and WVU at Parkersburg, is based solely on the reports of the other auditors. We also did not audit the financial statements of the discretely presented component units as defined in Note 2 to the financial statements, other than WVU at Parkersburg Foundation, Inc., (collectively, the Other Discretely Presented Component Units), for the years ended June 30, 2019 and 2018, which collectively represent 44%, 44%, and 24% of the 2019 assets, net assets, and revenues of the discretely presented component units. The Other Discretely Presented Component Units' financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the discretely presented component units' financial statements, is based solely on the reports 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement. The discretely presented component units' financial statements were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, based on our audits and the reports of other auditors, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the business-type activities and the aggregate discretely presented component units of the Council, as of June 30, 2019 and 2018, and the combined 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***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 17, and the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and the related footnotes on pages 70 - 75 be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019, on our consideration of the Council'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 Council's internal control over financial reporting and compliance.

Charleston, West Virginia  
October 15, 2019

**WEST VIRGINIA COUNCIL FOR COMMUNITY  
AND TECHNICAL COLLEGE EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year 2019**

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

Senate Bill No. 448, passed during the 2004 legislative session, gave the West Virginia Council for Community and Technical College Education (the Council) the statutory authority for coordinating the delivery of community and technical college education in the State of West Virginia. The Council is comprised of 13 persons appointed by the Governor with the advice and consent of the Senate. There were nine public community and technical colleges and one administrative unit during fiscal years 2018 and 2019. The Council, combined with the West Virginia Higher Education Policy Commission (the Commission) and its institutions, collectively comprise the West Virginia Higher Education Fund (the Fund), which is a discretely presented component unit of the State of West Virginia. The supervision and management of the affairs of each institution is the responsibility of individual Governing Boards, while the Council is responsible for the development and implementation of a higher education policy agenda. Comparative combined statements for the fiscal years ended June 30, 2019 and 2018 are presented.

During fiscal year 2008, House Bill No. 3215 was passed, which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the Statewide network of independently-accredited community and technical colleges. Effective July 1, 2008, West Virginia University at Parkersburg (WVU at Parkersburg) and the administratively-linked community and technical colleges of Fairmont State University, Marshall University, West Virginia State University, and West Virginia University (the Universities) established their own Boards of Governors. Except for Fairmont State University and Pierpont Community and Technical College (Pierpont), which were granted an extension to be effective January 2010, the newly established Boards of Governors and the Boards of Governors of the Universities jointly agreed on a division of assets and liabilities of the Universities, which was effective retroactively to July 1, 2008. During 2019, there were transfers to the Universities of approximately \$373,000. During 2018, there were transfers to the Universities of approximately \$382,000. The Universities and the separately-established community and technical colleges developed a plan that ensured the financial stability of auxiliary enterprises, including but not limited to student housing, student centers, dining services, parking, and athletics through fiscal year 2012. The transition plans related to Fairmont State University and Pierpont extend Pierpont's obligation beyond 2019 to match outstanding bond commitments of Fairmont State University. Other than Pierpont's obligation, there are no formal commitments beyond 2019.

The Governmental Accounting Standards Board (GASB) has issued directives for presentation of college and university financial statements and any component units. The Council does not have any significant entities that are entirely or almost entirely for the benefit of the community and technical colleges reporting to the Council. While certain community and technical colleges do have Foundations, which are included in their respective individual financial statements, these Foundations are not currently significant to the Council, either individually or in total.

The following discussion and analysis of the Council's combined financial statements provides an overview of its financial activities for Fiscal Years 2019, 2018, and 2017, with a focus on 2019, and is required supplementary information. There are three financial statements presented: the Combined Statement of Net Position; the Combined Statement of Revenues, Expenses, and Changes in Net Position; and the Combined Statement of Cash Flows.

**WEST VIRGINIA COUNCIL FOR COMMUNITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year 2019**

**Combined Statement of Net Position**

The Combined Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Council. This point-of-time financial statement is designed to present to readers a fiscal snapshot of the Council. The Combined Statement of Net Position presents end-of-year financial information on assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources).

From the data presented, readers of the Combined Statement of Net Position are able to determine the assets available to continue the operations of the Council as well as the amount of deferred outflows of resources. They are also able to determine how much the Council owes vendors, employees, and lending institutions and the amount of deferred inflows of resources. Finally, the Combined Statement of Net Position provides a picture of the net position and its availability for expenditure by the Council.

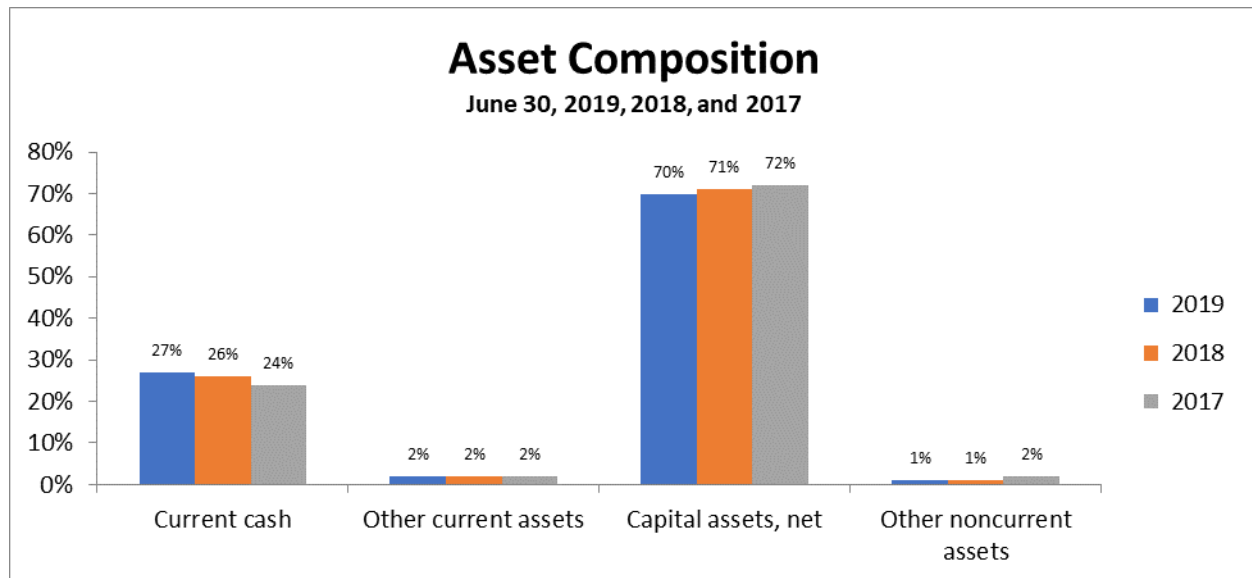
Net Position is divided into three major categories as follows:

- (1) Net investment in capital assets, which provides the Council's equity in property, plant, and equipment owned by the Council.
- (2) Restricted net position, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted balances are not available for expenditure by the Council. These funds are invested and generate earnings that are available for certain types of expenditures. Expendable restricted balances are available for expenditure by the Council but have a specific purpose.
- (3) Unrestricted balances are available for expenditure and can be used for any lawful purpose of the Council.

**WEST VIRGINIA COUNCIL FOR COMMUNITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year 2019**

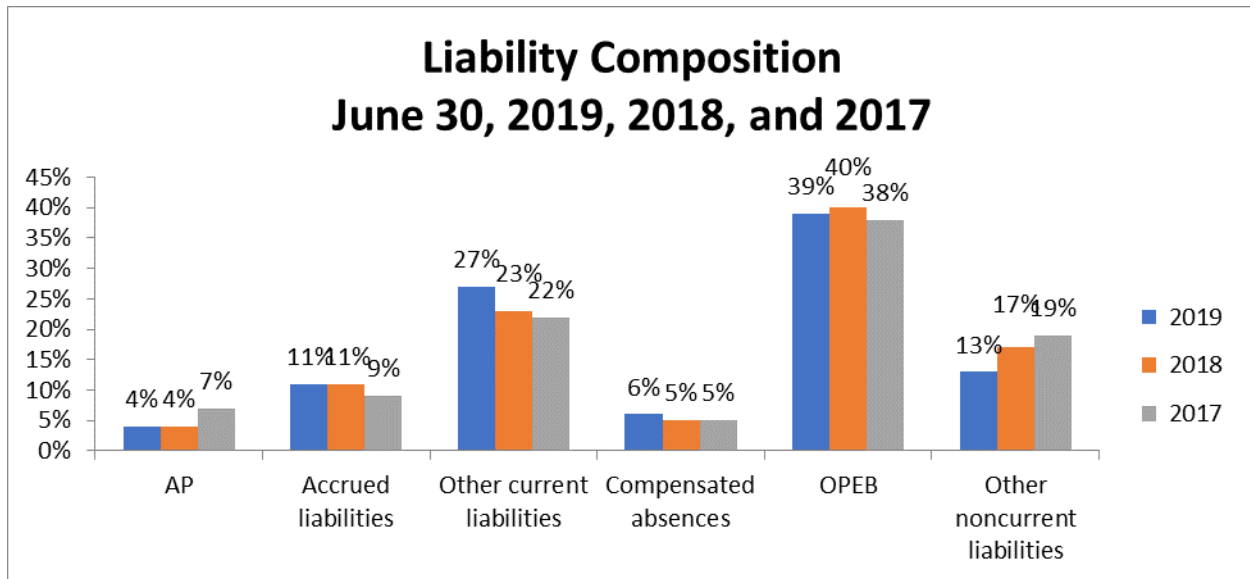
**Condensed Combined Schedules of Net Position  
June 30:  
(In thousands of dollars)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Change from 2018 to 2019</u>
<b>Assets</b>				
Current assets	\$ 102,659	\$ 96,556	\$ 91,615	\$ 6,103
Capital assets, net	242,659	242,951	249,181	(292)
Other noncurrent assets	<u>2,135</u>	<u>3,147</u>	<u>6,091</u>	<u>(1,012)</u>
Total assets	347,453	342,654	346,887	4,799
Deferred outflows of resources	<u>3,828</u>	<u>2,772</u>	<u>822</u>	<u>1,056</u>
Total	<u>\$ 351,281</u>	<u>\$ 345,426</u>	<u>\$ 347,709</u>	<u>\$ 5,855</u>
<b>Liabilities</b>				
Current liabilities	\$ 30,329	\$ 28,884	\$ 31,652	\$ 1,445
Noncurrent liabilities	<u>34,415</u>	<u>39,404</u>	<u>42,827</u>	<u>(4,989)</u>
Total liabilities	<u>64,744</u>	<u>68,288</u>	<u>74,479</u>	<u>(3,544)</u>
Deferred inflows of resources	<u>8,434</u>	<u>6,697</u>	<u>873</u>	<u>1,737</u>
<b>Net position</b>				
Net investment in capital assets	\$ 233,555	231,771	235,969	\$ 1,784
Restricted				
Nonexpendable	50	50	50	-
Expendable	9,970	9,174	12,583	796
Unrestricted	<u>34,528</u>	<u>29,446</u>	<u>23,755</u>	<u>5,082</u>
Total net position	<u>278,103</u>	<u>270,441</u>	<u>272,357</u>	<u>7,662</u>
Total	<u>\$ 351,281</u>	<u>\$ 345,426</u>	<u>\$ 347,709</u>	<u>\$ 5,855</u>



WEST VIRGINIA COUNCIL FOR COMMUNITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year 2019

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Major items of note in the Combined Statements of Net Position include:

- Total current assets of approximately \$102.7 million exceeded total current liabilities of approximately \$30.3 million as of June 30, 2019 for net working capital of approximately \$72.4 million as compared to net working capital of approximately \$67.7 million as of June 30, 2018. Current assets increased from the prior year by approximately \$6.1 million, and current liabilities increased by approximately \$1.4 million.
- The major components of current assets include cash and cash equivalents of approximately \$94.1 million and approximately \$89.7 million, appropriations due from primary government of approximately \$2.8 million and approximately \$2.0 million, and net accounts receivable of approximately \$4.9 million and approximately \$3.9 million as of June 30, 2019 and 2018, respectively. The majority of the cash and cash equivalents represent interest-earning assets invested through the office of the West Virginia State Treasurer, a significant portion of which were invested with the Board of Treasury Investments at both June 30, 2019 and 2018.
- The major components of current liabilities include unearned revenue and deposits of approximately \$15.4 million and approximately \$13.9 million, approximately \$7.2 million and approximately \$7.3 million in accrued liabilities, approximately \$2.6 million and approximately \$2.6 million in accounts payable, and approximately \$3.2 million and approximately \$3.0 million of compensated absences as of June 30, 2019 and 2018, respectively.



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Fiscal Year 2019**

- Noncurrent assets total approximately \$244.8 million and approximately \$246.1 million, and noncurrent liabilities total approximately \$34.4 million and approximately \$39.4 million as of June 30, 2019 and 2018, respectively. Noncurrent assets decreased over the prior year by approximately \$1.3 million.
- Capital assets, net of accumulated depreciation decreased from approximately \$243.0 million to approximately \$242.7 million, a decrease of approximately \$0.3 million from the previous year. This decrease is a result of disposals of capital assets.
- Major components of noncurrent liabilities include bonds payable totaling approximately \$0.7 million and approximately \$1.1 million, net pension liability of approximately \$1.1 million and \$1.8 million, debt service obligations of approximately \$4.8 million and approximately \$5.8 million, and net other postemployment benefits liability of approximately \$25.4 million and approximately \$27.4 million as of June 30, 2019 and 2018, respectively.
- Deferred outflows of resources totaled approximately \$3.8 million and \$2.8 million as of June 30, 2019 and 2018, respectively. Deferred inflows of resources totaled approximately \$8.4 million and approximately \$6.7 million as of June 30, 2019 and 2018, respectively. Deferred outflows of resources and deferred inflows of resources consist primarily of balances related to the net pension liability and the net OPEB liability.
- The net position of the Council totaled approximately \$278.1 million and approximately \$270.4 million as of June 30, 2019 and 2018, respectively, a increase of approximately \$7.7 million.
  - The net investment in capital assets totaled approximately \$233.6 million and approximately \$231.8 million as of June 30, 2019 and 2018, respectively.
  - The restricted portion of the net position totaled approximately \$10.0 million and approximately \$9.2 million as of June 30, 2019 and 2018, respectively and is primarily restricted for capital projects.
  - The unrestricted portion of the net position totaled approximately \$34.5 million and approximately \$29.4 million as of June 30, 2019 and 2018, respectively and represents net position available to the Council for any lawful purpose of the Council and their institutions.

**Combined Statement of Revenues, Expenses, and Changes in Net Position**

Changes in total net position as presented on the Combined Statement of Net Position are based on the activity presented in the Combined Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues, both operating and nonoperating, expenses, both operating and nonoperating, and any other revenues, expenses, gains, or losses of the Council.

**WEST VIRGINIA COUNCIL FOR COMMUNITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year 2019**

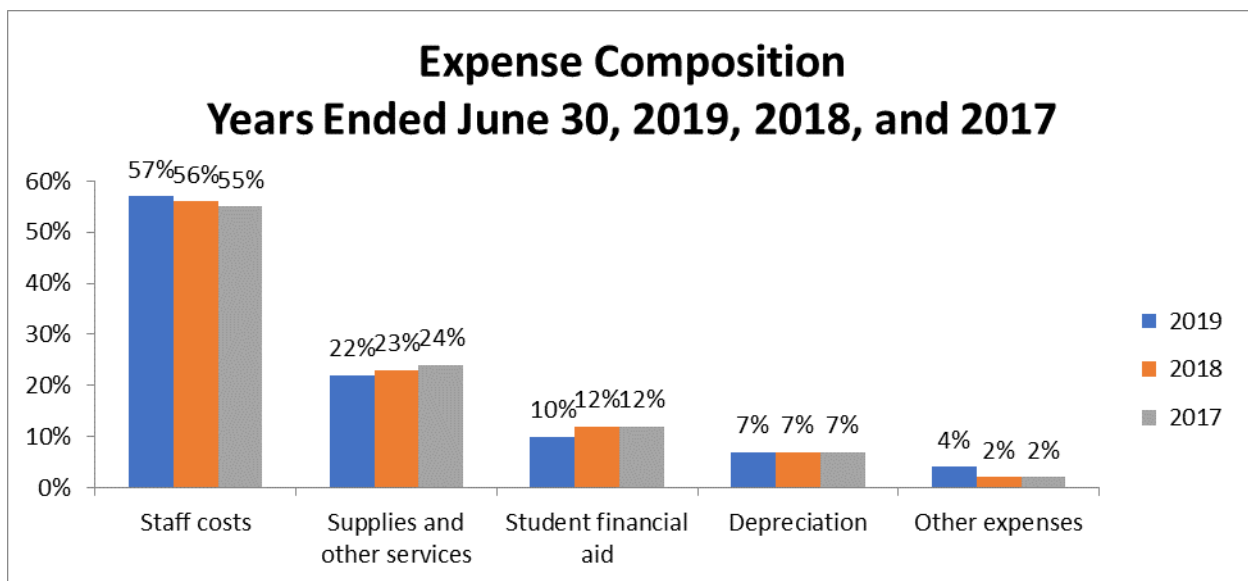
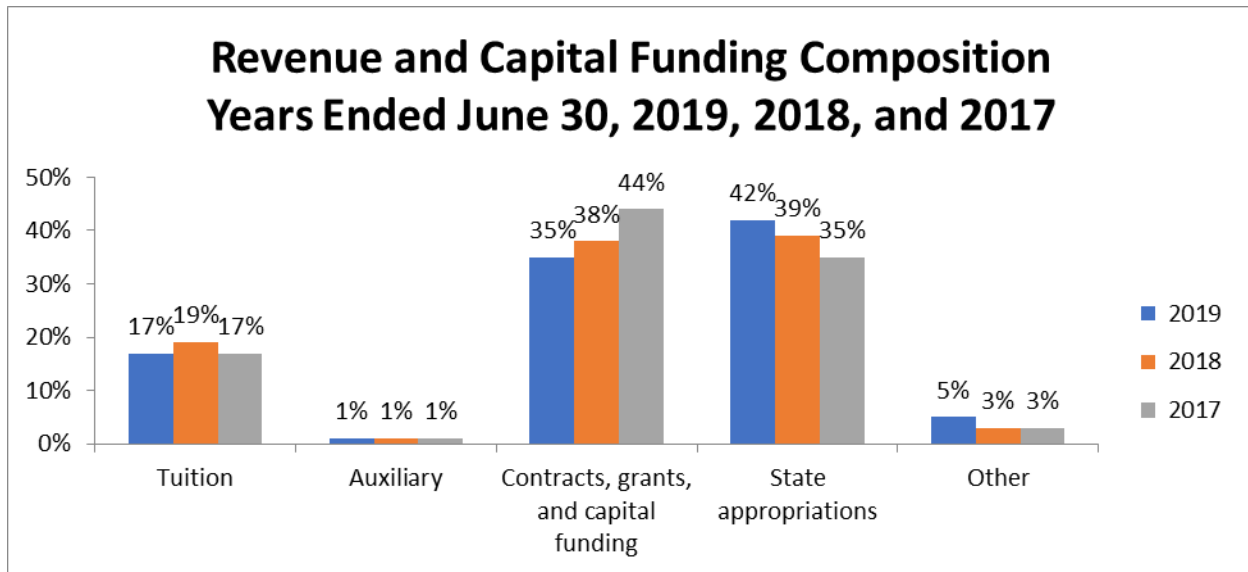
Operating revenues represent the receipts earned from providing goods and service to the various customers and constituencies served by the Council, including fees from students and revenue in the form of Federal and State grants used to support operations and various initiatives. Operating expenses are those expenses in the form of staff salaries, benefits, and various goods and services incurred to carry out the mission of the Council. Revenues for which goods and services are not provided are reported as nonoperating revenues. For example, State appropriations are nonoperating because they are provided by the West Virginia State Legislature to the Council without the Legislature directly receiving commensurate goods and services for those revenues.

**Condensed Combined Schedule of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30:  
(In thousands of dollars)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Change from 2018 to 2019</u>
Operating revenues	\$ 53,316	\$ 59,630	\$ 64,789	\$ (6,314)
Operating expenses	<u>151,156</u>	<u>152,826</u>	<u>156,723</u>	<u>(1,670)</u>
Operating loss	<u>(97,840)</u>	<u>(93,196)</u>	<u>(91,934)</u>	<u>(4,644)</u>
Net nonoperating revenues	<u>98,460</u>	<u>94,331</u>	<u>96,300</u>	<u>4,129</u>
Increase in net position before other revenues, expenses, gains, or	<u>620</u>	<u>1,135</u>	<u>4,366</u>	<u>(515)</u>
Payments made and expenses incurred by the State on behalf of the Council and Institutions	1,737	2,206	494	(469)
Capital projects and bond proceeds from Commission and the State	378	109	130	269
Capital grants and gifts	3,604	416	287	3,188
Capital payments made on behalf of the Council and Institutions	<u>1,696</u>	<u>1,426</u>	<u>15,239</u>	<u>270</u>
Increase in net position before transfers	8,035	5,292	20,516	2,743
Transfers to Institutions of the Commission and others	<u>(373)</u>	<u>(3,718)</u>	<u>(329)</u>	<u>3,345</u>
Increase in net position	<u>7,662</u>	<u>1,574</u>	<u>20,187</u>	<u>6,088</u>
Net position - beginning of year	270,441	272,357	252,170	(1,916)
Net effect of change in accounting policy	-	(3,490)	-	3,490
Net position - beginning of year (Restated)	<u>270,441</u>	<u>268,867</u>	<u>252,170</u>	<u>1,574</u>
Net position - end of year	<u>\$ 278,103</u>	<u>\$ 270,441</u>	<u>\$ 272,357</u>	<u>\$ 7,662</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year 2019**

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Major items of note in the Combined Statements of Revenue, Expenses, and Changes in Net Position include:

- Operating revenues of the Council totaled approximately \$53.3 million in fiscal year 2019 compared to approximately \$59.6 million in fiscal year 2018, a decrease of approximately \$6.3 million compared to a prior year decrease of approximately \$5.2 million.

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Fiscal Year 2019**

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- Student tuition and fee revenues totaled approximately \$27.5 million in fiscal year 2019 compared to approximately \$29.3 million in fiscal year 2018, a decrease of approximately \$1.8 million. Tuition is reported net of scholarship allowances totaling approximately \$26.3 million and approximately \$27.0 million in fiscal years 2019 and 2018, respectively. The decrease is primarily due to enrollment decline.
- Federal grants and contracts totaled approximately \$10.2 million in fiscal year 2019 compared to approximately \$14.0 million in fiscal year 2018. Federal grants include funding for sponsored research and other miscellaneous federal programs.
- State grants and contracts totaled approximately \$8.0 million in fiscal year 2019 compared to approximately \$8.7 million in fiscal year 2018, and private grants and contracts totaled approximately \$2.4 million in fiscal year 2019 compared to approximately \$2.4 million in fiscal year 2018. Any fluctuations represent normal grant activities.
- Sales and services of educational activities generated revenues of approximately \$0.8 million in fiscal year 2019 compared to approximately \$1.0 million in fiscal year 2018.
- Auxiliary enterprises generated revenues of approximately \$2.0 million in fiscal year 2019 compared to approximately \$2.0 million in fiscal year 2018, net of scholarship allowance of approximately \$0.3 million and approximately \$0.2 million in fiscal years 2019 and 2018, respectively.
- Other operating revenues totaled approximately \$2.3 million in fiscal year 2019 compared to approximately \$2.3 million in fiscal year 2018.
- Operating expenses totaled approximately \$151.2 million in fiscal year 2019 compared to approximately \$152.8 million in fiscal year 2018, a decrease of approximately \$1.6 million.
  - Staff costs, including salaries and benefits, totaled approximately \$86.5 million in fiscal year 2019 compared to approximately \$85.0 million in fiscal year 2018, a increase of approximately \$1.5 million from the prior year. This increase is attributed to increased staffing at the institutions.
  - Supplies and other services totaled approximately \$33.8 million in fiscal year 2019 compared to approximately \$34.6 million in fiscal year 2018. The change is attributable to reduction in purchases of supplies and other services in response to budget cuts.
  - Scholarships and fellowships totaled approximately \$15.6 million in fiscal year 2019 compared to approximately \$18.0 million in fiscal year 2018. This is primarily attributed to a decrease in the number of students receiving Pell grants.
  - Depreciation on capital assets totaled approximately \$11.3 million in fiscal year 2019 compared to approximately \$11.4 million in fiscal year 2018.

**WEST VIRGINIA COUNCIL FOR COMMUNITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year 2019**

- The result from operations was an operating loss of approximately \$97.8 million and approximately \$93.2 million for the years ended June 30, 2019 and 2018, respectively, which excludes State appropriations of approximately \$67.1 million and approximately \$61.4 million, respectively, and federal Pell grants of approximately \$29.4 million and approximately \$31.9 million, respectively. These exclusions are recorded as nonoperating revenues.
- Net nonoperating revenue totaled approximately \$98.5 million and approximately \$94.3 million for the years ended June 30, 2019 and 2018, respectively, an increase of approximately \$4.2 million from the prior year.
  - State general revenue and lottery appropriations totaled approximately \$67.1 million and approximately \$61.4 million for the years ended June 30, 2019 and 2018, reflecting an increase of approximately \$5.7 million in fiscal year 2019.
  - Federal Pell revenues totaled approximately \$29.4 million and approximately \$31.9 million for the year ended June 30, 2019 and 2018, respectively, reflecting a decrease of approximately \$2.5 million in fiscal year 2019.
- Other funding primarily consists of capital payments made on behalf of the Council totaling approximately \$1.7 million and approximately \$1.4 million for the years ended June 30, 2019 and 2018, respectively. Capital grants and gifts totaled approximately \$3.6 million and approximately \$0.4 million for the years ended June 30, 2019 and 2018, respectively. Payments made and expenses incurred by the State on behalf of the Council totaled approximately \$1.7 million and approximately \$2.2 million for the years ended June 30, 2019 and 2018, respectively.
- The activity for fiscal year 2019 resulted in an increase in net position after transfers of approximately \$7.7 million, as compared to the approximately \$1.6 million increase in net position after transfers during fiscal year 2018. The net position at June 30, 2019 totaled approximately \$278.1 million compared to approximately \$270.4 million at June 30, 2018.
- As reported on a functional basis, expenditures for educational and general (E&G) expenses were approximately \$121.9 million and approximately \$120.9 million in fiscal year 2019 and fiscal year 2018, respectively, an increase of approximately \$1.0 million from fiscal year 2018. Instruction expenses constitute 45.1% and 46.2% of total E&G expenses, and institutional support constitutes 24.9% and 24.1% of total E&G expenses in fiscal year 2019 and fiscal year 2018, respectively.

**WEST VIRGINIA COUNCIL FOR COMMUNITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Condensed Functional Expense Comparisons  
Years Ended June 30:  
(In thousands of dollars)**

	<b>2019 Total</b>	<b>% of E&amp;G Total</b>	<b>2018 Total</b>	<b>% of E&amp;G Total</b>	<b>2017 Total</b>	<b>% of E&amp;G Total</b>	<b>Change from 2018 to 2019</b>
Instruction	\$ 54,959	45.1%	\$ 55,781	46.2%	\$ 58,239	46.8%	\$ (822)
Research	-	0.0%	-	0.0%	18	0.0%	-
Public service	2,345	1.9%	2,766	2.3%	2,687	2.2%	(421)
Academic support	7,999	6.6%	7,750	6.4%	8,036	6.5%	249
Student services	12,529	10.3%	12,017	9.9%	11,415	9.2%	512
General institutional support	30,346	24.9%	29,074	24.1%	30,939	24.9%	1,272
Operations and maintenance of plant	<u>13,720</u>	<u>11.2%</u>	<u>13,470</u>	<u>11.1%</u>	<u>13,052</u>	<u>10.4%</u>	<u>250</u>
<b>Total education and general</b>	121,898	<u>100.0%</u>	120,858	<u>100.0%</u>	124,386	<u>100.0%</u>	1,040
Student financial aid	16,091		18,596		18,874		(2,505)
Auxiliary enterprises	1,316		1,397		1,408		(81)
Depreciation	11,324		11,417		11,312		(93)
Loan cancellations and write-offs	156		169		234		(13)
Other	<u>371</u>		<u>389</u>		<u>509</u>		<u>(18)</u>
<b>Total</b>	<u>\$ 151,156</u>		<u>\$ 152,826</u>		<u>\$ 156,723</u>		<u>\$ (1,670)</u>

**Combined Statement of Cash Flows**

The final statement presented is the Combined Statement of Cash Flows. The Combined Statement of Cash Flows presents detailed information about the cash activity of the Council during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used by the operating activities of the Council. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section reflects 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 loss reflected on the Combined Statement of Revenues, Expenses, and Changes in Net Position.

**Condensed Combined Schedule of Cash Flows  
Years Ended June 30:  
(In thousands of dollars)**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>Change from 2018 to 2019</b>
Cash provided (used) by:				
Operating activities	\$ (86,549)	\$ (84,222)	\$ (78,903)	\$ (2,327)
Noncapital financing activities	95,718	94,094	95,453	1,624
Capital and related financing activities	(7,480)	(8,811)	(6,976)	1,331
Investing activities	<u>1,847</u>	<u>1,140</u>	<u>599</u>	<u>707</u>
Increase in cash	3,536	2,201	10,173	1,335
Cash - beginning of year	<u>92,092</u>	<u>89,891</u>	<u>79,718</u>	<u>2,201</u>
Cash - end of year	<u>\$ 95,628</u>	<u>\$ 92,092</u>	<u>\$ 89,891</u>	<u>\$ 3,536</u>

**WEST VIRGINIA COUNCIL FOR COMMUNITY  
AND TECHNICAL COLLEGE EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year 2019**

Major items of note in the Combined Statements of Cash Flows include:

- Cash provided by operating activities was exceeded by cash expended for operating activities by approximately \$86.5 million and approximately \$84.2 million for the years ended June 30, 2019 and 2018, respectively, primarily because State appropriations and federal Pell grants are defined within GAAP as noncapital financing activities. Primary sources of cash from operating activities during fiscal years 2019 and 2018 were student tuition and fees of approximately \$32.1 million and approximately \$32.3 million, respectively, and contracts and grants of approximately \$17.8 million and approximately \$20.1 million, respectively. Primary uses of cash for fiscal years 2019 and 2018, respectively, included payments to and on behalf of employees of approximately \$87.1 million and approximately \$83.8 million, payments to suppliers of approximately \$29.6 million and approximately \$32.4 million, and payments for scholarship and fellowships of approximately \$17.0 million and approximately \$17.5 million.
- Net cash provided by noncapital financing activities for fiscal years 2019 and 2018, respectively, totaled approximately \$95.7 million and approximately \$94.1 million, of which approximately \$66.3 million and approximately \$61.5 million were from State general revenue and lottery appropriations, and approximately \$29.4 million and approximately \$31.9 million were from federal Pell grants.
- Net cash used in capital financing activities for fiscal years 2019 and 2018, respectively, totaled approximately \$7.5 million and approximately \$8.8 million and primarily resulted from purchases of capital assets and debt activity.
- Net cash of the Council at June 30, 2019 was approximately \$95.6 million compared to approximately \$92.1 million at June 30, 2018, an increase of approximately \$3.5 million.

**Capital Asset and Long-Term Debt Activity**

Funding for capital projects comes from a variety of sources, including student tuition and other operating revenues, fundraising, bond proceeds from the Commission, capital lease financing, and other external financing arrangements. Three of the recently-separated community and technical colleges primarily utilize the facilities of their respective four-year and post-graduate counterpart. The Commission still maintains responsibility within the West Virginia Higher Education Fund for real property acquisition and construction.

On December 8, 2009, the Commission, on behalf of the Council, issued \$78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (2009 Bonds). The proceeds of the 2009 Bonds are being used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The interest rate on the 2009 Bonds ranges from 2.5% to 5.0% and the due dates commenced July 1, 2010 and end July 1, 2028. State Lottery proceeds of a maximum of \$5,000,000 per year will be used to repay the debt, which has a maximum annual debt service of \$4,999,750. In addition, pursuant to Section 18 (j) (1) of the Lottery Act, the Commission has granted a third-in-party lien, for the benefit of the bond holders, on the proceeds of the State Lottery Fund, up to a maximum of \$7,500,000 annually. Further details concerning capital assets and long-term liabilities are included in Note 5 and in Notes 6 through 12, respectively, of the Notes to the Council's Combined Financial Statements.

**WEST VIRGINIA COUNCIL FOR COMMUNITY  
AND TECHNICAL COLLEGE EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year 2019**

**Other Factors Impacting the Financial Position and Results of Operations of the Council**

Fulfilling the Vision: 2015-2020 is the current West Virginia Community and Technical College System Master Plan. The mission of the West Virginia Community and Technical College System is to promote and provide high-quality, accessible, and responsive education and training opportunities that maximize student learning, improve the standard of living for West Virginians, and contribute to the economic vitality and competitiveness of our state. The Community and Technical College System will:

- Be a comprehensive community and technical college system that offers developmental education, career and technical education, workforce and continuing education, and transfer education;
- Be the economic stimulus for business and industry to remain in or relocate to the state because of the education and training with which it equips its citizens to compete in the global economy;
- Produce a world-class workforce by being the primary provider of adult workforce and technical training; and
- Strategically partner with economic, workforce and community development, K-12, and the universities to meet the workforce development needs of citizens and businesses.

The Community and Technical College System goals are the following:

- Improve the success of students by increasing college completion;
- Meet the workforce demands of employers and enhance economic development efforts in West Virginia;
- Provide access to affordable, comprehensive community and technical college education in all regions of the state; and
- Ensure fiscal stability to effectively deliver comprehensive community and technical college education.

The State appropriations for Community and Technical Colleges, as they were included in the Council for fiscal years 2019 and 2018, respectively, amounted to approximately \$67.1 million and \$61.4 million. For fiscal year 2019, State appropriations increased approximately \$5.7 million.

The demographics of the State of West Virginia also have an impact on the future operations of the Council. The number of high school graduates has declined in recent years and is projected to decline further over the next ten years. Significant efforts are underway to expand the participation rate in higher education by both high school graduating seniors as well as adults to improve the economic environment of the State. Net student tuition and fees provide approximately 18.0% of the total revenues of the Council.

One of the key goals of the higher education system is to improve the economic environment of the State of West Virginia. The full impact of the current economic environment and the resulting impact on the future economic environment by various factors including the performance of the higher education system cannot be predicted with any certainty. The Council's current financial condition will be a significant resource supporting future economic development efforts.



**WEST VIRGINIA COUNCIL FOR COMMUNITY  
AND TECHNICAL COLLEGE EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year 2019**

**Requests for Information**

The financial report is designed to provide an overview of the finances of the Council 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 Ed Magee at 1018 Kanawha Boulevard East, Suite 700, Charleston, West Virginia 25301.

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION  
COMBINED STATEMENTS OF NET POSITION  
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 94,144,666	\$ 89,695,397
Appropriations due from Primary Government	2,778,263	2,028,595
Accounts receivable, net of allowance for doubtful accounts	4,910,172	3,936,448
Due from the Commission	366,141	330,040
Inventories	118,000	120,815
Due from Marshall University - current portion	-	42,834
Other current assets	341,757	401,334
Total current assets	<u>102,658,999</u>	<u>96,555,463</u>
NONCURRENT ASSETS:		
Cash and cash equivalents	1,483,102	2,396,692
Capital assets, net of accumulated depreciation	242,659,443	242,950,755
Other noncurrent assets	651,399	750,585
Total noncurrent assets	<u>244,793,944</u>	<u>246,098,032</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows relating to the net pension liability	325,335	428,520
Deferred outflows relating to the net OPEB liability	<u>3,502,828</u>	<u>2,343,858</u>
Total deferred outflows of resources	<u>3,828,163</u>	<u>2,772,378</u>
TOTAL	<u>\$ 351,281,106</u>	<u>\$ 345,425,873</u>

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION  
COMBINED STATEMENTS OF NET POSITION (Continued)  
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 2,649,022	\$ 2,634,065
Accrued liabilities	7,247,514	7,257,231
Due to the Commission	175,423	299,438
Due to the State and State agencies	238,346	362,707
Compensated absences - current portion	3,245,150	2,951,836
Capital lease obligations - current portion	103,449	110,795
Bonds payable - current portion	428,298	411,163
Other debt service obligations - current portion	805,287	882,351
Funds due to West Virginia Development Office - current portion	66,668	66,668
Unearned revenue and deposits	15,369,587	13,908,272
Total current liabilities	<u>30,328,744</u>	<u>28,884,526</u>
<b>NONCURRENT LIABILITIES:</b>		
Advances from federal sponsors	-	416
Net other postemployment benefits liability	25,439,133	27,438,774
Compensated absences	474,412	471,942
Capital lease obligations	275,677	378,767
Bonds payable	676,146	1,104,444
Other debt service obligations	4,757,386	5,823,097
Funds due to West Virginia Development Office	1,666,665	2,353,263
Net pension liability	1,125,483	1,833,140
Total noncurrent liabilities	<u>34,414,902</u>	<u>39,403,843</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Service concession arrangement	97,833	100,000
Deferred inflows relating to the net pension liability	1,240,205	1,062,522
Deferred inflows relating to the net OPEB liability	7,096,375	5,534,020
Total deferred inflows of resources	<u>8,434,413</u>	<u>6,696,542</u>
<b>NET POSITION:</b>		
Net investment in capital assets	233,554,734	231,770,610
Restricted for - nonexpendable - other	50,000	50,000
Restricted for - expendable - capital projects	3,449,330	4,119,907
Restricted for - expendable - scholarships	74,148	39,473
Restricted for - expendable - sponsored projects	3,327,898	1,840,540
Restricted for - expendable - other	3,119,184	3,174,271
Unrestricted	34,527,753	29,446,161
Total net position	<u>278,103,047</u>	<u>270,440,962</u>
<b>TOTAL</b>	<u>\$ 351,281,106</u>	<u>\$ 345,425,873</u>

The Accompanying Notes Are An Integral  
Part Of These Combined Financial Statements

COMBINED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:		
Student tuition and fees, net of scholarship allowance of \$26,329,306 and \$27,010,094 in 2019 and 2018, respectively	\$ 27,506,714	\$ 29,295,369
Contracts and grants:		
Federal	10,229,706	13,977,267
State	8,009,003	8,682,424
Private	2,437,356	2,395,559
Sales and services of educational activities	833,237	1,033,191
Auxiliary enterprise revenue, net of scholarship allowance of \$279,118 and \$212,522 in 2019 and 2018, respectively	1,966,057	1,994,987
Other operating revenue	<u>2,334,347</u>	<u>2,251,153</u>
Total operating revenues	<u>53,316,420</u>	<u>59,629,950</u>
OPERATING EXPENSES:		
Salaries and wages	69,784,733	67,339,597
Benefits	16,678,013	17,680,657
Supplies and other services	33,754,440	34,608,107
Utilities	3,873,510	3,575,064
Student financial aid - scholarships and fellowships	15,584,936	18,037,074
Depreciation	11,324,526	11,416,814
Loan cancellations and write-offs	<u>155,929</u>	<u>168,901</u>
Total operating expenses	<u>151,156,087</u>	<u>152,826,214</u>
OPERATING LOSS	<u>(97,839,667)</u>	<u>(93,196,264)</u>

The Accompanying Notes Are An Integral  
Part Of These Combined Financial Statements

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION  
COMBINED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION (Continued)  
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	67,054,146	61,376,642
Federal Pell grant	29,401,226	31,936,741
Investment income	1,856,935	1,158,669
Fees assessed by the Commission	(118,244)	(75,631)
Other nonoperating revenues (expenses)	<u>266,407</u>	<u>(65,360)</u>
Net nonoperating revenues	<u>98,460,470</u>	<u>94,331,061</u>
INCREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	620,803	1,134,797
PAYMENTS MADE AND EXPENSES INCURRED BY THE STATE ON BEHALF OF THE COUNCIL AND INSTITUTIONS	1,737,148	2,205,873
CAPITAL PROJECTS AND BOND PROCEEDS FROM THE COMMISSION AND STATE	377,513	109,517
CAPITAL GRANTS AND GIFTS	3,604,233	416,700
CAPITAL PAYMENTS MADE ON BEHALF OF THE COUNCIL AND INSTITUTIONS	<u>1,695,750</u>	<u>1,425,872</u>
INCREASE IN NET POSITION BEFORE TRANSFERS	8,035,447	5,292,759
TRANSFERS TO INSTITUTIONS OF THE COMMISSION AND OTHERS	<u>(373,362)</u>	<u>(3,718,163)</u>
INCREASE IN NET POSITION	<u>7,662,085</u>	<u>1,574,596</u>
NET POSITION - Beginning of year (As previously reported)	270,440,962	272,356,716
NET EFFECT OF CHANGE IN ACCOUNTING POLICY	<u>-</u>	<u>(3,490,350)</u>
NET POSITION - Beginning of year (Restated)	<u>270,440,962</u>	<u>268,866,366</u>
NET POSITION - End of year	<u>\$ 278,103,047</u>	<u>\$ 270,440,962</u>

The Accompanying Notes Are An Integral  
Part Of These Combined Financial Statements

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION  
COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 32,092,811	\$ 32,346,106
Contracts and grants	17,751,322	20,061,737
Payments to and on behalf of employees	(87,122,127)	(83,837,180)
Payments to suppliers	(29,555,038)	(32,378,100)
Payments to utilities	(3,873,926)	(3,531,665)
Payments for scholarships and fellowships	(16,969,637)	(17,545,306)
Auxiliary enterprise charges	2,103,164	2,107,795
Sales and service educational activities	806,320	1,180,581
Other payments, net	(1,782,042)	(2,626,452)
Net cash used in operating activities	<u>(86,549,153)</u>	<u>(84,222,484)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	66,304,478	61,525,117
Federal Pell grant	29,401,226	31,939,287
Federal SEOG grant	16,891	-
Federal student loan program - direct lending receipts	18,929,818	21,154,354
Federal student loan program - direct lending payments	(18,929,818)	(21,153,768)
Other nonoperating receipts/(payments), net	(4,272)	629,489
Net cash provided by noncapital financing activities	<u>95,718,323</u>	<u>94,094,479</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital grants and gifts received	383,744	391,700
Purchases of capital assets	(6,282,928)	(8,017,594)
Proceeds from capital debt	-	105,831
Capital projects and bond proceeds from the Commission and State	93,161	353,000
Debt service assessed for debt service and reserves	(652,120)	(576,075)
Principal paid on capital debt and leases	(862,948)	(822,761)
Interest paid on capital debt and leases	(129,486)	(149,661)
Other	(29,719)	(95,631)
Net cash used in capital financing activities	<u>(7,480,296)</u>	<u>(8,811,191)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	<u>1,846,805</u>	<u>1,140,378</u>
Net cash provided by investing activities	<u>1,846,805</u>	<u>1,140,378</u>
INCREASE IN CASH AND CASH EQUIVALENTS	3,535,679	2,201,182
CASH AND CASH EQUIVALENTS - Beginning of year	<u>92,092,089</u>	<u>89,890,907</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 95,627,768</u>	<u>\$ 92,092,089</u>

The Accompanying Notes Are An Integral  
Part Of These Combined Financial Statements

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION  
COMBINED STATEMENTS OF CASH FLOWS (Continued)  
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN		
OPERATING ACTIVITIES:		
Operating loss	\$ (97,839,667)	\$ (93,196,264)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	11,324,526	11,416,814
Pension expense - special funding situation	244,601	398,379
OPEB expense - special funding situation	1,626,630	1,742,126
Net effect of change in accounting policy	-	(3,490,350)
Payments made on behalf of the Council	-	9,509
Changes in assets and liabilities:		
Accounts receivable, net	(857,296)	393,499
Due from the Commission	(573,013)	(2,037,336)
Inventories	2,815	9,946
Deferred outflows of resources	(1,055,786)	(1,216,234)
Accounts payable/amounts due	825,711	(1,152,797)
Accrued liabilities	(276,511)	(807,322)
Advances from federal sponsors	(416)	(9,665)
Net other postemployment benefits liability	(1,548,641)	925,207
Compensated absences	297,784	(143,748)
Unearned revenue and deposits	1,396,359	(345,483)
Net pension liability	(654,657)	(958,510)
Deferred inflows of resources	1,738,039	4,341,281
Other	(1,199,631)	(101,536)
Net cash used in operating activities	<u>\$ (86,549,153)</u>	<u>\$ (84,222,484)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT		
OF NET POSITION:		
Cash and cash equivalents classified as current	\$ 94,144,666	\$ 89,695,397
Cash and cash equivalents classified as noncurrent	<u>1,483,102</u>	<u>2,396,692</u>
	<u>\$ 95,627,768</u>	<u>\$ 92,092,089</u>
NONCASH TRANSACTIONS:		
Capital asset additions in accounts payable or retainage	<u>\$ 300,521</u>	<u>\$ 593,280</u>
Capital assets acquired through contributions or donation	<u>\$ 40,200</u>	<u>\$ 29,279</u>
Capital payments made and expenses incurred on behalf of the Council	<u>\$ 1,831,667</u>	<u>\$ 1,359,536</u>
Loss on disposal of assets	<u>\$ 7,000</u>	<u>\$ 8,000</u>
Donations	<u>\$ 1,000</u>	<u>\$ 8,000</u>
Transfer of donated capital assets	<u>\$ -</u>	<u>\$ 3,336,335</u>
Transfer to Fairmont	<u>\$ (373,362)</u>	<u>\$ (381,828)</u>
Loan forgiveness	<u>\$ 619,932</u>	<u>\$ -</u>

The Accompanying Notes Are An Integral  
Part Of These Combined Financial Statements

**WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION  
COMPONENT UNITS - STATEMENT OF FINANCIAL POSITION**

	JUNE 30, 2019				DECEMBER 31, 2018	
	Blue Ridge Community and Technical College Foundation, Inc.	BridgeValley Community & Technical College Foundation, Inc.	New River Community and Technical College Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Southern West Virginia Community and Technical College Foundation, Inc.
						Total
<b>ASSETS</b>						
Cash and equivalents	\$ 277,142	\$ 285,260	\$ 124,412	\$ 100,676	\$ 56,574	\$ 366,323
Investments	712,804	2,141,433	1,316,904	4,820,475	11,399,104	3,178,352
Pledges and contributions receivable, net	36,500	7,500	55,000	-	-	85,577
Other assets	6,116	8,655	98	233,572	8,223	20,847
Beneficial interests	-	-	1,372,067	1,142,903	-	-
Property and equipment, net	-	-	-	-	1,213,431	-
<b>TOTAL ASSETS</b>	<b>\$ 1,032,562</b>	<b>\$ 2,442,848</b>	<b>\$ 2,868,481</b>	<b>\$ 6,297,626</b>	<b>\$ 12,677,332</b>	<b>\$ 3,651,099</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable	\$ 2,985	\$ 16,733	\$ 124,500	\$ 9,542	\$ 11,575	\$ -
Other accrued liabilities	-	-	9,000	1,000	-	-
Amounts held on behalf of others	-	12,165	-	-	16,947	-
<b>Total Liabilities</b>	<b>2,985</b>	<b>28,898</b>	<b>133,500</b>	<b>10,542</b>	<b>28,522</b>	<b>-</b>
<b>Net Assets</b>						
Without donor restrictions	151,361	34,730	21,620	926,758	1,473,239	954,352
With donor restrictions	878,216	2,379,220	2,713,361	5,360,326	11,175,571	2,696,747
<b>Total Net Assets</b>	<b>1,029,577</b>	<b>2,413,950</b>	<b>2,734,981</b>	<b>6,287,084</b>	<b>12,648,810</b>	<b>3,651,099</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,032,562</b>	<b>\$ 2,442,848</b>	<b>\$ 2,868,481</b>	<b>\$ 6,297,626</b>	<b>\$ 12,677,332</b>	<b>\$ 3,651,099</b>
						<b>\$ 28,969,948</b>

The accompanying notes are an integral part of these financial statements.



**WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION  
COMPONENT UNITS - STATEMENT OF FINANCIAL POSITION**

	JUNE 30, 2018 (As Restated)				DECEMBER 31, 2017		
	Blue Ridge Community and Technical College Foundation, Inc.	BridgeValley Community & Technical College Foundation, Inc.	New River Community and Technical College Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Southern West Virginia Community and Technical College Foundation, Inc.	Total
<b>ASSETS</b>							
Cash and equivalents	\$ 222,752	\$ 798,710	\$ 191,261	\$ 86,479	\$ 31,262	\$ 273,748	\$ 1,604,212
Investments	568,584	1,414,909	1,347,222	4,655,137	11,100,101	3,420,847	22,506,800
Pledges and contributions receivable, net	12,000	204,133	-	-	-	158,624	374,757
Other assets	5,869	1,253	9	300,910	13,550	22,864	344,455
Beneficial interests	-	-	1,241,042	1,125,908	-	-	2,366,950
Property and equipment, net	-	-	-	-	1,282,039	-	1,282,039
TOTAL ASSETS	\$ 809,205	\$ 2,419,005	\$ 2,779,534	\$ 6,168,434	\$ 12,426,952	\$ 3,876,083	\$ 28,479,213
<b>LIABILITIES AND NET ASSETS</b>							
<b>Liabilities</b>							
Accounts payable	\$ 1,140	\$ 18,137	\$ 120,700	\$ 6,842	\$ 13,206	\$ 16,872	\$ 176,897
Other accrued liabilities	-	-	24,647	9,710	-	-	34,357
Amounts held on behalf of others	-	6,401	-	-	13,919	-	20,320
Total Liabilities	1,140	24,538	145,347	16,552	27,125	16,872	231,574
<b>Net Assets</b>							
Without donor restrictions	132,522	817	37,210	881,774	1,517,133	1,043,974	3,613,430
With donor restrictions	675,543	2,393,650	2,596,977	5,270,108	10,882,694	2,815,237	24,634,209
Total Net Assets	808,065	2,394,467	2,634,187	6,151,882	12,399,827	3,859,211	28,247,639
TOTAL LIABILITIES AND NET ASSETS	\$ 809,205	\$ 2,419,005	\$ 2,779,534	\$ 6,168,434	\$ 12,426,952	\$ 3,876,083	\$ 28,479,213

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION  
COMPONENT UNITS - STATEMENT OF ACTIVITIES

	YEAR ENDED JUNE 30, 2019			YEAR ENDED DECEMBER 31, 2018		
	Blue Ridge Community and Technical College Foundation, Inc.	BridgeValley Community & Technical College Foundation, Inc.	New River Community and Technical College Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Southern West Virginia Community and Technical College Foundation, Inc.
						Total
<u>Revenues, Gains, and Other Support</u>						
Without donor restriction						
Gifts, contributions, and other	\$ 441,077	\$ 25,286	\$ 169,035	\$ 19,674	\$ 23,862	\$ -
Investment income (loss)	2,004	42,745	1,414	36,772	12,013	66,970
Reclassifications	122,942	1,137,587	148,699	256,691	596,642	205,361
With donor restriction						
Gifts, contributions, and other	274,184	1,090,703	141,291	62,113	177,233	184,798
Investment income (loss)	51,431	32,454	123,792	284,796	712,286	(97,927)
Reclassifications	(122,942)	(1,137,587)	(148,699)	(256,691)	(596,642)	(205,361)
Total revenues, gains, and other support	768,696	1,191,188	435,532	403,355	925,394	153,841
<u>Expenses</u>						
Student support and program services	545,079	1,132,894	216,565	240,065	309,276	198,706
Management and general	2,105	37,383	45,880	16,122	367,135	162,558
Fundraising	-	1,428	72,293	11,966	-	689
Total expenses	547,184	1,171,705	334,738	268,153	676,411	361,953
Change in Net Assets						
Without donor restrictions	18,839	33,913	(15,590)	44,984	(43,894)	(89,622)
With donor restrictions	202,673	(14,430)	116,384	90,218	292,877	(118,490)
Total change in net assets	221,512	19,483	100,794	135,202	248,983	(208,112)
Net Assets, Beginning of Year	808,065	2,394,467	2,634,187	6,151,882	12,399,827	3,859,211
Net Assets, End of Year	\$ 1,029,577	\$ 2,413,950	\$ 2,734,981	\$ 6,287,084	\$ 12,648,810	\$ 3,651,099
						\$ 28,765,501

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION  
COMPONENT UNITS - STATEMENT OF ACTIVITIES

	YEAR ENDED				YEAR ENDED	
	JUNE 30, 2018 (As Restated)				DECEMBER 31, 2017	
	Blue Ridge Community and Technical College Foundation, Inc.	BridgeValley Community & Technical College Foundation, Inc.	New River Community and Technical College Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Southern West Virginia Community and Technical College Foundation, Inc.
						Total
<b>Revenues, Gains, and Other Support</b>						
Without donor restriction						
Gifts, contributions, and other	\$ 21,785	\$ 6,216	\$ 106,472	\$ 18,435	\$ 83,291	\$ 236,199
Investment income (loss)	352	18,209	3,778	32,789	13,218	158,876
Reclassifications	53,656	110,999	109,614	134,466	910,735	2,555,601
With donor restriction						
Gifts, contributions, and other	81,795	101,415	310,801	363,670	161,263	1,220,542
Investment income (loss)	16,366	56,777	119,246	351,991	745,617	1,446,906
Reclassifications	(53,656)	(110,999)	(109,614)	(134,466)	(910,735)	(2,555,601)
Total revenues, gains, and other support	120,298	182,617	540,297	766,885	1,003,389	3,062,523
<b>Expenses</b>						
Student support and program services	54,805	83,086	201,689	136,733	382,490	1,123,687
Management and general	794	31,284	40,263	15,055	327,776	491,422
Fundraising	-	-	64,637	20,945	-	90,163
Total expenses	55,599	114,370	306,589	172,733	710,266	1,705,272
<b>Change in Net Assets</b>						
Without donor restrictions	20,194	21,054	(86,725)	12,957	296,978	1,245,404
With donor restrictions	44,505	47,193	320,433	581,195	(3,855)	111,847
Total change in net assets	64,699	68,247	233,708	594,152	293,123	1,357,251
Net Assets, Beginning of Year	743,366	2,326,220	2,400,479	5,557,730	12,106,704	26,890,388
Net Assets, End of Year	\$ 808,065	\$ 2,394,467	\$ 2,634,187	\$ 6,151,882	\$ 12,399,827	\$ 28,247,639

The accompanying notes are an integral part of these financial statements.

**WEST VIRGINIA COUNCIL FOR COMMUNITY  
AND TECHNICAL COLLEGE EDUCATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE 1 - ORGANIZATION**

The West Virginia Council for Community and Technical College Education (the Council) is comprised of the following:

Blue Ridge Community and Technical College (Blue Ridge)  
BridgeValley Community and Technical College (BridgeValley)  
Eastern West Virginia Community and Technical College (Eastern)  
Pierpont Community and Technical College (Pierpont)  
Mountwest Community and Technical College (Mountwest)  
New River Community and Technical College (New River)  
Southern West Virginia Community and Technical College (Southern)  
West Virginia Council for Community and Technical College Education (administrative unit)  
West Virginia Northern Community College (Northern)  
West Virginia University at Parkersburg (WVU at Parkersburg)

The Council is a part of the West Virginia Higher Education Fund. The Council (two-year education) and the West Virginia Higher Education Policy Commission (the Commission) (four-year and post-graduate education) collectively comprise the West Virginia Higher Education Fund. The Council and the Commission were legislatively created under Senate Bill No. 448 and Senate Bill No. 653, respectively. Senate Bill No. 448, which was enacted in March 2004, requires a separate combined audit of the Council.

The Council is responsible for developing, overseeing, and advancing the State of West Virginia's (the State) public policy agenda as it relates to community and technical college education. The Council is comprised of 13 persons appointed by the Governor with the advice and consent of the Senate.

Each institution within the Council is governed by its own Governing Board, which is responsible for the general determination, control, supervision, and management of the financial business and educational policies and affairs of its institution. Certain administrative services are provided by the Commission to the Council at no charge.

During fiscal year 2008, House Bill No. 3215 was passed, which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges. Effective July 1, 2008, WVU at Parkersburg and the administratively linked community and technical colleges of Fairmont State University, Marshall University, West Virginia State University, and West Virginia University (the Universities) established their own Boards of Governors. Except for Fairmont State University (Fairmont) and Pierpont, which were granted an extension to be effective January 1, 2010, the newly established Boards of Governors and the Boards of Governors of the Universities jointly agreed on a division of assets and liabilities of the Universities as required. During 2019, there were transfers to the Universities of approximately \$373,000. During 2018, there were transfers to the Universities of approximately \$382,000. The Universities and the separately established community and technical colleges developed a plan to ensure the financial stability of auxiliary enterprises, including but not limited to, student housing, student centers, dining services, parking, and athletics through at least fiscal year 2012. There are no formal requirements after June 30, 2019 except for Pierpont. The transition plans related to Fairmont and Pierpont extend Pierpont's obligation beyond 2019 to match outstanding bond commitments of Fairmont.

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

WEST VIRGINIA COUNCIL FOR COMMUNITY  
AND TECHNICAL COLLEGE EDUCATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity** - The accompanying combined financial statements present all entities under the authority of the Council under GASB.

The basic criterion for inclusion in the accompanying combined financial statements is the exercise of oversight responsibility derived from the Council's ability to significantly influence operations and accountability for fiscal matters of related entities. Related foundations and other affiliates of the Council are not part of the Council's reporting entity and are not included in the accompanying combined financial statements as the Council has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of the foundations and other affiliates under GASB blended component unit requirements.

The Council applies GASB discretely presented component unit requirements. As a result, the financial statements of certain component units as first presented in the Component Units - Statements of Financial Position are discretely presented here with the Council's financial statements. The discretely presented component units included here are separate private nonprofit organizations affiliated with a respective institution and are required to be reported under GASB. These discretely presented component unit organizations report under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The discretely presented component units consist of foundations that meet the criteria for inclusion under GASB discretely presented component unit requirements.

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

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

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

- **Restricted net position - nonexpendable** - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- **Unrestricted net position** - Unrestricted net position 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 Council and may be used at the discretion of the respective governing boards to meet current expenses for any purpose.

WEST VIRGINIA COUNCIL FOR COMMUNITY  
AND TECHNICAL COLLEGE EDUCATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State of West Virginia (the State) for investment purposes by the West Virginia Board of Treasury Investments (the BTI). These funds are transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, and by the 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 combined financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the Council may invest in. These pools have been structured as multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Consolidated Fund participants. Consolidated 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 Boulevard East, Suite E-122, Charleston, WV 25305 or <http://www.wvbt.org>.

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

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

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

**Amounts with Affiliates** - The current amounts due to/from affiliates, including the Commission and institutions of the Commission, are noninterest bearing and payable on demand.

WEST VIRGINIA COUNCIL FOR COMMUNITY  
AND TECHNICAL COLLEGE EDUCATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018

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

Debt service obligations payable to the Commission and its institutions bear interest and have scheduled maturities. Notes payable to the Commission are noninterest bearing (see Note 11).

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

**Noncurrent Cash, Cash Equivalents, and Investments** - Cash, cash equivalents, and investments that are (1) externally restricted to make debt service payments, to make 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) to be held for permanently restricted net position, are classified as noncurrent assets in the combined statements of net position.

**Noncurrent Appropriations Due from Primary Government** - An appropriation due from primary government that is (1) externally restricted to make debt service payments, to make long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets, or (3) to be held for permanently restricted net position, is classified as a noncurrent asset in the combined statements of net position.

**Capital Assets** - Capital assets include property, plant, and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or at fair market value at the date of donation in the case of gifts. There was no interest capitalized as part of the cost of assets for the years ended June 30, 2019 and 2018. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, 7 to 20 years for library assets, and 3 to 10 years for furniture and equipment.

**Unearned Revenue and Deposits** - Cash received for programs or activities to be conducted primarily in the next fiscal year is classified as unearned revenue, including items such as orientation fees and room and board. Financial aid and other deposits are classified as deposits.

**Compensated Absences and Other Postemployment Benefits** - GASB provides standards for the measurement, recognition, and display of other postemployment benefits (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 Council was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan and its stand-alone financial statements can be obtained by contacting West Virginia Public Employees Insurance Agency (PEIA), 601 57<sup>th</sup> Street SE, Charleston, WV 25304 or <https://peia.wv.gov>.

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 10 for further discussion.



WEST VIRGINIA COUNCIL FOR COMMUNITY  
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YEARS ENDED JUNE 30, 2019 AND 2018

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

The estimated expense and expense incurred for vacation leave or OPEB are recorded as a component of benefits expense on the combined 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 when 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 15).

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

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

**Risk Management** - The State's Board of Risk and Insurance Management (BRIM) provides general, property, and casualty coverage to the Council and its employees. Such coverage may be provided to the Council 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 Council or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the Council is currently charged by BRIM and the ultimate cost of that insurance based on the Council's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the Council and the Council'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 a third-party insurer, the Council has obtained health insurance, life insurance, 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 Council has transferred its risks related to health insurance, life insurance, prescription drug coverage, and job-related injuries.

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

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

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



WEST VIRGINIA COUNCIL FOR COMMUNITY  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018

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

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

**Use of Restricted Net Position** - The Council 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 Council attempts to utilize restricted net position first when practicable. Certain community and technical colleges (CTCs) have adopted a policy to utilize restricted net position first.

**Federal Financial Assistance Programs** - The Council makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest-subsidized and unsubsidized loans directly to students through the institutions within the Council. Direct student loans receivable are not included in the Council's combined statements of net position. In 2019 and 2018, the Council received and disbursed, or awarded, approximately \$23,700,000 and \$26,700,000, respectively, under the Direct Student Loan Program, which are not included as revenue and expense on the combined statements of revenues, expenses, and changes in net position.

The Council also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying combined financial statements. In 2019 and 2018, the Council received and disbursed approximately \$30,800,000 and \$33,100,000, 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 combined statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the Council and the amount that is paid by students and/or third parties making payments on behalf of the students.

Financial aid to students is reported in the combined financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the combined 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 Council 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 Council 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.

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

WEST VIRGINIA COUNCIL FOR COMMUNITY  
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Use of Estimates** - The preparation of combined financial statements in conformity with generally accepted accounting principles 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 combined financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ materially 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 combined financial statements.

**Newly Adopted Statements Issued by GASB** - GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The adoption of GASB Statement No. 83 had no impact on the June 30, 2019 financial statements.

GASB has also issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The adoption of GASB Statement No. 88 had no impact on the June 30, 2019 financial statements.

**Recent Statements Issued by GASB** - GASB has also issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. 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 Council has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

GASB has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The Council has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

WEST VIRGINIA COUNCIL FOR COMMUNITY  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The Council has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

GASB has also issued Statement No. 90, *Majority Equity Interests*, which is effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and will improve the relevance of financial statement information for certain component units. This Statement also provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The Council has not yet determined the effect that the adoption of GASB Statement No. 90 may have on its financial statements.

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

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The composition of cash and cash equivalents at June 30, 2019 and 2018, was held as follows:

	2019		
	Current	Noncurrent	Total
State Treasurer	\$ 92,645,312	\$ 1,405,816	\$ 94,051,128
Trustee	-	743	743
Banks	1,488,104	76,543	1,564,647
On hand	11,250	-	11,250
	<u>\$ 94,144,666</u>	<u>\$ 1,483,102</u>	<u>\$ 95,627,768</u>

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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

	2018		
	Current	Noncurrent	Total
State Treasurer	\$ 87,220,789	\$ 2,320,499	\$ 89,541,288
Trustee	-	406	406
Banks	2,463,158	75,787	2,538,945
On hand	11,450	-	11,450
	<u>\$ 89,695,397</u>	<u>\$ 2,396,692</u>	<u>\$ 92,092,089</u>

Amounts held by the State Treasurer and Trustee include \$5,120,447 and \$5,042,013 of restricted cash at June 30, 2019 and 2018, respectively.

The combined carrying amount of cash in the bank at June 30, 2019 and 2018, was \$1,564,647 and \$2,538,945, respectively, as compared with the combined bank balance of \$1,756,206 and \$2,841,647, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, accounts are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Amounts with the State Treasurer were \$94,051,128 and \$89,541,288 as of June 30, 2019 and 2018, respectively. Of these amounts, \$86,572,832 and \$83,045,061 were invested in the WV Money Market Pool and the WV Short Term Bond Pool as of June 30, 2019 and 2018, respectively. The remainder of the cash held with the State Treasurer was not invested at June 30, 2019 and 2018.

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

External Pool	2019		2018	
	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	\$ 84,571,162	AAAm	\$ 81,162,089	AAAm
WV Short Term Bond Pool	\$ 2,001,670	Not Rated	\$ 1,882,972	Not Rated

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

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

External Pool	2019		2018	
	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	\$ 84,571,162	42	\$ 81,162,089	34

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

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

External Pool	2019		2018	
	Carrying Value	Effective Duration (Days)	Carrying Value	Effective Duration (Days)
WV Short Term Bond Pool	\$ 2,001,670	723	\$ 1,882,972	372

*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 Council will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

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

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

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Student tuition and fees, net of allowance for doubtful accounts of \$6,356,263 and \$7,055,598 in 2019 and 2018, respectively	\$ 1,935,874	\$ 1,699,197
Grants and contracts receivable, no allowance necessary	1,010,599	653,313
Due from State agencies	690,525	91,759
Other	<u>1,273,174</u>	<u>1,492,179</u>
	<u>\$ 4,910,172</u>	<u>\$ 3,936,448</u>

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**NOTE 5 - CAPITAL ASSETS**

A summary of capital assets transactions for the Council at June 30, 2019 and 2018, is as follows:

	<b>2019</b>				
	<b>Beginning Balance</b>	<b>Transfers</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Capital assets not being depreciated:					
Land	\$ 10,631,789	\$ 20,040	\$ 395,200	\$ -	\$ 11,047,029
Construction in progress	<u>5,046,462</u>	<u>(917)</u>	<u>2,865,866</u>	<u>5,574,895</u>	<u>2,336,516</u>
Total capital assets not being depreciated	<u>\$ 15,678,251</u>	<u>\$ 19,123</u>	<u>\$ 3,261,066</u>	<u>\$ 5,574,895</u>	<u>\$ 13,383,545</u>
Other capital assets:					
Land improvements	\$ 3,685,693	\$ (15,488)	\$ 244,000	\$ -	\$ 3,914,205
Infrastructure	9,069,440	(79,774)	55,845	-	9,045,511
Buildings	283,307,118	(504,683)	9,834,908	83,367	292,553,976
Equipment	46,324,847	(46,889)	3,615,439	517,649	49,375,748
Software	592,900	-	-	-	592,900
Library books	<u>8,686,967</u>	<u>(1,178,928)</u>	<u>131,101</u>	<u>151,560</u>	<u>7,487,580</u>
Total other capital assets	<u>351,666,965</u>	<u>(1,825,762)</u>	<u>13,881,293</u>	<u>752,576</u>	<u>362,969,920</u>
Less accumulated depreciation for:					
Land improvements	1,743,929	(6,852)	247,046	-	1,984,123
Infrastructure	7,268,324	(65,560)	384,997	-	7,587,761
Buildings	76,008,618	(166,589)	6,928,287	32,936	82,737,380
Equipment	30,877,179	66,691	3,598,502	506,313	34,036,059
Software	236,501	-	39,125	-	275,626
Library books	<u>8,259,910</u>	<u>(1,161,847)</u>	<u>126,569</u>	<u>151,559</u>	<u>7,073,073</u>
Total accumulated depreciation	<u>124,394,461</u>	<u>(1,334,157)</u>	<u>11,324,526</u>	<u>690,808</u>	<u>133,694,022</u>
Other capital assets, net	<u>\$ 227,272,504</u>	<u>\$ (491,605)</u>	<u>\$ 2,556,767</u>	<u>\$ 61,768</u>	<u>\$ 229,275,898</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 15,678,251	\$ 19,123	\$ 3,261,066	\$ 5,574,895	\$ 13,383,545
Other capital assets	<u>351,666,965</u>	<u>(1,825,762)</u>	<u>13,881,293</u>	<u>752,576</u>	<u>362,969,920</u>
Total cost of capital assets	367,345,216	(1,806,639)	17,142,359	6,327,471	376,353,465
Less accumulated depreciation	<u>124,394,461</u>	<u>(1,334,157)</u>	<u>11,324,526</u>	<u>690,808</u>	<u>133,694,022</u>
Capital assets, net	<u>\$ 242,950,755</u>	<u>\$ (472,482)</u>	<u>\$ 5,817,833</u>	<u>\$ 5,636,663</u>	<u>\$ 242,659,443</u>

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

	2018				
	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 11,331,789	\$ -	\$ 8,000	\$ 708,000	\$ 10,631,789
Construction in progress	2,479,139	(375)	4,508,888	1,941,190	5,046,462
Total capital assets not being depreciated	<u>\$ 13,810,928</u>	<u>\$ (375)</u>	<u>\$ 4,516,888</u>	<u>\$ 2,649,190</u>	<u>\$ 15,678,251</u>
Other capital assets:					
Land improvements	\$ 3,298,844	\$ (18,268)	\$ 405,117	\$ -	\$ 3,685,693
Infrastructure	9,175,805	(106,365)	-	-	9,069,440
Buildings	283,647,527	(640,490)	3,100,081	2,800,000	283,307,118
Equipment	43,918,102	(7,368)	2,822,884	408,771	46,324,847
Software	592,900	-	-	-	592,900
Library books	8,647,592	(25,129)	129,357	64,853	8,686,967
Total other capital assets	<u>349,280,770</u>	<u>(797,620)</u>	<u>6,457,439</u>	<u>3,273,624</u>	<u>351,666,965</u>
Less accumulated depreciation for:					
Land improvements	1,529,586	(7,831)	222,174	-	1,743,929
Infrastructure	6,954,128	(81,376)	395,572	-	7,268,324
Buildings	69,449,450	(209,870)	6,932,703	163,665	76,008,618
Equipment	27,571,531	(4,739)	3,686,497	376,110	30,877,179
Software	197,374	-	39,127	-	236,501
Library books	8,208,653	(24,631)	140,741	64,853	8,259,910
Total accumulated depreciation	<u>113,910,722</u>	<u>(328,447)</u>	<u>11,416,814</u>	<u>604,628</u>	<u>124,394,461</u>
Other capital assets, net	<u>\$ 235,370,048</u>	<u>\$ (469,173)</u>	<u>\$ (4,959,375)</u>	<u>\$ 2,668,996</u>	<u>\$ 227,272,504</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 13,810,928	\$ (375)	\$ 4,516,888	\$ 2,649,190	\$ 15,678,251
Other capital assets	349,280,770	(797,620)	6,457,439	3,273,624	351,666,965
Total cost of capital assets	363,091,698	(797,995)	10,974,327	5,922,814	367,345,216
Less accumulated depreciation	<u>113,910,722</u>	<u>(328,447)</u>	<u>11,416,814</u>	<u>604,628</u>	<u>124,394,461</u>
Capital assets, net	<u>\$ 249,180,976</u>	<u>\$ (469,548)</u>	<u>\$ (442,487)</u>	<u>\$ 5,318,186</u>	<u>\$ 242,950,755</u>

The Council 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.

Title for certain real property is with the Commission.

The Council has construction commitments as of June 30, 2019, of approximately:

Northern	\$ 142,544
Pierpont	42,890
	<u>\$ 185,434</u>

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**NOTE 6 - LONG-TERM LIABILITIES**

A summary of long-term obligation transactions for the Council at June 30, 2019 and 2018, is as follows:

	2019				
	<u>Beginning Balance</u>	<u>Transfers/ Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds, capital leases, and notes payable:					
Capital leases payable	\$ 489,562	\$ 20,000	\$ 130,436	\$ 379,126	\$ 103,449
Other debt service obligations	6,705,448	205,585	1,348,360	5,562,673	805,287
Bonds payable	1,515,607	-	411,163	1,104,444	428,298
Funds due to West Virginia Development Office	<u>2,419,931</u>	<u>-</u>	<u>686,598</u>	<u>1,733,333</u>	<u>66,668</u>
Total debt	11,130,548	225,585	2,576,557	8,779,576	1,403,702
Other noncurrent liabilities:					
Advances from federal sponsors	416	-	416	-	-
Net other postemployment benefits liability	27,438,774	1,852,546	3,852,187	25,439,133	-
Accrued compensated absences	3,423,778	557,217	261,433	3,719,562	3,245,150
Net pension liability	<u>1,833,140</u>	<u>26,080</u>	<u>733,737</u>	<u>1,125,483</u>	<u>-</u>
Total long-term liabilities	<u>\$ 43,826,656</u>	<u>\$ 2,661,428</u>	<u>\$ 7,424,330</u>	<u>\$ 39,063,754</u>	<u>\$ 4,648,852</u>
	2018				
	<u>Beginning Balance</u>	<u>Transfers/ Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds, capital leases, and notes payable:					
Capital leases payable	\$ 582,764	\$ 6,000	\$ 99,202	\$ 489,562	\$ 110,795
Other debt service obligations	7,671,458	181,591	1,147,601	6,705,448	882,351
Bonds payable	1,910,319	-	394,712	1,515,607	411,163
Funds due to West Virginia Development Office	<u>2,486,598</u>	<u>-</u>	<u>66,667</u>	<u>2,419,931</u>	<u>66,668</u>
Total debt	12,651,139	187,591	1,708,182	11,130,548	1,470,977
Other noncurrent liabilities:					
Advances from federal sponsors	10,081	-	9,665	416	-
Net other postemployment benefits liability	28,263,567	3,013,791	3,838,584	27,438,774	-
Accrued compensated absences	3,567,526	258,121	401,869	3,423,778	2,951,836
Net pension liability	<u>2,845,650</u>	<u>86,932</u>	<u>1,099,442</u>	<u>1,833,140</u>	<u>-</u>
Total long-term liabilities	<u>\$ 47,337,963</u>	<u>\$ 3,546,435</u>	<u>\$ 7,057,742</u>	<u>\$ 43,826,656</u>	<u>\$ 4,422,813</u>

At June 30, 2019 and 2018, debt service obligations include amounts due to the Commission of \$1,508,890 and \$1,939,400, respectively, Fairmont of \$2,582,783 and \$2,880,799, respectively, West Virginia University of \$1,471,000 and \$1,746,000, respectively, and WVNET of \$0 and \$139,249, respectively.



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**NOTE 7 - LEASE OBLIGATIONS**

Capital - The Council leases certain property, plant, and equipment through capital leases. The net book value of leased assets totaled \$621,391 and \$669,881 for June 30, 2019 and 2018, respectively. The following is a schedule by year of future annual minimum payments required under the lease obligations:

<u>Year Ending June 30,</u>	<u>Total</u>
2020	\$ 115,040
2021	75,955
2022	64,138
2023	62,138
2024	56,693
Thereafter	<u>43,713</u>
Future minimum lease payments	417,677
Less interest	<u>38,551</u>
Total	<u>\$ 379,126</u>

Operating - The Council had entered into various operating lease agreements. Future annual minimum lease payments for years subsequent to June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2020	\$ 668,616
2021	542,985
2022	537,073
2023	460,447
2024	144,210
Thereafter	<u>485,157</u>
Total	<u>\$ 2,838,488</u>

Total rent expense for these operating leases for the years ended June 30, 2019 and 2018, was approximately \$934,992 and \$881,550, respectively.

**NOTE 8 - BONDS**

Bonds payable at June 30, 2019 and 2018, respectively, consist of the following:

	<u>Original Interest Rate</u>	<u>Annual Principal Installment Due</u>	<u>Principal Amount Outstanding 2019</u>	<u>Principal Amount Outstanding 2018</u>
College Revenue Bonds	4.125 %	\$229,999-\$446,147	<u>\$ 1,104,444</u>	<u>\$ 1,515,607</u>

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**NOTE 8 - BONDS (Continued)**

On September 30, 2012, Mountwest issued \$3,500,000 in revenue bonds to First Sentry Bank of Huntington, WV. The proceeds were used to complete the financing of the \$20.0 million campus project opened in the fall semester of 2013. The terms of the bonds are for 10 years with the fixed interest rate of 4.125%. Mountwest made interest-only payments on March 1, 2012 and September 1, 2012. Semi-annual payments of principal and interest will be made on March 1 and September 1 of each year, thereafter, commencing on March 1, 2013. The payments are to be made from cash receipts from Marshall University pursuant to the Memorandum of Understanding between Mountwest and Marshall University executed on March 20, 2009, and a pledge of the general capital fees collected from students.

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2019, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	428,298	41,187	\$ 469,485
2021	446,147	23,337	469,484
2022	229,999	4,744	<u>234,743</u>
			1,173,712
Less interest			<u>69,268</u>
Total			<u>\$ 1,104,444</u>

**NOTE 9 - WEST VIRGINIA DEVELOPMENT OFFICE OBLIGATION**

In previous years, Eastern entered into two financial assistance agreements with the West Virginia Development Office (WVDO) for \$685,000 to construct a new sewer system and \$2,000,000 for the access road for the College's new facility at 316 Eastern Drive. A total of \$619,932 was drawn on these agreements, as of June 30, 2019. Under the terms of both agreements, Eastern agrees to repay the WVDO if nonoperating funds become available or when an appropriate nonoperating income stream is established or if Eastern sells or disposes of the two acres of property. As of June 30, 2019, the loan in the amount of \$619,932 was forgiven by WVDO.

Eastern entered into another financial assistance agreement with the WVDO in 2014 for \$2,000,000 to construct an academic wing at Eastern's campus in Moorefield, West Virginia. Eastern will remit payments of \$16,667 each quarter beginning on September 30, 2016 until the debt is paid in full. The debt will be due in total on June 30, 2045. As of June 30, 2019 a total of \$1,733,333 is outstanding on this agreement. The total amount of loan payments made for the year ended June 30, 2019 was \$66,666.

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**NOTE 9 - WEST VIRGINIA DEVELOPMENT OFFICE OBLIGATION (Continued)**

Future minimum payments related to the academic wing debt and solar shed, as of June 30, 2019, were as follows:

<u>Year Ending June 30,</u>	
2020	\$ 66,668
2021	66,668
2022	66,668
2023	66,668
2024	66,668
Thereafter	<u>1,399,993</u>
	<u>\$ 1,733,333</u>

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS**

Following are the Council's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal year ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Net OPEB liability	\$ 25,439,133	\$ 27,438,774
Deferred outflows of resources	3,502,828	2,343,858
Deferred inflows of resources	7,096,375	5,534,020
Revenues	1,626,630	1,742,126
OPEB expense	2,179,917	2,735,597
Contributions made by the Council and Institutions	2,133,133	2,343,858

***Plan Description***

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

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**NOTE 10 - OTHER POSTEMPLOYMENT 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 member and employer contributions. Members' contributions are recognized in the period in which the contributions are due. Employer contributions and related receivables to the trust are recognized pursuant to a formal commitment from the employer or statutory or contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable.

RHBT is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. RHBT issues publicly available financial statements and required supplementary information for the OPEB plan. Details regarding this plan and a copy of the RHBT financial report may be obtained by contacting PEIA.

***Benefits Provided***

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

***Contributions***

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

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

	July 2017-June 2018 2018	July 2016-December 2016 2017	January 2017-June 2017 2017
Paygo premium	\$ 177	\$ 196	\$ 135

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

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**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

The Council's contributions to the OPEB plan for the years ended June 30, 2019, 2018, and 2017, were \$2,133,133, \$2,343,858, and \$2,442,739, respectively.

***Assumptions***

The total OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2017 and rolled forward to June 30, 2018. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method: Entry age normal cost method.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method: Level percentage of payroll over a 21 year closed period
- Remaining amortization period: 20 years closed as of June 30, 2017.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Healthcare cost trend rates: Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims cost beginning in 2022 to account for the Excise Tax.
- Projected salary increases: Dependent upon pension system ranging from 3.0-6.5%, including inflation.
- Inflation rate: 2.75%.
- Mortality rates based on RP-2000 Mortality Tables.

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

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**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Certain assumptions have been changed since the prior measurement date. The assumption changes that most significantly impacted the net OPEB liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the net OPEB liability.

The projections of the net OPEB liability are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of the net OPEB liability does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial estimated liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation and any estimate of future postemployment costs requires consideration of a broad array of complex social and economic events. Future changes in the healthcare reform, changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs options, changes in the investment rate of return, and other matters increase the level of uncertainty in such estimates. As such, the estimate of postemployment program costs contains considerable uncertainty and variability, and actual experience may vary significantly from the current estimated net OPEB liability.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term geometric rates of return for each major asset class included in RHBT's target asset allocation as of June 30, 2018 and 2017, are summarized below.

Asset Class	Target Allocation
Domestic equity	27.5%
International equity	27.5%
Fixed income	15.0%
Real estate	10.0%
Private equity	10.0%
Hedge funds	10.0%

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NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Asset Class	Long-term Expected Real Rate of Return
Large cap domestic	17.0%
Non-large cap domestic	22.0%
International qualified	24.6%
International non-qualified	24.3%
International equity	26.2%
Short-term fixed	0.5%
Total return fixed income	6.7%
Core fixed income	0.1%
Hedge fund	5.7%
Private equity	19.6%
Real estate	8.3%
Opportunistic income	4.8%
Cash	0.0%

**Discount rate.** The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will continue to follow the current funding policies. Based on those assumptions and that the OPEB plan is expected to be fully funded by the fiscal year ended June 30, 2036, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the net OPEB liability to changes in the discount rate.** The following presents the Council's proportionate share of the net OPEB liability as of June 30, 2019 and 2018 calculated using the discount rate of 7.15%, as well as what the Council'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 2019	\$ 30,261,678	\$ 25,439,133	\$ 21,985,765
Net OPEB liability 2018	\$ 32,173,591	\$ 27,438,774	\$ 23,854,816

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate.** The following presents Council's proportionate share of the net OPEB liability as of June 30, 2019 and 2018 calculated using the healthcare cost trend rate, as well as what Council's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability 2019	\$ 21,304,795	\$ 25,439,133	\$ 31,161,185
Net OPEB liability 2018	\$ 23,210,918	\$ 27,438,774	\$ 33,037,177

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**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

The June 30, 2019 net OPEB liability was measured as of June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. The June 30, 2018 net OPEB liability was measured as of June 30, 2017, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017.

At June 30, 2019, the Council's proportionate share of the net OPEB liability was \$30,767,877. Of this amount, the Council recognized \$25,439,133 as its proportionate share on the statement of net position. The remainder of \$5,328,744 denotes the Council's proportionate share of net OPEB liability attributable to the special funding.

At June 30, 2018 the Council's proportionate share of the net OPEB liability was \$33,114,089. Of this amount, the Council recognized \$27,438,774 as its proportionate share on the statement of the net position. The remainder of \$5,675,315 denotes the College's proportionate share of the net OPEB liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2018 and 2017. Employer contributions are recognized when due. At the June 30, 2018 measurement date, the Council's proportion was 1.200161177%, an increase of 0.076500059% from its proportion of 1.123661118% calculated as of June 30, 2017. At the June 30, 2017 measurement date, the Council's proportion was 1.123661118%, a decrease of 0.255458299% from its proportion of 1.379119417 calculated as of June 30, 2016.

For the year ended June 30, 2019, the Council recognized OPEB expense of \$2,179,917. Of this amount, \$553,377 was recognized as the Council's proportionate share of OPEB expense and \$1,626,630 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The Council also recognized revenue of \$1,626,630 for support provided by the State.

For the year ended June 30, 2018, the Council recognized OPEB expense of \$2,735,597. Of this amount, \$993,471 was recognized as the Council's proportionate share of OPEB expense and \$1,742,126 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The Council also recognized revenue of \$1,742,126 for support provided by the State.



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**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

At June 30, 2019 and 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

<u>June 30, 2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 746,161
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,369,695	3,666,893
Net difference between projected and actual investment earnings	-	473,513
Changes in assumptions	-	2,209,808
Contributions after the measurement date	<u>2,133,133</u>	<u>-</u>
Total	<u>\$ 3,502,828</u>	<u>\$ 7,096,375</u>
<u>June 30, 2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 92,276
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,000,407
Net difference between projected and actual investment earnings	-	441,337
Contributions after the measurement date	<u>2,343,858</u>	<u>-</u>
Total	<u>\$ 2,343,858</u>	<u>\$ 5,534,020</u>

The Council will recognize the \$2,133,133 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amortization</u>
2020	\$ (1,837,109)
2021	(1,837,109)
2022	(1,713,219)
2023	<u>(339,243)</u>
	<u>\$ (5,726,680)</u>

***Payables to the OPEB Plan***

The Council did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2019 and 2018.

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**NOTE 11 - SYSTEM BONDS PAYABLE**

The Council receives State appropriations to finance its operations. In addition, it is subject to the legislative and administrative mandates of State government. Those mandates affect various aspects of the Council'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 within the Council. Financing for these facilities was provided through revenue bonds issued by various former Board of Regents or various former Boards of the University and College Systems (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.

The Municipal Bond Commission has the authority to assess each public institution of the Council for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as capital obligation of the Commission, an estimate of the obligation of each institution was reported as a long-term payable by each institution and as a receivable by the Commission.

During 2019 and 2018, the Council paid \$50,826 and \$63,635, respectively, to the Commission against the debt obligation. The Commission has loans with individual institutions of the Council. During 2012, BridgeValley borrowed \$910,000 from the Commission. In 2014, BridgeValley borrowed an additional \$500,000 from the Commission. The institutions repaid \$155,479 to the Commission during 2019 and owe the Commission \$213,804 as of June 30, 2019.

For the years ended June 30, 2019 and 2018, debt service assessed is as follows:

	<u><b>2019</b></u>	<u><b>2018</b></u>
Principal	\$ 50,826	\$ 63,635
Interest	25,285	33,991
Other	<u>32,869</u>	<u>38,938</u>
	<u><u>\$ 108,980</u></u>	<u><u>\$ 136,564</u></u>

During the year ended June 30, 2005, the Commission issued \$167.0 million of 2004 Series B 30-year Revenue Bonds to fund capital projects at various higher education institutions in the State. The Institutions that comprise the Council have been approved to receive \$34.5 million of these funds. State lottery funds will be used to repay the debt, although the Council's revenues are pledged if lottery funds prove to be insufficient. As of June 30, 2019, there are no funds remaining to be drawn.

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**NOTE 12 - CAPITAL PAYMENTS MADE ON BEHALF OF THE COUNCIL**

On December 8, 2009, the Commission, on behalf of the Council, issued \$78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (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 and pay issuance costs of \$295,000. The interest rate on the 2009 Bonds ranges from 2.5% to 5.0% and the due dates commence July 1, 2010 and end July 1, 2028. State Lottery proceeds of a maximum of \$5,000,000 per year will be used to repay the debt, which has a maximum annual debt service of \$4,999,750. In addition, pursuant to Section 18(j)(1) of the Lottery Act, the Commission has granted a third-in-party lien, for the benefit of the bondholders, on the proceeds of the State Lottery Fund, up to a maximum of \$7,500,000 annually.

**NOTE 13 - SERVICE CONCESSION ARRANGEMENTS**

The Council has adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The Council has identified three contracts for services that meet the four criteria of a service concession arrangement (SCA). SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided and the government retains ownership of the assets at the end of the contract. The contracts are between Blue Ridge and Barnes & Noble College Booksellers, LLC (Barnes & Noble), Mountwest and Follett Higher Education Group, Inc. (Follett), Mountwest and Alladin Food Management Services, LLC (Aladdin), and Northern and Barnes & Noble. Blue Ridge, Mountwest, and Northern contract with Barnes & Noble and Follett to operate the campus bookstores. Mountwest contracts with Aladdin to operate its campus cafeteria and to provide snack vending services. Commission revenues from these contracts are recorded as other operating revenue on the combined statements of revenues, expenses, and changes in net position.

**NOTE 14 - UNRESTRICTED NET POSITION**

The Council's unrestricted net position includes certain designated net position at June 30, 2019 and 2018, as follows:

	<u><b>2019</b></u>	<u><b>2018</b></u>
Designated for fund managers	\$ 1,272,663	\$ 1,370,135
Designated for auxiliaries	41,432	9,052
Undesignated	<u>58,652,791</u>	<u>55,505,748</u>
 Total unrestricted net position before OPEB	 59,966,886	 56,884,935
 Less net OPEB liability	 <u>25,439,133</u>	 <u>27,438,774</u>
 Total unrestricted net position	 <u><u>\$ 34,527,753</u></u>	 <u><u>\$ 29,446,161</u></u>

**NOTE 15 - RETIREMENT PLANS**

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

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**NOTE 15 - RETIREMENT PLANS (Continued)**

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

**DEFINED BENEFIT PENSION PLAN**

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

As related to the implementation of GASB 68, following are the Council's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal years ended June 30, 2019 and 2018:

STRS	2019	2018
Net pension liability	\$ 1,125,483	\$ 1,833,140
Deferred outflows of resources	325,335	428,520
Deferred inflows of resources	1,240,205	1,062,522
Revenues	244,601	398,379
Pension expense	(35,389)	307,440
Contributions made by the Council and Institutions	152,544	164,441

***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.

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**NOTE 15 - RETIREMENT PLANS (Continued)**

***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.

**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 Contribution 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, 2019 and 2018, the Council's proportionate share attributable to this special funding subsidy was \$244,601 and \$398,379, respectively.

The Council's contributions to STRS for the years ended June 30, 2019, 2018, and 2017, were approximately \$153,000, \$164,000, and \$220,000, respectively.

***Assumptions***

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2017 and 2016 and rolled forward to June 30, 2018 and 2017, respectively. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return: 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.00-6.00% and non-teachers 3.00-6.50%, based on age.
- Inflation rate: 3.0%.
- Discount rate: 7.5%.
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 0.8-35% and non-teachers 1.316-24.75%.
- Disability rates: 0.008-0.704%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%.

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**NOTE 15 - RETIREMENT PLANS (Continued)**

- Ad hoc cost-of-living increases in pensions are periodically granted by the Legislature. However, the retirement system makes no automatic provision for such increases.

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

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

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	4.5%	27.5%
International equity	8.6%	27.5%
Fixed income	3.3%	15.0%
Real estate	6.0%	10.0%
Private equity	6.4%	10.0%
Hedge funds	4.0%	10.0%

**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.

**Sensitivity of the net pension liability to changes in the discount rate.** The following presents the Council's proportionate share of the STRS net pension liability as of June 30, 2019 and 2018 calculated using the discount rate of 7.50%, as well as what the Council's STRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability 2019	\$ 1,519,309	\$ 1,125,483	\$ 789,017
Net pension liability 2018	\$ 2,441,460	\$ 1,833,140	\$ 1,352,745

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**NOTE 15 - RETIREMENT PLANS (Continued)**

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

The June 30, 2019 STRS net pension liability was measured as of June 30, 2018, and the total pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. The June 30, 2018 STRS net pension liability was measured as of June 30, 2017, and the total pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017.

At June 30, 2019, the Council's proportionate share of the STRS net pension liability was \$3,858,578. Of this amount, the Council recognized \$1,125,483 as its proportionate share on the statement of net position. The remainder of \$2,733,095 denotes the Council's proportionate share of net pension liability attributable to the special funding.

At June 30, 2018, the Council's proportionate share of the STRS net pension liability was \$5,887,902. Of this amount, the Council recognized \$1,833,140 as its proportionate share on the statement of net position. The remainder of \$4,054,762 denotes the Council'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 its proportionate share of employer and non-employer contributions to STRS for each of the fiscal years ended June 30, 2018 and 2017. Employer contributions are recognized when due. At the June 30, 2018 measurement date, the Council's proportion was 0.036060%, a decrease of 0.017010% from its proportion of 0.053070% calculated as of June 30, 2017. At the June 30, 2017 measurement date, the Council's proportion was 0.053070%, a decrease of 0.016173% from its proportion of 0.069243% calculated as of June 30, 2016.

For the year ended June 30, 2019, the Council recognized STRS pension expense of \$(35,389). Of this amount, \$(279,990) was recognized as the Council's proportionate share of the STRS expense and \$244,601 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The Council also recognized revenue of \$244,601 for support provided by the State.

For the year ended June 30, 2018, the Council recognized STRS pension expense of \$307,440. Of this amount, \$(90,939) was recognized as the Council's proportionate share of the STRS expense and \$398,379 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The Council also recognized revenue of \$398,379 for support provided by the State.

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**NOTE 15 - RETIREMENT PLANS (Continued)**

At June 30, 2019 and 2018, deferred outflows of resources and deferred inflows of resources related to the STRS pension are as follows.

<u>June 30, 2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,535	\$ 22,301
Changes in proportion and difference between employer contributions and proportionate share of contributions	129,583	1,159,161
Changes in assumptions	34,673	-
Net difference between projected and actual investment earnings	-	58,743
Contributions after the measurement date	<u>152,544</u>	<u>-</u>
Total	<u>\$ 325,335</u>	<u>\$ 1,240,205</u>
<u>June 30, 2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,703	\$ 33,125
Changes in proportion and difference between employer contributions and proportionate share of contributions	179,847	972,239
Changes in assumptions	68,529	-
Net difference between projected and actual investment earnings	-	57,158
Contributions after the measurement date	<u>164,441</u>	<u>-</u>
Total	<u>\$ 428,520</u>	<u>\$ 1,062,522</u>

The Council will recognize the \$152,544 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, 2020. 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.

<u>Fiscal Year Ended June 30,</u>	<u>Amortization</u>
2020	\$ (290,101)
2021	(217,946)
2022	(249,842)
2023	(214,911)
2024	<u>(94,614)</u>
	<u>\$ (1,067,414)</u>



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**NOTE 15 - RETIREMENT PLANS (Continued)**

***Payables to the Pension Plan***

The Council did not report any amounts payable for normal contributions to the STRS as of June 30, 2019 and 2018.

**DEFINED CONTRIBUTION PLANS**

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

Total contributions to the TIAA-CREF for the years ended June 30, 2019, 2018, and 2017 were approximately \$6,970,000, \$6,748,000, and \$6,694,000, which consisted of approximately \$3,485,000, \$3,374,000, and \$3,347,000, respectively, from both the Council and the covered employees.

Total contributions to the Educators Money for the years ended June 30, 2019, 2018, and 2017 were approximately \$136,000, \$138,000, and \$128,000, which consisted of approximately \$68,000, \$69,000, and \$64,000, respectively, from both the Council and the covered employees.

The Council's total payroll for the years ended June 30, 2019, 2018, and 2017 was approximately \$69,785,000, \$67,340,000, and \$68,086,000, respectively, and total covered employees' salaries in TIAA-CREF and Educators Money were approximately \$58,201,000 and \$1,024,000, respectively in 2019, \$56,832,000 and \$8,320,000, respectively, in 2018, and \$55,924,000 and \$1,070,000, respectively, in 2017.

**NOTE 16 - FOUNDATIONS**

Various foundations have been established as separate nonprofit organizations incorporated in the State having as their purpose "... to aid, strengthen and further in every proper and useful way, the work and services of the (individual institutions within the Council), and their affiliated nonprofit organizations..." Oversight of the foundations is the responsibility of separate and independently-elected Boards of Directors not otherwise affiliated with the Council. In carrying out their responsibilities, the Boards of Directors of the foundations employ management, form policy, and maintain fiscal accountability over funds administered by the foundations. Accordingly, the financial statements of the foundations are not included in the accompanying combined financial statements under the blended component unit requirements. However, the foundations are considered component units of the individual Institutions and, therefore, are discretely presented with the Institution's financial statements and the Council's financial statements in accordance with GASB discretely present component unit requirements.

Complete financial statements for any discretely presented component unit foundation can be obtained by contacting the Business Office of the Council at 1018 Kanawha Boulevard East, Suite 700, Charleston, West Virginia 25301.

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**NOTE 17- AFFILIATED ORGANIZATIONS AND OTHER STATE AGENCIES**

The Council has various separately-incorporated affiliated organizations, including alumni and other associations. Oversight responsibility for these organizations rests with independent boards and management not otherwise affiliated with the Council. Accordingly, the financial statements of these organizations are not included in the accompanying combined financial statements under the blended component unit requirements. They are also not included in the accompanying combined financial statements under the discretely presented component unit requirement as they are not significant or have dual purpose (i.e., not entirely or almost entirely for the benefit of the Council).

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

	<u>2019</u>	<u>2018</u>
Due from:		
Board of Treasury Investments	\$ 288	\$ 241
Department of Agriculture	1,951	-
Department of Commerce	58,161	-
Department of Education	14,165	2,835
Department of Environmental Protection	-	4,800
Department of Health and Human Resources	29,122	6,499
Department of Veterans Affairs	8,301	-
Division of Highways	37,031	41,618
Division of Rehabilitation Services	194	3,164
State Treasurer's Office	27,364	-
Workforce West Virginia	<u>6,955</u>	<u>29,756</u>
	<u>\$ 183,532</u>	<u>\$ 88,913</u>
Due to:		
Attorney General	\$ 230	\$ 100
Department of Administration	976	2,896
Department of Health and Human Resources	53,786	108,243
Department of Veterans Affairs	1,585	-
Division of Labor	6,100	90
Division of Rehabilitation Services	-	5,739
Fairmont State University	163,633	227,713
Marshall University	-	1,990
PEIA/RHBT	15,218	8,565
State Treasurer's Office	10,705	982
Tax Department	718	1,739
Workforce West Virginia	6,369	5,434
WVNET	203,354	33,449
WVU Mining Extension	<u>400</u>	<u>-</u>
	<u>\$ 463,074</u>	<u>\$ 396,940</u>

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**NOTE 18 - CONTINGENCIES AND COMMITMENTS**

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

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

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the combined financial statements at June 30, 2019.

The institutions within the Council own various buildings that are known to contain asbestos. The institutions are not required by Federal, State, or Local Law to remove the asbestos from the buildings. The institutions are required by Federal Environmental, Health, and Safety Regulations to manage the presence of asbestos in the buildings in a safe condition. Significant problems of dangerous asbestos conditions are abated as the conditions become known. The institutions also address 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 19 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 15, 2019, the date the combined financial statements were available to be issued. No significant subsequent events requiring adjustment to or disclosure in the combined financial statements were noted.

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**NOTE 20 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

For the years ended June 30, 2019 and 2018, the following table represents operating expenses within both natural and functional classifications:

2019	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-Offs	Total
Instruction	\$ 36,753,217	\$ 8,332,070	\$ 9,452,291	\$ 414,812	\$ 6,638	\$ -	\$ -	\$ 54,959,028
Public service	1,340,311	259,205	738,865	1,343	5,460	-	-	2,345,184
Academic support	4,371,794	1,234,418	2,281,201	104,282	7,475	-	-	7,999,170
Student services	8,099,293	1,955,301	2,438,240	31,895	4,000	-	-	12,528,729
General institutional support	15,062,973	3,663,407	10,968,203	609,596	41,916	-	-	30,346,095
Operations and maintenance of plant	3,622,248	1,141,491	6,250,867	2,705,314	-	-	-	13,719,920
Total education and general	69,249,836	16,585,892	32,129,667	3,867,242	65,489	-	-	121,898,126
Student financial aid	177,428	6,555	387,605	-	15,519,447	-	-	16,091,035
Auxiliary enterprises	357,469	85,566	866,308	6,268	-	-	-	1,315,611
Depreciation	-	-	-	-	-	11,324,526	-	11,324,526
Loan cancellations and write-offs	-	-	-	-	-	-	155,929	155,929
Other	-	-	370,860	-	-	-	-	370,860
Total	\$ 69,784,733	\$ 16,678,013	\$ 33,754,440	\$ 3,873,510	\$ 15,584,936	\$ 11,324,526	\$ 155,929	\$ 151,156,087
2018	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-Offs	Total
Instruction	\$ 36,690,438	\$ 9,021,953	\$ 9,664,267	\$ 356,553	\$ 47,827	\$ -	\$ -	\$ 55,781,038
Public service	1,323,823	302,320	1,136,188	924	2,436	-	-	2,765,691
Academic support	4,086,077	1,051,743	2,514,144	93,041	5,000	-	-	7,750,005
Student services	7,312,736	2,016,251	2,656,152	31,463	-	-	-	12,016,602
General institutional support	14,046,112	4,145,355	10,443,205	439,808	-	-	-	29,074,480
Operations and maintenance of plant	3,348,988	1,064,227	6,409,903	2,647,103	-	-	-	13,470,221
Total education and general	66,808,174	17,601,849	32,823,859	3,568,892	55,263	-	-	120,858,037
Student financial aid	202,788	6,559	404,767	-	17,981,811	-	-	18,595,925
Auxiliary enterprises	328,635	72,249	990,055	6,172	-	-	-	1,397,111
Depreciation	-	-	-	-	-	11,416,814	-	11,416,814
Loan cancellations and write-offs	-	-	-	-	-	-	168,901	168,901
Other	-	-	389,426	-	-	-	-	389,426
Total	\$ 67,339,597	\$ 17,680,657	\$ 34,608,107	\$ 3,575,064	\$ 18,037,074	\$ 11,416,814	\$ 168,901	\$ 152,826,214

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**NOTE 21 - COMPONENT UNITS' DISCLOSURES**

Certain of the community and technical college Foundations are reported as discretely presented component units. Each of the discretely presented component units included here is presented as of its respective fiscal year end – June 30, 2019 and 2018 for Blue Ridge Community and Technical College Foundation, Inc.; BridgeValley Community & Technical College Foundation, Inc.; New River Community and Technical College Foundation, Inc.; West Virginia Northern Community College Foundation, Inc.; and WVU at Parkersburg Foundation, Inc.; and December 31, 2018 and 2017 for Southern West Virginia Community and Technical College Foundation, Inc. For simplification, certain disclosures present all year end dates as of June 30. See separately issued component unit financial statements for full disclosures. The following is an aggregation of the significant notes for the financial statements of the discretely presented component units:

**ORGANIZATION AND NATURE OF OPERATIONS**

The foundations are nonprofit organizations incorporated in the State of West Virginia. The primary purpose of the foundations is to provide assistance and support for the students, facilities, and programs of their respective institutions.

**SUMMARY OF ACCOUNTING POLICIES**

Basis of accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when they are incurred, whether or not cash is received or paid out at that time.

Classification of net assets - These financial statements are prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. Accordingly, transactions and balances are classified into two categories of net assets:

Net assets without donor restrictions are not restricted by donor-imposed stipulations. Net assets without donor restrictions are maintained and distributed at the discretion of the component units' respective Boards of Directors.

Net assets with donor restrictions consist of contributions restricted by donor-restricted stipulations, which will either expire by the passage of time or by action of the component units. When donor restrictions expire - that is, when a stipulated time restriction ends or a purpose restriction is fulfilled - net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

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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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - For purposes of the statements of cash flows, the component units consider all cash accounts and all highly-liquid instruments available for current use with an original maturity of three months or less, which are not held for long-term investment and are not subject to withdrawal restrictions or penalties, to be cash and cash equivalents.

Investments - The component units account for their investments in accordance with accounting principles generally accepted in the United States of America. As such, investments are valued at fair value in the statements of net assets. Unrealized gains and losses are included in the changes in net assets. See separately issued component unit financial statements for respective fair value disclosures.

Property and equipment - Property and equipment are recorded at cost, if purchased, or estimated fair value, if donated. The component units compute depreciation on the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 7 years for equipment, 15 years for building improvements, and 30 years for buildings. Useful lives are revised when a change in life expectancy becomes apparent. No depreciation is recorded for assets acquired but not yet placed in service.

Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains or losses on dispositions of fixed assets are included in current operations as realized.

Income tax status - The component units have been recognized by the Internal Revenue Service as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, therefore, are not subject to federal and state income taxes on their exempt-purpose activities. However, income from certain activities not directly related to the component units' tax-exempt purposes would be subject to taxation as unrelated business income.

For the years ended June 30, 2019 and 2018, the component units have no material uncertain tax positions to be accounted for in the financial statements under professional standards. The component units recognize interest and penalties, if any, related to unrecognized tax benefits in interest expense. The respective component units' returns for years ending on or after June 30, 2016 remain subject to examination.

Contributions - Contributions, including unconditional promises to give, are recognized as revenue and recorded at their fair market values on the date of such gifts. The component units report contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires - that is, when a stipulated time restriction ends or purpose restriction is accomplished - net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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Endowments – See separately issued component unit financial statements for endowment-related disclosures.

Amounts held on behalf of others – Amounts held on behalf of others represent assets held by the component units in an agency capacity. These funds are custodial by nature (assets equal liabilities) and do not involve measurement of operations.

Functional reporting – The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated based on managements' estimates among program services and supporting services benefited. A brief description of each of the functional classifications is as follows:

Student support and program services - Funds expended primarily to provide support services for students, alumni, and faculty of a component unit. It includes scholarships awarded to students and the provision of services that directly assist the academic functions, such as faculty development, as well capital projects.

Management and general - Expenses incurred principally for central executive-level activities concerned with management of day-to-day operations and long-range planning, legal and fiscal operations, and administrative data processing.

Fundraising - Expenses related to community and alumni relations, including development and fundraising.

Related party transactions – See separately issued component unit financial statements for disclosures of related party transactions.

Risks and uncertainties – The component units invest in various instruments, including fixed income, stocks, mutual funds, and real assets that, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position and the realized and unrealized gains/(losses) on the statements of activities.

#### **ADOPTION OF ACCOUNTING STANDARD**

During the year ended June 30, 2019, the component units adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU is intended to improve the net asset classification requirements and the information presented in the financial statements and related notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Details of the changes to the presentation of the financial statements and disclosures as a result of the adoption of ASU 2016-14 can be found in the separately issued component unit financial statements.

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**INVESTMENTS**

Investments are stated at estimated fair value in the component unit financial statements. The following is an analysis of the composition of the component units' investments:

	JUNE 30, 2019					DECEMBER 31, 2018
	Blue Ridge Community and Technical College Foundation, Inc.	BridgeValley Community & Technical College Foundation, Inc.	New River Community and Technical College Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Southern West Virginia Community and Technical College Foundation, Inc.
Cash and temporary investments	\$ -	\$ 15,422	\$ 35,106	\$ 267,606	\$ -	\$ -
U.S. Government securities	-	502,047	20,519	251,560	-	-
Corporate and municipal bonds and notes	50,375	-	280,380	432,022	477,256	-
Equity securities and mutual funds	662,429	1,121,692	980,899	3,620,329	10,921,848	3,178,352
Other	-	502,272	-	248,958	-	-
Total investments	<u>\$ 712,804</u>	<u>\$ 2,141,433</u>	<u>\$ 1,316,904</u>	<u>\$ 4,820,475</u>	<u>\$ 11,399,104</u>	<u>\$ 3,178,352</u>

	JUNE 30, 2018					DECEMBER 31, 2017
	Blue Ridge Community and Technical College Foundation, Inc.	BridgeValley Community & Technical College Foundation, Inc.	New River Community and Technical College Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Southern West Virginia Community and Technical College Foundation, Inc.
Cash and temporary investments	\$ -	\$ 29,441	\$ -	\$ 403,322	\$ -	\$ -
U.S. Government securities	-	-	35,230	97,635	-	-
Corporate and municipal bonds and notes	48,837	-	337,093	420,458	366,004	-
Equity securities and mutual funds	519,747	1,085,468	974,899	3,484,668	10,734,097	3,420,847
Other	-	300,000	-	249,054	-	-
Total investments	<u>\$ 568,584</u>	<u>\$ 1,414,909</u>	<u>\$ 1,347,222</u>	<u>\$ 4,655,137</u>	<u>\$ 11,100,101</u>	<u>\$ 3,420,847</u>

**FAIR VALUE MEASUREMENTS**

The component units use fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.



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The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value, a reasonable point within the range, is most representative of fair value under current market conditions.

In accordance with this guidance, the component units group financial assets generally measured at fair value in three levels, based on markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets that the component units have the ability to access at the measurement date. Level 1 assets generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The valuation may be based on quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Fair values of assets and liabilities measured on a recurring basis as of June 30, 2019 are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and temporary investments	\$ 318,134	\$ 318,134	\$ -	\$ -
U.S. Government securities	774,126	20,519	753,607	-
Corporate and municipal bonds and notes	1,240,033	330,755	909,278	-
Equity securities and mutual funds	20,485,549	20,316,548	169,001	-
Other	751,230	-	751,230	-
Total investments	<u>\$ 23,569,072</u>	<u>\$ 20,985,956</u>	<u>\$ 2,583,116</u>	<u>\$ -</u>

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Fair values of assets and liabilities measured on a recurring basis as of June 30, 2018 are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and temporary investments	\$ 432,763	\$ 432,763	\$ -	\$ -
U.S. Government securities	132,865	35,230	97,635	-
Corporate and municipal bonds and notes	1,172,392	456,382	716,010	-
Equity securities and mutual funds	20,219,726	20,048,726	171,000	-
Other	549,054	-	549,054	-
Total investments	<u>\$ 22,506,800</u>	<u>\$ 20,973,101</u>	<u>\$ 1,533,699</u>	<u>\$ -</u>

**PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

		June 30,	
		2019	2018
Land	\$	24,592	\$ 24,592
Buildings		1,224,930	1,224,930
Furniture		77,065	72,000
Software		-	6,000
Machinery and equipment		3,900	3,900
Total		1,330,487	1,331,422
Less accumulated depreciation		(117,056)	(49,383)
Property and equipment, net	\$	<u>1,213,431</u>	<u>\$ 1,282,039</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$71,673 and \$32,073, respectively.

**WEST VIRGINIA COUNCIL FOR COMMUNITY  
AND TECHNICAL COLLEGE EDUCATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

**NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes as of June 30,

	YEAR ENDED JUNE 30, 2019					YEAR ENDED DECEMBER 31, 2018
	Blue Ridge Community and Technical College Foundation, Inc.	BridgeValley Community & Technical College Foundation, Inc.	New River Community and Technical College Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Southern West Virginia Community and Technical College Foundation, Inc.
Capital projects	\$ -	\$ 988,808	\$ 80,667	\$ 90,339	\$ -	\$ -
Scholarships and grants	878,216	291,138	536,206	4,530,891	11,175,571	2,334,733
Endowments	-	107,794	2,096,488	-	-	-
Special events or purposes	-	14,106	-	-	-	-
Institutional support	-	192,665	-	739,096	-	338,469
Other	-	784,709	-	-	-	23,545
Total	<u>\$ 878,216</u>	<u>\$ 2,379,220</u>	<u>\$ 2,713,361</u>	<u>\$ 5,360,326</u>	<u>\$ 11,175,571</u>	<u>\$ 2,696,747</u>

	YEAR ENDED JUNE 30, 2018					YEAR ENDED DECEMBER 31, 2017
	Blue Ridge Community and Technical College Foundation, Inc.	BridgeValley Community & Technical College Foundation, Inc.	New River Community and Technical College Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Southern West Virginia Community and Technical College Foundation, Inc.
Capital projects	\$ -	\$ 993,808	\$ 88,174	\$ 111,576	\$ -	not available
Scholarships and grants	675,543	304,170	557,346	4,385,437	10,882,694	
Endowments	-	104,840	1,951,457	-	-	
Special events or purposes	-	16,801	-	-	-	
Institutional support	-	191,298	-	773,095	-	
Other	-	782,733	-	-	-	
Total	<u>\$ 675,543</u>	<u>\$ 2,393,650</u>	<u>\$ 2,596,977</u>	<u>\$ 5,270,108</u>	<u>\$ 10,882,694</u>	

**WEST VIRGINIA COUNCIL FOR COMMUNITY  
AND TECHNICAL COLLEGE EDUCATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

**LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

As of June 30, 2019, the component units' financial assets available for general expenditure within one year after year end are as follows:

	JUNE 30, 2019					DECEMBER 31, 2018
	Blue Ridge Community and Technical College Foundation, Inc.	BridgeValley Community & Technical College Foundation, Inc.	New River Community and Technical College Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Southern West Virginia Community and Technical College Foundation, Inc.
Cash and equivalents	\$ 277,142	\$ 285,260	not available	\$ 100,676	\$ 56,574	\$ 366,323
Investments	712,804	1,330,785		301,335	429,200	481,605
Pledges and contributions receivable, net	36,500	7,500		-	-	71,344
Other assets	-	7,865		3,120	3,322	20,847
	<u>\$ 1,026,446</u>	<u>\$ 1,631,410</u>		<u>\$ 405,131</u>	<u>\$ 489,096</u>	<u>\$ 940,119</u>

As part of each component unit's liquidity management, it has objectives to maintain the purchasing power of its funds by preserving the real (after inflation) value of its assets; to provide the maximum flow of funds for scholarships, grant making, and operating expenses; and to ensure that an average net return is provided that at least matches or exceeds widely used comparison indices as they pertain to each asset allocation class.

**CONTINGENCIES**

The West Virginia Northern Community College Foundation, Inc., jointly with West Virginia Northern Community College, entered into a legal dispute over the execution of a deed by the West Virginia State Auditor to a third party in January 2018 for property owned by the Foundation. The property is subject to a capital lease between West Virginia Northern Community College and its Foundation, whereby the Foundation received monthly lease payments from August 2015 through December 2018, upon which time receipts were suspended due to the legal dispute. The Foundation's remaining balance on the note receivable was \$263,561 as of June 30, 2018. The Foundation and West Virginia Northern Community College were able to successfully have the invalid deed transfer to the third party vacated, thus voiding the transaction under the Ohio County Circuit Court's decision in December 2018. Legal title to the property remains with the Foundation, and the capital lease remains valid. This matter is resolved.

#### REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
June 30, 2019

State Teachers' Retirement System  
Last 10 Fiscal Years\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Council's proportion of the net pension liability (asset) (percentage)	0.036060%	0.053070%	0.069243%	0.068486%	0.076370%					
Council's proportionate share of the net pension liability (asset)	\$ 1,125,483	\$ 1,833,140	\$ 2,845,650	\$ 2,385,460	\$ 2,638,588					
State's proportionate share of the net pension liability (asset)	<u>2,733,095</u>	<u>4,054,762</u>	<u>5,419,987</u>	<u>5,415,637</u>	<u>5,962,696</u>					
Total proportionate share of the net pension liability (asset)	<u>\$ 3,858,578</u>	<u>\$ 5,887,902</u>	<u>\$ 8,265,637</u>	<u>\$ 7,801,097</u>	<u>\$ 8,601,284</u>					
Council's covered payroll	\$ 993,840	\$ 1,332,895	\$ 1,680,669	\$ 1,989,696	\$ 2,182,351					
Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	113.25%	137.53%	169.32%	119.89%	120.91%					
Plan fiduciary net position as a percentage of the total pension liability	71.20%	67.85%	61.42%	66.25%	65.95%					

\* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date).  
This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Council should present information for those years for which information is available.

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS  
June 30, 2019

State Teachers' Retirement System  
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 152,544	\$ 164,441	\$ 220,166	\$ 258,982	\$ 328,285					
Contributions in relation to the contractually required contribution	(152,544)	(164,441)	(220,166)	(260,982)	(329,310)					
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (2,000)	\$ (1,025)					
Council's covered payroll	\$ 989,968	\$ 1,037,540	\$ 1,355,895	\$ 1,555,318	\$ 1,982,331					
Contributions as a percentage of covered payroll	15.41%	15.85%	16.24%	16.78%	16.61%					

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

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
June 30, 2019

Last 10 Fiscal Years\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Council's proportion of the net OPEB liability (asset) (percentage)	1.200161177%	1.123661118%								
Council's proportionate share of the net OPEB liability (asset)	\$ 25,439,133	\$ 27,438,774								
State's proportionate share of the net OPEB liability (asset)	<u>5,328,744</u>	<u>5,675,315</u>								
Total proportionate share of the net OPEB liability (asset)	<u>\$ 30,767,877</u>	<u>\$ 33,114,089</u>								
Council's covered-employee payroll	\$ 39,515,549	\$ 38,215,263								
Council's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	64.38%	71.80%								
Plan fiduciary net position as a percentage of the total OPEB liability	30.98%	25.10%								

\* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date). This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Council should present information for those years for which information is available.



WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OPEB CONTRIBUTIONS  
June 30, 2019

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statutorily required contribution	\$ 2,133,133	\$ 2,343,858								
Contributions in relation to the statutorily required contribution	(2,133,133)	(2,343,858)								
Contribution deficiency (excess)	\$ -	\$ -								
Council's covered-employee payroll	\$ 39,922,479	\$ 38,107,414								
Contributions as a percentage of covered-employee payroll	5.34%	6.15%								

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

**WEST VIRGINIA COUNCIL FOR COMMUNITY  
AND TECHNICAL COLLEGE EDUCATION  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION  
YEARS ENDED JUNE 30, 2019 AND 2018**

**Changes in Assumptions**

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Inflation	3.0%	3.0%	3.0%	1.9%	2.2%
Salary Increases	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75 to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40 to 6.50%.	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75 to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40 to 6.50%.
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.
Mortality	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	Active: RP2000, non-annuitant monthly mortality table. Retired: RP2000 healthy annuitant, scale AA; Disabled: RP2000 disabled annuitant mortality table, scale AA.	Active: RP2000, non-annuitant monthly mortality table; Retired: RP2000 healthy annuitant, scale AA; Disabled: RP2000 disabled annuitant mortality table, scale AA.
Discount Rate	7.5%	7.5%	7.5%	7.5%	7.5%

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

**WEST VIRGINIA COUNCIL FOR COMMUNITY  
AND TECHNICAL COLLEGE EDUCATION  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
YEARS ENDED JUNE 30, 2019 AND 2018**

Certain assumptions have been changed since the prior measurement date. The assumption changes that most significantly impacted the net OPEB liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the net OPEB liability. Additional information, if necessary, can be obtained from the RHBT audited Financial Statements, Required Supplementary Information, and Other Financial Information for the years ended June 30, 2018 and 2017.

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*

West Virginia Council for Community and Technical College Education  
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of the business-type activities of the West Virginia Council for Community and Technical College Education (the Council), a component unit of the West Virginia Higher Education Policy Commission, as of and for the year ended June 30, 2019, and the related notes to the combined financial statements, which collectively comprise the Council's combined financial statements, and have issued our report thereon dated October 15, 2019. Our report includes a reference to other auditors who audited the financial statements of Blue Ridge Community and Technical College, Mountwest Community and Technical College, West Virginia Northern Community College, West Virginia University at Parkersburg, and all discretely presented component units except WVU at Parkersburg Foundation, Inc., as described in our report on the Council's combined financial statements. The discretely presented component units' financial statements were not audited in accordance with *Government Auditing Standards*. 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 combined financial statements, we considered the Council'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 Council's combined 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 combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

Charleston, West Virginia  
October 15, 2019