
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, 2020 and 2019
and
Independent Auditor's Reports



**Suttle &
Stalnaker** | Certified
Public
Accountants

A Professional Limited Liability Company



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, 2020 and 2019, 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 2020 or 2019 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 49% of the 2020 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, 2020 and 2019, which collectively represent 52%, 52%, and 73% of the 2020 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*.

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

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

Opinions

In our opinion, based on our audits and the reports of 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, 2020 and 2019, 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 72 - 78 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 14, 2020, 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 14, 2020

**WEST VIRGINIA COUNCIL FOR COMMUNITY
AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2020**

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 2019 and 2020. 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, 2020 and 2019 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 2020, there were transfers to the Universities of approximately \$243,000. During 2019, there were transfers to the Universities of approximately \$373,000. 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 2020 to match outstanding bond commitments of Fairmont State University. Other than Pierpont's obligation, there are no formal commitments beyond 2020.

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 2020, 2019, and 2018, with a focus on 2020, 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
AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2020**

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.

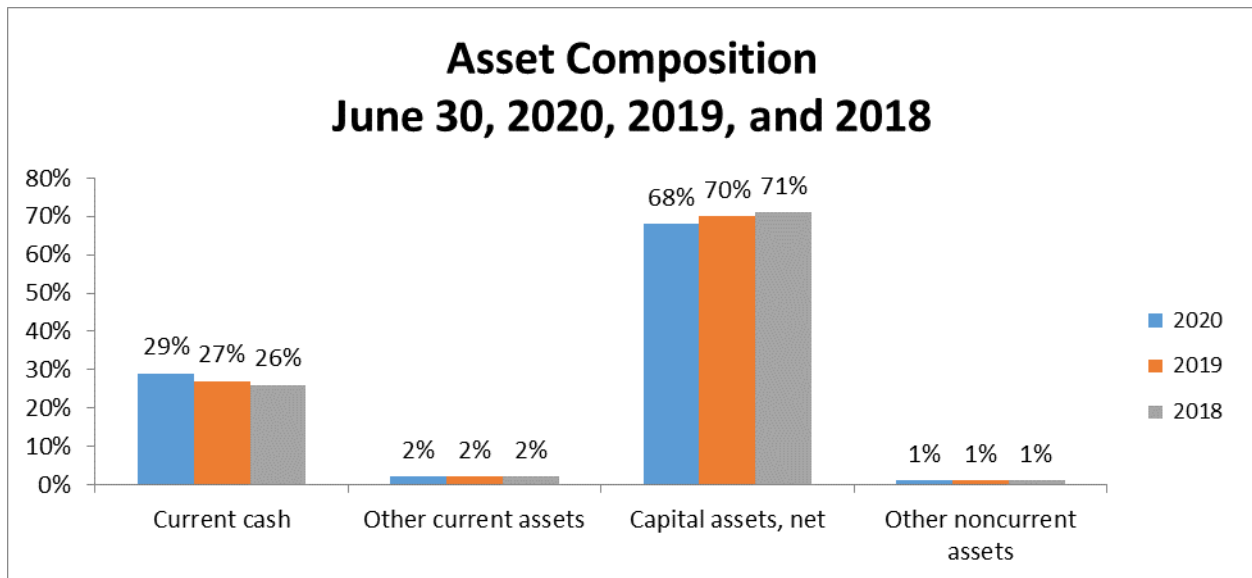
Net Position is divided into three major categories as follows:

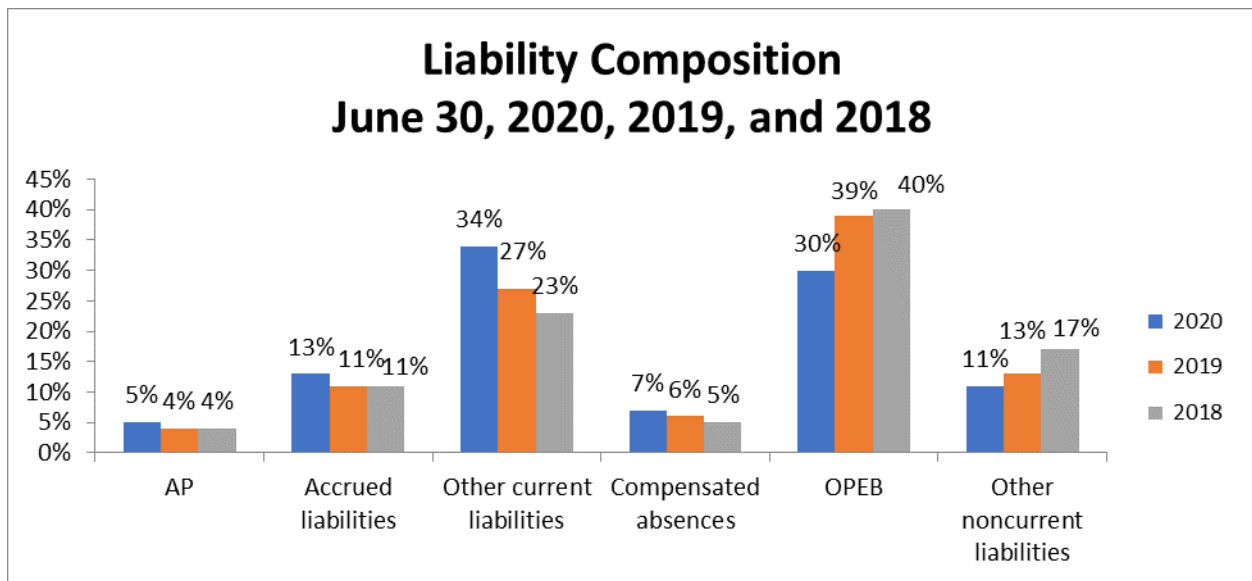
- (1) Net investment in capital assets, which provides the Council's equity in property, plant, and equipment owned by the Council.
- (2) Restricted net position, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted balances are not available for expenditure by 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
AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2020**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change from 2019 to 2020</u>
Assets				
Current assets	\$ 111,172	\$ 102,659	\$ 96,556	\$ 8,513
Capital assets, net	242,070	242,659	242,951	(589)
Other noncurrent assets	<u>3,940</u>	<u>2,135</u>	<u>3,147</u>	<u>1,805</u>
Total assets	357,182	347,453	342,654	9,729
Deferred outflows of resources	<u>3,841</u>	<u>3,828</u>	<u>2,772</u>	<u>13</u>
Total	<u>\$ 361,023</u>	<u>\$ 351,281</u>	<u>\$ 345,426</u>	<u>\$ 9,742</u>
Liabilities				
Current liabilities	\$ 37,096	\$ 30,329	\$ 28,884	\$ 6,767
Noncurrent liabilities	<u>27,111</u>	<u>34,415</u>	<u>39,404</u>	<u>(7,304)</u>
Total liabilities	<u>64,207</u>	<u>64,744</u>	<u>68,288</u>	<u>(537)</u>
Deferred inflows of resources	<u>10,639</u>	<u>8,434</u>	<u>6,697</u>	<u>2,205</u>
Net position				
Net investment in capital assets	233,780	233,555	231,771	220
Restricted				
Nonexpendable	50	50	50	-
Expendable	12,243	9,970	9,174	3,733
Unrestricted	<u>40,104</u>	<u>34,528</u>	<u>29,446</u>	<u>4,121</u>
Total net position	<u>286,177</u>	<u>278,103</u>	<u>270,441</u>	<u>8,074</u>
Total	<u>\$ 361,023</u>	<u>\$ 351,281</u>	<u>\$ 345,426</u>	<u>\$ 9,742</u>





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

- Total current assets of approximately \$111.2 million exceeded total current liabilities of approximately \$37.1 million as of June 30, 2020 for net working capital of approximately \$74.1 million as compared to net working capital of approximately \$72.4 million as of June 30, 2019. Current assets increased from the prior year by approximately \$8.5 million, and current liabilities increased by approximately \$6.8 million.
- The major components of current assets include cash and cash equivalents of approximately \$103.5 million and approximately \$94.1 million, appropriations due from primary government of approximately \$2.6 million and approximately \$2.8 million, and net accounts receivable of approximately \$4.2 million and approximately \$4.9 million as of June 30, 2020 and 2019, 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, 2020 and 2019.
- The major components of current liabilities include unearned revenue and deposits of approximately \$19.3 million and approximately \$15.4 million, approximately \$8.0 million and approximately \$7.2 million in accrued liabilities, approximately \$3.5 million and approximately \$2.6 million in accounts payable, and approximately \$3.9 million and approximately \$3.2 million of compensated absences as of June 30, 2020 and 2019, respectively.

**WEST VIRGINIA COUNCIL FOR COMMUNITY
AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2020**

- Noncurrent assets total approximately \$246.0 million and approximately \$244.8 million, and noncurrent liabilities total approximately \$27.1 million and approximately \$34.4 million as of June 30, 2020 and 2019, respectively. Noncurrent assets increased over the prior year by approximately \$1.2 million. Noncurrent liabilities decreased by approximately \$7.3 million from the prior year.
 - Capital assets, net of accumulated depreciation, decreased from approximately \$242.7 million to approximately \$242.1 million, a decrease of approximately \$0.6 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 \$0.2 million and approximately \$0.7 million, net pension liability of approximately \$1.0 million and \$1.1 million, debt service obligations of approximately \$3.9 million and approximately \$4.8 million, and net other postemployment benefits (OPEB) liability of approximately \$19.4 million and approximately \$25.4 million as of June 30, 2020 and 2019, respectively.
- Deferred outflows of resources totaled approximately \$3.8 million and \$3.8 million as of June 30, 2020 and 2019, respectively. Deferred inflows of resources totaled approximately \$10.6 million and approximately \$8.4 million as of June 30, 2020 and 2019, 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 \$286.2 million and approximately \$278.1 million as of June 30, 2020 and 2019, respectively, an increase of approximately \$8.1 million.
 - The net investment in capital assets totaled approximately \$233.8 million and approximately \$233.6 million as of June 30, 2020 and 2019, respectively.
 - The restricted portion of the net position totaled approximately \$12.3 million and approximately \$10.0 million as of June 30, 2020 and 2019, respectively and is primarily restricted for capital projects.
 - The unrestricted portion of the net position totaled approximately \$40.1 million and approximately \$34.5 million as of June 30, 2020 and 2019, 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

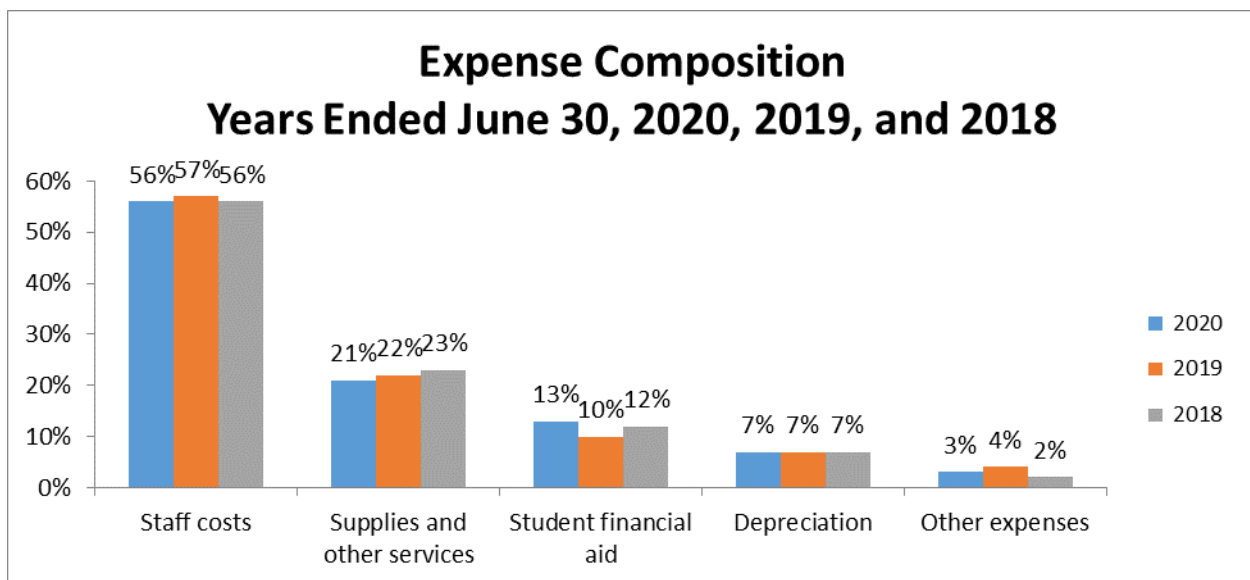
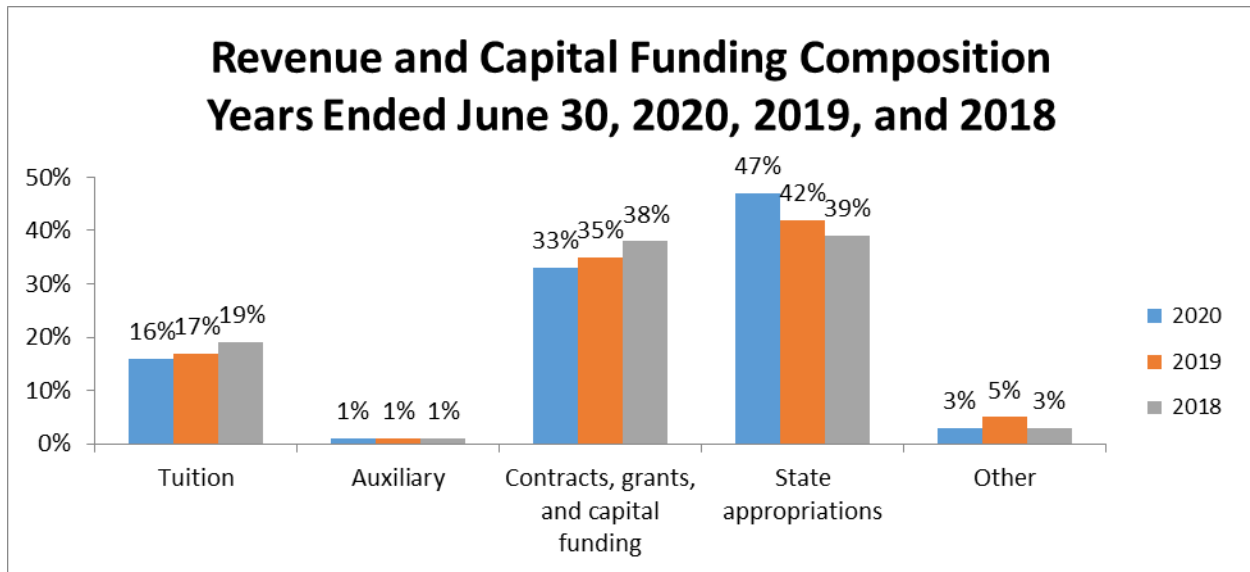
Changes in total net position as presented on the Combined Statement of Net Position are based on the activity presented in the Combined Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues, both operating and nonoperating, expenses, both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

**WEST VIRGINIA COUNCIL FOR COMMUNITY
AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2020**

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change from 2019 to 2020</u>
Operating revenues	\$ 50,280	\$ 53,316	\$ 59,630	\$ (3,036)
Operating expenses	<u>159,103</u>	<u>151,156</u>	<u>152,826</u>	<u>7,947</u>
Operating loss	<u>(108,823)</u>	<u>(97,840)</u>	<u>(93,196)</u>	<u>(10,983)</u>
Net nonoperating revenues	<u>111,256</u>	<u>98,460</u>	<u>94,331</u>	<u>12,796</u>
Increase in net position before other revenues, expenses, gains, or	<u>2,433</u>	<u>620</u>	<u>1,135</u>	<u>1,813</u>
Payments made and expenses incurred by the State on behalf of the Council and Institutions	1,371	1,737	2,206	(366)
Capital projects and bond proceeds from Commission and the State	97	378	109	(281)
Capital grants and gifts	891	3,604	416	(2,713)
Capital payments made on behalf of the Council and Institutions	<u>3,525</u>	<u>1,696</u>	<u>1,426</u>	<u>1,829</u>
Increase in net position before transfers	8,317	8,035	5,292	282
Transfers to Institutions of the Commission and others	<u>(243)</u>	<u>(373)</u>	<u>(3,718)</u>	<u>130</u>
Increase in net position	<u>8,074</u>	<u>7,662</u>	<u>1,574</u>	<u>412</u>
Net position - beginning of year	278,103	270,441	272,357	7,662
Net effect of change in accounting policy	-	-	(3,490)	-
Net position - beginning of year (Restated)	<u>278,103</u>	<u>270,441</u>	<u>268,867</u>	<u>7,662</u>
Net position - end of year	<u>\$ 286,177</u>	<u>\$ 278,103</u>	<u>\$ 270,441</u>	<u>\$ 8,074</u>



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

- Operating revenues of the Council totaled approximately \$50.3 million in fiscal year 2020 compared to approximately \$53.3 million in fiscal year 2019, a decrease of approximately \$3.0 million compared to a prior year decrease of approximately \$6.3 million.

**WEST VIRGINIA COUNCIL FOR COMMUNITY
AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2020**

- Student tuition and fee revenues totaled approximately \$26.8 million in fiscal year 2020 compared to approximately \$27.5 million in fiscal year 2019, a decrease of approximately \$0.7 million. Tuition is reported net of scholarship allowances totaling approximately \$27.3 million and approximately \$26.3 million in fiscal years 2020 and 2019, respectively. The decrease is primarily due to enrollment decline.
- Federal grants and contracts totaled approximately \$8.5 million in fiscal year 2020 compared to approximately \$10.2 million in fiscal year 2019. Federal grants include funding for sponsored research and other miscellaneous federal programs.
- State grants and contracts totaled approximately \$8.0 million in fiscal year 2020 compared to approximately \$8.0 million in fiscal year 2019, and private grants and contracts totaled approximately \$2.2 million in fiscal year 2020 compared to approximately \$2.4 million in fiscal year 2019. Any fluctuations represent normal grant activities.
- Sales and services of educational activities generated revenues of approximately \$0.6 million in fiscal year 2020 compared to approximately \$0.8 million in fiscal year 2019.
- Auxiliary enterprises generated revenues of approximately \$1.8 million in fiscal year 2020 compared to approximately \$2.0 million in fiscal year 2019, net of scholarship allowance of approximately \$0.2 million and approximately \$0.3 million in fiscal years 2020 and 2019, respectively.
- Other operating revenues totaled approximately \$2.3 million in fiscal year 2020 compared to approximately \$2.3 million in fiscal year 2019.
- Operating expenses totaled approximately \$159.1 million in fiscal year 2020 compared to approximately \$151.2 million in fiscal year 2019, an increase of approximately \$7.9 million.
 - Staff costs, including salaries and benefits, totaled approximately \$89.4 million in fiscal year 2020 compared to approximately \$86.5 million in fiscal year 2019, an increase of approximately \$2.9 million from the prior year. This increase is attributed to increased staffing at the institutions.
 - Supplies and other services totaled approximately \$33.6 million in fiscal year 2020 compared to approximately \$33.8 million in fiscal year 2019. The change is attributable to reduction in purchases of supplies and other services in response to budget cuts.
 - Scholarships and fellowships totaled approximately \$20.7 million in fiscal year 2020 compared to approximately \$15.6 million in fiscal year 2019. This is primarily attributed to an increase in the number of students receiving WV INVESTS grants.
 - Depreciation on capital assets totaled approximately \$11.2 million in fiscal year 2020 compared to approximately \$11.3 million in fiscal year 2019.

**WEST VIRGINIA COUNCIL FOR COMMUNITY
AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2020**

- The result from operations was an operating loss of approximately \$108.8 million and approximately \$97.8 million for the years ended June 30, 2020 and 2019, respectively, which excludes State appropriations of approximately \$76.6 million and approximately \$67.1 million, respectively, and federal Pell grants of approximately \$28.6 million and approximately \$29.4 million, respectively. These exclusions are recorded as nonoperating revenues.
- Net nonoperating revenue totaled approximately \$111.3 million and approximately \$98.5 million for the years ended June 30, 2020 and 2019, respectively, an increase of approximately \$12.8 million from the prior year.
 - State general revenue and lottery appropriations totaled approximately \$76.6 million and approximately \$67.1 million for the years ended June 30, 2020 and 2019, reflecting an increase of approximately \$9.5 million in fiscal year 2020.
 - Federal Pell revenues totaled approximately \$28.6 million and approximately \$29.4 million for the year ended June 30, 2020 and 2019, respectively, reflecting a decrease of approximately \$0.8 million in fiscal year 2020.
- Other funding primarily consists of capital payments made on behalf of the Council totaling approximately \$3.5 million and approximately \$1.7 million for the years ended June 30, 2020 and 2019, respectively. Capital grants and gifts totaled approximately \$0.9 million and approximately \$3.6 million for the years ended June 30, 2020 and 2019, respectively. Payments made and expenses incurred by the State on behalf of the Council totaled approximately \$1.4 million and approximately \$1.7 million for the years ended June 30, 2020 and 2019, respectively.
- The activity for fiscal year 2020 resulted in an increase in net position after transfers of approximately \$8.1 million, as compared to the approximately \$7.7 million increase in net position after transfers during fiscal year 2019. The net position at June 30, 2020 totaled approximately \$286.2 million compared to approximately \$278.1 million at June 30, 2019.
- As reported on a functional basis, expenditures for educational and general (E&G) expenses were approximately \$124.9 million and approximately \$121.9 million in fiscal year 2020 and fiscal year 2019, respectively, an increase of approximately \$3.0 million from fiscal year 2019. Instruction expenses constitute 44.9% and 45.1% of total E&G expenses, and institutional support constitutes 26.1% and 24.9% of total E&G expenses in fiscal year 2020 and fiscal year 2019, respectively.

**WEST VIRGINIA COUNCIL FOR COMMUNITY
AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2020**

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**Condensed Functional Expense Comparisons
Years Ended June 30:
(In thousands of dollars)**

	<u>2020</u> <u>Total</u>	<u>% of</u> <u>E&G</u> <u>Total</u>	<u>2019</u> <u>Total</u>	<u>% of</u> <u>E&G</u> <u>Total</u>	<u>2018</u> <u>Total</u>	<u>% of</u> <u>E&G</u> <u>Total</u>	<u>Change from</u> <u>2019 to 2020</u>
Instruction	\$ 56,047	44.9%	\$ 54,959	45.1%	\$ 55,781	46.2%	\$ 1,088
Public service	3,038	2.4%	2,345	1.9%	2,766	2.3%	693
Academic support	7,927	6.3%	7,999	6.6%	7,750	6.4%	(72)
Student services	12,919	10.3%	12,529	10.3%	12,017	9.9%	390
General institutional support	32,565	26.1%	30,346	24.9%	29,074	24.1%	2,219
Operations and maintenance of plant	<u>12,381</u>	<u>10.0%</u>	<u>13,720</u>	<u>11.2%</u>	<u>13,470</u>	<u>11.1%</u>	<u>(1,339)</u>
Total education and general	124,877	<u>100.0%</u>	121,898	<u>100.0%</u>	120,858	<u>100.0%</u>	2,979
Student financial aid	21,098		16,091		18,596		5,007
Auxiliary enterprises	1,126		1,316		1,397		(190)
Depreciation	11,164		11,324		11,417		(160)
Loan cancellations and write-offs	469		156		169		313
Other	<u>369</u>		<u>371</u>		<u>389</u>		<u>(2)</u>
Total	<u>\$ 159,103</u>		<u>\$ 151,156</u>		<u>\$ 152,826</u>		<u>\$ 7,947</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)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change from</u> <u>2019 to 2020</u>
Cash provided (used) by:				
Operating activities	\$ (92,884)	\$ (86,549)	\$ (84,222)	\$ (6,335)
Noncapital financing activities	109,787	95,718	94,094	14,069
Capital and related financing activities	(7,799)	(7,480)	(8,811)	(319)
Investing activities	<u>1,435</u>	<u>1,847</u>	<u>1,140</u>	<u>(412)</u>
Increase in cash	10,539	3,536	2,201	7,003
Cash - beginning of year	<u>95,628</u>	<u>92,092</u>	<u>89,891</u>	<u>3,536</u>
Cash - end of year	<u>\$ 106,167</u>	<u>\$ 95,628</u>	<u>\$ 92,092</u>	<u>\$ 10,539</u>

**WEST VIRGINIA COUNCIL FOR COMMUNITY
AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2020**

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 \$92.9 million and approximately \$86.5 million for the years ended June 30, 2020 and 2019, 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 2020 and 2019 were student tuition and fees of approximately \$30.4 million and approximately \$32.1 million, respectively, and contracts and grants of approximately \$19.7 million and approximately \$17.8 million, respectively. Primary uses of cash for fiscal years 2020 and 2019, respectively, included payments to and on behalf of employees of approximately \$90.4 million and approximately \$87.1 million, payments to suppliers of approximately \$32.0 million and approximately \$29.6 million, and payments for scholarship and fellowships of approximately \$20.7 million and approximately \$17.0 million.
- Net cash provided by noncapital financing activities for fiscal years 2020 and 2019, respectively, totaled approximately \$109.8 million and approximately \$95.7 million, of which approximately \$76.7 million and approximately \$66.3 million were from State general revenue and lottery appropriations, and approximately \$28.6 million and approximately \$29.4 million were from federal Pell grants.
- Net cash used in capital financing activities for fiscal years 2020 and 2019, respectively, totaled approximately \$7.8 million and approximately \$7.5 million and primarily resulted from purchases of capital assets and debt activity.
- Net cash of the Council at June 30, 2020 was approximately \$106.2 million compared to approximately \$95.6 million at June 30, 2019, an increase of approximately \$10.6 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 2020**

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 2020 and 2019, respectively, amounted to approximately \$76.6 million and \$67.1 million. For fiscal year 2020, State appropriations increased approximately \$9.5 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 16.3% 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 2020**

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

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 103,549,368	\$ 94,144,666
Appropriations due from Primary Government	2,583,983	2,778,263
Accounts receivable, net of allowance for doubtful accounts	4,237,895	4,910,172
Due from the Commission	90,153	366,141
Inventories	171,000	118,000
Other current assets	<u>540,181</u>	<u>341,757</u>
Total current assets	<u>111,172,580</u>	<u>102,658,999</u>
NONCURRENT ASSETS:		
Cash and cash equivalents	2,617,950	1,483,102
Student loans receivable	740,879	-
Capital assets, net of accumulated depreciation	242,070,368	242,659,443
Other noncurrent assets	<u>580,753</u>	<u>651,399</u>
Total noncurrent assets	<u>246,009,950</u>	<u>244,793,944</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows relating to the net pension liability	324,495	325,335
Deferred outflows relating to the net OPEB liability	<u>3,516,210</u>	<u>3,502,828</u>
Total deferred outflows of resources	<u>3,840,705</u>	<u>3,828,163</u>
TOTAL	<u>\$ 361,023,235</u>	<u>\$ 351,281,106</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 NET POSITION (Continued)
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,531,112	\$ 2,649,022
Accrued liabilities	8,045,124	7,247,514
Due to the Commission	523,359	175,423
Due to the State and State agencies	105,419	238,346
Due to affiliates	34,293	-
Compensated absences - current portion	3,862,631	3,245,150
Capital lease obligations - current portion	327,069	103,449
Bonds payable - current portion	446,147	428,298
Other debt service obligations - current portion	825,014	805,287
Funds due to West Virginia Development Office - current portion	66,668	66,668
Unearned revenue and deposits	<u>19,328,677</u>	<u>15,369,587</u>
Total current liabilities	<u>37,095,513</u>	<u>30,328,744</u>
NONCURRENT LIABILITIES:		
Net other postemployment benefits liability	19,420,459	25,439,133
Compensated absences	533,001	474,412
Capital lease obligations	396,400	275,677
Bonds payable	229,999	676,146
Other debt service obligations	3,887,280	4,757,386
Funds due to West Virginia Development Office	1,599,999	1,666,665
Net pension liability	<u>1,044,138</u>	<u>1,125,483</u>
Total noncurrent liabilities	<u>27,111,276</u>	<u>34,414,902</u>
DEFERRED INFLOWS OF RESOURCES:		
Service concession arrangement	43,583	97,833
Deferred inflows relating to the net pension liability	922,837	1,240,205
Deferred inflows relating to the net OPEB liability	<u>9,673,006</u>	<u>7,096,375</u>
Total deferred inflows of resources	<u>10,639,426</u>	<u>8,434,413</u>
NET POSITION:		
Net investment in capital assets	233,779,674	233,554,734
Restricted for - nonexpendable - other	50,000	50,000
Restricted for - expendable - capital projects	4,350,092	3,449,330
Restricted for - expendable - scholarships	791,795	74,148
Restricted for - expendable - sponsored programs	4,033,028	3,327,898
Restricted for - expendable - other	3,068,353	3,119,184
Unrestricted	<u>40,104,078</u>	<u>34,527,753</u>
Total net position	<u>286,177,020</u>	<u>278,103,047</u>
TOTAL	<u>\$ 361,023,235</u>	<u>\$ 351,281,106</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
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:		
Student tuition and fees, net of scholarship allowance of \$27,348,780 and \$26,329,306 in 2020 and 2019, respectively	\$ 26,823,921	\$ 27,506,714
Contracts and grants:		
Federal	8,455,807	10,229,706
State	7,996,416	8,009,003
Private	2,208,140	2,437,356
Sales and services of educational activities	631,297	833,237
Auxiliary enterprise revenue, net of scholarship allowance of \$236,758 and \$279,118 in 2020 and 2019, respectively	1,832,365	1,966,057
Other operating revenue	<u>2,331,569</u>	<u>2,334,347</u>
Total operating revenues	<u>50,279,515</u>	<u>53,316,420</u>
OPERATING EXPENSES:		
Salaries and wages	73,996,327	69,784,733
Benefits	15,364,863	16,678,013
Supplies and other services	33,644,814	33,754,440
Utilities	3,769,521	3,873,510
Student financial aid - scholarships and fellowships	20,695,006	15,584,936
Depreciation	11,163,621	11,324,526
Loan cancellations and write-offs	<u>469,133</u>	<u>155,929</u>
Total operating expenses	<u>159,103,285</u>	<u>151,156,087</u>
OPERATING LOSS	<u>(108,823,770)</u>	<u>(97,839,667)</u>

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
COMBINED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION (Continued)
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	76,550,064	67,054,146
Federal Pell grant	28,588,220	29,401,226
Federal CARES Act revenue	4,714,825	-
Investment income	1,401,518	1,856,935
Fees assessed by the Commission	(66,786)	(118,244)
Other nonoperating revenues (expenses)	68,462	266,407
Net nonoperating revenues	<u>111,256,303</u>	<u>98,460,470</u>
INCREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	2,432,533	620,803
PAYMENTS MADE AND EXPENSES INCURRED BY THE STATE ON BEHALF OF THE COUNCIL AND INSTITUTIONS	1,371,094	1,737,148
CAPITAL PROJECTS AND BOND PROCEEDS FROM THE COMMISSION AND STATE	97,024	377,513
CAPITAL GRANTS AND GIFTS	891,308	3,604,233
CAPITAL PAYMENTS MADE ON BEHALF OF THE COUNCIL AND INSTITUTIONS	<u>3,524,518</u>	<u>1,695,750</u>
INCREASE IN NET POSITION BEFORE TRANSFERS	8,316,477	8,035,447
TRANSFERS TO INSTITUTIONS OF THE COMMISSION AND OTHERS	<u>(242,504)</u>	<u>(373,362)</u>
INCREASE IN NET POSITION	<u>8,073,973</u>	<u>7,662,085</u>
NET POSITION - Beginning of year	<u>278,103,047</u>	<u>270,440,962</u>
NET POSITION - End of year	<u>\$ 286,177,020</u>	<u>\$ 278,103,047</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 30,387,927	\$ 32,092,811
Contracts and grants	19,674,739	17,751,322
Payments to and on behalf of employees	(90,380,803)	(87,122,127)
Payments to suppliers	(32,013,868)	(29,555,038)
Payments to utilities	(3,745,363)	(3,873,926)
Payments for scholarships and fellowships	(20,668,757)	(16,969,637)
Auxiliary enterprise charges	2,075,507	2,103,164
Sales and service educational activities	583,297	806,320
Other payments, net	<u>1,202,998</u>	<u>(1,782,042)</u>
Net cash used in operating activities	<u>(92,884,323)</u>	<u>(86,549,153)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	76,744,344	66,304,478
Federal Pell grant	28,589,220	29,401,226
Federal CARES Act revenue	4,458,198	-
Federal SEOG grant	19,800	16,891
Federal student loan program - direct lending receipts	16,935,500	18,929,818
Federal student loan program - direct lending payments	(16,935,500)	(18,929,818)
Other nonoperating receipts/(payments), net	<u>(23,610)</u>	<u>(4,272)</u>
Net cash provided by noncapital financing activities	<u>109,787,952</u>	<u>95,718,323</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital grants and gifts received	245,305	383,744
Purchases of capital assets	(6,347,195)	(6,282,928)
Capital projects and bond proceeds from the Commission and State	7,046	93,161
Debt service assessed for debt service and reserves	(515,346)	(652,120)
Principal paid on capital debt and leases	(928,318)	(862,948)
Interest paid on capital debt and leases	(125,679)	(129,486)
Other	<u>(134,895)</u>	<u>(29,719)</u>
Net cash used in capital financing activities	<u>(7,799,082)</u>	<u>(7,480,296)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	<u>1,435,003</u>	<u>1,846,805</u>
Net cash provided by investing activities	<u>1,435,003</u>	<u>1,846,805</u>
INCREASE IN CASH AND CASH EQUIVALENTS	10,539,550	3,535,679
CASH AND CASH EQUIVALENTS - Beginning of year	<u>95,627,768</u>	<u>92,092,089</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 106,167,318</u>	<u>\$ 95,627,768</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN		
OPERATING ACTIVITIES:		
Operating loss	\$ (108,823,770)	\$ (97,839,667)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	11,163,621	11,324,526
(Gain) loss from sale of capital assets	28,395	-
Pension expense - special funding situation	288,875	244,601
OPEB expense - special funding situation	1,213,802	1,626,630
Changes in assets and liabilities:		
Accounts receivable, net	356,188	(857,296)
Due from the Commission	(568,797)	(573,013)
Inventories	(53,000)	2,815
Deferred outflows of resources	(32,542)	(1,055,786)
Accounts payable/amounts due	2,233,367	825,711
Accrued liabilities	(209,467)	(276,511)
Advances from federal sponsors	-	(416)
Net other postemployment benefits liability	(4,486,674)	(1,548,641)
Compensated absences	676,070	297,784
Unearned revenue and deposits	3,453,753	1,396,359
Net pension liability	(92,345)	(654,657)
Deferred inflows of resources	2,279,264	1,738,039
Other	(311,063)	(1,199,631)
Net cash used in operating activities	<u>\$ (92,884,323)</u>	<u>\$ (86,549,153)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT		
OF NET POSITION:		
Cash and cash equivalents classified as current	\$ 103,549,368	\$ 94,144,666
Cash and cash equivalents classified as noncurrent	<u>2,617,950</u>	<u>1,483,102</u>
	<u>\$ 106,167,318</u>	<u>\$ 95,627,768</u>
NONCASH TRANSACTIONS:		
Capital asset additions in accounts payable or retainage	<u>\$ 83,805</u>	<u>\$ 300,521</u>
Capital assets acquired through contributions or donation	<u>\$ 505,870</u>	<u>\$ 40,200</u>
Capital payments made and expenses incurred on behalf of the Council	<u>\$ 3,524,518</u>	<u>\$ 1,831,667</u>
Loss on disposal of assets	<u>\$ 10,000</u>	<u>\$ 7,000</u>
Donations	<u>\$ 2,000</u>	<u>\$ 1,000</u>
Transfer to Fairmont	<u>\$ (242,504)</u>	<u>\$ (373,362)</u>
Loan forgiveness	<u>\$ -</u>	<u>\$ 619,932</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

	<u>JUNE 30, 2020</u>					<u>DECEMBER 31, 2019</u>	
	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
ASSETS							
Cash and equivalents	\$ 204,799	\$ 442,065	\$ 232,037	\$ 110,694	\$ 199,648	\$ 301,618	\$ 1,490,861
Investments	714,568	1,941,612	1,327,785	5,029,034	11,695,033	4,070,417	24,778,449
Pledges and contributions receivable, net	15,000	7,500	56,220	-	-	32,838	111,558
Other assets	6,259	20,324	1,350	212,373	4,395	19,766	264,467
Beneficial interests	-	-	1,340,089	1,132,758	-	-	2,472,847
Property and equipment, net	-	-	-	-	1,141,155	-	1,141,155
TOTAL ASSETS	<u>\$ 940,626</u>	<u>\$ 2,411,501</u>	<u>\$ 2,957,481</u>	<u>\$ 6,484,859</u>	<u>\$ 13,040,231</u>	<u>\$ 4,424,639</u>	<u>\$ 30,259,337</u>
LIABILITIES AND NET ASSETS							
Liabilities							
Accounts payable	\$ 625	\$ 19,865	\$ 82,500	\$ 13,888	\$ 42,276	\$ 1,266	\$ 160,420
Other accrued liabilities	-	-	9,000	-	-	-	9,000
Amounts held on behalf of others	-	8,158	-	-	137,228	-	145,386
Total Liabilities	<u>625</u>	<u>28,023</u>	<u>91,500</u>	<u>13,888</u>	<u>179,504</u>	<u>1,266</u>	<u>314,806</u>
Net Assets							
Without donor restrictions	198,612	66,037	13,010	942,259	1,425,244	847,262	3,492,424
With donor restrictions	741,389	2,317,441	2,852,971	5,528,712	11,435,483	3,576,111	26,452,107
Total Net Assets	<u>940,001</u>	<u>2,383,478</u>	<u>2,865,981</u>	<u>6,470,971</u>	<u>12,860,727</u>	<u>4,423,373</u>	<u>29,944,531</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 940,626</u>	<u>\$ 2,411,501</u>	<u>\$ 2,957,481</u>	<u>\$ 6,484,859</u>	<u>\$ 13,040,231</u>	<u>\$ 4,424,639</u>	<u>\$ 30,259,337</u>

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

	<u>JUNE 30, 2019</u>					<u>DECEMBER 31, 2018</u>	
	(Restated) 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>ASSETS</u>							
Cash and equivalents	\$ 277,142	\$ 285,260	\$ 124,412	\$ 100,676	\$ 56,574	\$ 366,323	\$ 1,210,387
Investments	712,804	2,141,433	1,316,904	4,820,475	11,399,104	3,178,352	23,569,072
Pledges and contributions receivable, net	36,500	7,500	55,000	-	-	85,577	184,577
Other assets	6,116	8,655	98	233,572	8,223	20,847	277,511
Beneficial interests	-	-	1,372,067	1,142,903	-	-	2,514,970
Property and equipment, net	421,950	-	-	-	1,213,431	-	1,635,381
TOTAL ASSETS	\$ 1,454,512	\$ 2,442,848	\$ 2,868,481	\$ 6,297,626	\$ 12,677,332	\$ 3,651,099	\$ 29,391,898
<u>LIABILITIES AND NET ASSETS</u>							
<u>Liabilities</u>							
Accounts payable	\$ 2,985	\$ 16,733	\$ 124,500	\$ 9,542	\$ 11,575	\$ -	\$ 165,335
Other accrued liabilities	-	-	9,000	1,000	-	-	10,000
Amounts held on behalf of others	-	12,165	-	-	16,947	-	29,112
Total Liabilities	2,985	28,898	133,500	10,542	28,522	-	204,447
<u>Net Assets</u>							
Without donor restrictions	573,311	34,730	21,620	926,758	1,473,239	954,352	3,984,010
With donor restrictions	878,216	2,379,220	2,713,361	5,360,326	11,175,571	2,696,747	25,203,441
Total Net Assets	1,451,527	2,413,950	2,734,981	6,287,084	12,648,810	3,651,099	29,187,451
TOTAL LIABILITIES AND NET ASSETS	\$ 1,454,512	\$ 2,442,848	\$ 2,868,481	\$ 6,297,626	\$ 12,677,332	\$ 3,651,099	\$ 29,391,898

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, 2020					YEAR ENDED DECEMBER 31, 2019	
	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	\$ 132,943	\$ 38,887	\$ 184,676	\$ 20,312	\$ 6,677	\$ -	\$ 383,495
Investment income (loss)	3,417	42,095	4,473	27,652	14,257	17,166	109,060
Reclassifications	170,377	184,364	92,139	156,134	565,262	192,190	1,360,466
With donor restriction							
Gifts, contributions, and other	31,105	102,783	163,967	81,186	140,920	419,864	939,825
Investment income (loss)	2,445	19,802	67,782	243,334	684,254	651,690	1,669,307
Reclassifications	(170,377)	(184,364)	(92,139)	(156,134)	(565,262)	(192,190)	(1,360,466)
Total revenues, gains, and other support	<u>169,910</u>	<u>203,567</u>	<u>420,898</u>	<u>372,484</u>	<u>846,108</u>	<u>1,088,720</u>	<u>3,101,687</u>
<u>Expenses</u>							
Student support and program services	680,619	202,740	157,292	155,869	369,254	188,663	1,754,437
Management and general	817	29,471	49,172	16,140	264,937	126,381	486,918
Fundraising	-	1,828	83,434	16,588	-	1,402	103,252
Total expenses	<u>681,436</u>	<u>234,039</u>	<u>289,898</u>	<u>188,597</u>	<u>634,191</u>	<u>316,446</u>	<u>2,344,607</u>
Change in Net Assets							
Without donor restrictions	(374,699)	31,307	(8,610)	15,501	(47,995)	(107,090)	(491,586)
With donor restrictions	(136,827)	(61,779)	139,610	168,386	259,912	879,364	1,248,666
Total change in net assets	<u>(511,526)</u>	<u>(30,472)</u>	<u>131,000</u>	<u>183,887</u>	<u>211,917</u>	<u>772,274</u>	<u>757,080</u>
Net Assets, Beginning of Year	<u>1,451,527</u>	<u>2,413,950</u>	<u>2,734,981</u>	<u>6,287,084</u>	<u>12,648,810</u>	<u>3,651,099</u>	<u>29,187,451</u>
Net Assets, End of Year	<u>\$ 940,001</u>	<u>\$ 2,383,478</u>	<u>\$ 2,865,981</u>	<u>\$ 6,470,971</u>	<u>\$ 12,860,727</u>	<u>\$ 4,423,373</u>	<u>\$ 29,944,531</u>

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	
(Restated) 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	\$ -	\$ 678,934
Investment income (loss)	2,004	42,745	1,414	36,772	12,013	66,970	161,918
Reclassifications	122,942	1,137,587	148,699	256,691	596,642	205,361	2,467,922
With donor restriction							
Gifts, contributions, and other	274,184	1,090,703	141,291	62,113	177,233	184,798	1,930,322
Investment income (loss)	51,431	32,454	123,792	284,796	712,286	(97,927)	1,106,832
Reclassifications	(122,942)	(1,137,587)	(148,699)	(256,691)	(596,642)	(205,361)	(2,467,922)
Total revenues, gains, and other support	<u>768,696</u>	<u>1,191,188</u>	<u>435,532</u>	<u>403,355</u>	<u>925,394</u>	<u>153,841</u>	<u>3,878,006</u>
<u>Expenses</u>							
Student support and program services	123,129	1,132,894	216,565	240,065	309,276	198,706	2,220,635
Management and general	2,105	37,383	45,880	16,122	367,135	162,558	631,183
Fundraising	-	1,428	72,293	11,966	-	689	86,376
Total expenses	<u>125,234</u>	<u>1,171,705</u>	<u>334,738</u>	<u>268,153</u>	<u>676,411</u>	<u>361,953</u>	<u>2,938,194</u>
Change in Net Assets							
Without donor restrictions	440,789	33,913	(15,590)	44,984	(43,894)	(89,622)	370,580
With donor restrictions	202,673	(14,430)	116,384	90,218	292,877	(118,490)	569,232
Total change in net assets	<u>643,462</u>	<u>19,483</u>	<u>100,794</u>	<u>135,202</u>	<u>248,983</u>	<u>(208,112)</u>	<u>939,812</u>
Net Assets, Beginning of Year	<u>808,065</u>	<u>2,394,467</u>	<u>2,634,187</u>	<u>6,151,882</u>	<u>12,399,827</u>	<u>3,859,211</u>	<u>28,247,639</u>
Net Assets, End of Year	<u>\$ 1,451,527</u>	<u>\$ 2,413,950</u>	<u>\$ 2,734,981</u>	<u>\$ 6,287,084</u>	<u>\$ 12,648,810</u>	<u>\$ 3,651,099</u>	<u>\$ 29,187,451</u>

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, 2020 AND 2019**

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 2020, there were transfers to the Universities of approximately \$243,000. During 2019, there were transfers to the Universities of approximately \$373,000. 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, 2020 except for Pierpont. The transition plans related to Fairmont and Pierpont extend Pierpont's obligation beyond 2020 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, 2020 AND 2019**

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, 2020 AND 2019**

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, 2020 AND 2019**

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, 2020 and 2019. 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 57th 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
AND TECHNICAL COLLEGE EDUCATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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
AND TECHNICAL COLLEGE EDUCATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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 2020 and 2019, the Council received and disbursed, or awarded, approximately \$21,700,000 and \$23,700,000, 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 2020 and 2019, the Council received and disbursed approximately \$29,500,000 and \$30,800,000, 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
AND TECHNICAL COLLEGE EDUCATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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

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

Recent Statements Issued by GASB - GASB has issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The 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 June 15, 2021. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The Council has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

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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, 2020. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The 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. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021. 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.

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

GASB has also issued Statement No. 93, *Replacement of Interbank Offered Rates*, which is effective for fiscal years beginning after December 31, 2022. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The Council has not yet determined the effect that the adoption of GASB Statement No. 93 may have on its financial statements.

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GASB has also issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which is effective immediately for some provisions, and for others is effective for reporting periods beginning after June 15, 2021. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. The portion of GASB Statement No. 97 that was implemented during the current fiscal year had no impact on the June 30, 2020 financial statements. The Council has not yet determined the effect that the adoption of the remaining portions of GASB Statement No. 97 may have on its financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2020 and 2019, was held as follows:

	2020		Total
	Current	Noncurrent	
State Treasurer	\$ 100,181,600	\$ 2,540,217	\$ 102,721,817
Trustee	-	431	431
Banks	3,356,968	77,302	3,434,270
On hand	<u>10,800</u>	<u>-</u>	<u>10,800</u>
	<u>\$ 103,549,368</u>	<u>\$ 2,617,950</u>	<u>\$ 106,167,318</u>

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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

	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	<u>11,250</u>	<u>-</u>	<u>11,250</u>
	<u>\$ 94,144,666</u>	<u>\$ 1,483,102</u>	<u>\$ 95,627,768</u>

Amounts held by the State Treasurer and Trustee include \$8,336,549 and \$5,120,447 of restricted cash at June 30, 2020 and 2019, respectively.

The combined carrying amount of cash in the bank at June 30, 2020 and 2019, was \$3,434,270 and \$1,564,647, respectively, as compared with the combined bank balance of \$4,042,758 and \$1,756,206, 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 \$102,721,817 and \$94,051,128 as of June 30, 2020 and 2019, respectively. Of these amounts, \$93,977,942 and \$86,572,832 were invested in the WV Money Market Pool and the WV Short Term Bond Pool as of June 30, 2020 and 2019, respectively. The remainder of the cash held with the State Treasurer was not invested at June 30, 2020 and 2019.

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

External Pool	2020		2019	
	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	\$ 91,749,983	AAAm	\$ 84,571,162	AAAm
WV Short Term Bond Pool	2,227,959	Not Rated	\$ 2,001,670	Not Rated

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

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

External Pool	2020		2019	
	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	\$ 91,749,983	44	\$ 84,571,162	42

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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	2020		2019	
	Carrying Value	Effective Duration (Days)	Carrying Value	Effective Duration (Days)
WV Short Term Bond Pool	\$ 2,227,959	620	\$ 2,001,670	723

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

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the 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, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Student tuition and fees, net of allowance for doubtful accounts of \$7,934,641 and \$6,356,263 in 2020 and 2019, respectively	\$ 2,183,620	\$ 1,935,874
Grants and contracts receivable, no allowance necessary	760,416	1,010,599
Due from State agencies	168,178	690,525
Other	<u>1,125,681</u>	<u>1,273,174</u>
	<u>\$ 4,237,895</u>	<u>\$ 4,910,172</u>

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NOTE 5 - CAPITAL ASSETS

A summary of capital assets transactions for the Council at June 30, 2020 and 2019, is as follows:

	2020				
	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Additions</u>	<u>Reductions</u>	
Capital assets not being depreciated:					
Land	\$ 11,047,029	\$ -	\$ -	\$ -	\$ 11,047,029
Construction in progress	<u>2,336,516</u>	<u>(807)</u>	<u>3,808,888</u>	<u>3,734,724</u>	<u>2,409,873</u>
Total capital assets not being depreciated	<u>\$ 13,383,545</u>	<u>\$ (807)</u>	<u>\$ 3,808,888</u>	<u>\$3,734,724</u>	<u>\$ 13,456,902</u>
Other capital assets:					
Land improvements	\$ 3,914,205	\$ (11,236)	\$ 174,000	\$ -	\$ 4,076,969
Infrastructure	9,045,511	(58,423)	20,632	-	9,007,720
Buildings	292,553,976	(353,687)	5,414,656	39,782	297,575,163
Equipment	49,375,748	(4,198)	5,091,128	1,610,418	52,852,260
Software	592,900	-	11,995	-	604,895
Library books	<u>7,487,580</u>	<u>-</u>	<u>137,505</u>	<u>95,067</u>	<u>7,530,018</u>
Total other capital assets	<u>362,969,920</u>	<u>(427,544)</u>	<u>10,849,916</u>	<u>1,745,267</u>	<u>371,647,025</u>
Less accumulated depreciation for:					
Land improvements	1,984,123	(5,702)	262,312	-	2,240,733
Infrastructure	7,587,761	(50,875)	377,151	-	7,914,037
Buildings	82,737,380	(127,507)	6,764,494	39,782	89,334,585
Equipment	34,036,059	(3,128)	3,590,583	1,502,023	36,121,491
Software	275,626	-	39,127	-	314,753
Library books	<u>7,073,073</u>	<u>-</u>	<u>129,954</u>	<u>95,067</u>	<u>7,107,960</u>
Total accumulated depreciation	<u>133,694,022</u>	<u>(187,212)</u>	<u>11,163,621</u>	<u>1,636,872</u>	<u>143,033,559</u>
Other capital assets, net	<u>\$229,275,898</u>	<u>\$ (240,332)</u>	<u>\$ (313,705)</u>	<u>\$ 108,395</u>	<u>\$228,613,466</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 13,383,545	\$ (807)	\$ 3,808,888	\$3,734,724	\$ 13,456,902
Other capital assets	<u>362,969,920</u>	<u>(427,544)</u>	<u>10,849,916</u>	<u>1,745,267</u>	<u>371,647,025</u>
Total cost of capital assets	376,353,465	(428,351)	14,658,804	5,479,991	385,103,927
Less accumulated depreciation	<u>133,694,022</u>	<u>(187,212)</u>	<u>11,163,621</u>	<u>1,636,872</u>	<u>143,033,559</u>
Capital assets, net	<u>\$242,659,443</u>	<u>\$ (241,139)</u>	<u>\$ 3,495,183</u>	<u>\$3,843,119</u>	<u>\$242,070,368</u>

**WEST VIRGINIA COUNCIL FOR COMMUNITY
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NOTE 5 - CAPITAL ASSETS (Continued)

	2019				Ending Balance
	Beginning Balance	Transfers	Additions	Reductions	
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)

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, 2020, of approximately:

Northern	\$	68,970
Pierpont		37,082
Eastern		<u>37,966</u>
	\$	<u><u>144,018</u></u>

NOTE 6 - LONG-TERM LIABILITIES

A summary of long-term obligation transactions for the Council at June 30, 2020 and 2019, is as follows:

	2020				
	Beginning Balance	Transfers/ Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Capital leases payable	\$ 379,126	\$ 544,617	\$ 200,274	\$ 723,469	\$ 327,069
Other debt service obligations	5,562,673	149,278	999,657	4,712,294	825,014
Bonds payable	1,104,444	-	428,298	676,146	446,147
Funds due to West Virginia Development Office	<u>1,733,333</u>	<u>-</u>	<u>66,666</u>	<u>1,666,667</u>	<u>66,668</u>
Total debt	8,779,576	693,895	1,694,895	7,778,576	1,664,898
Other noncurrent liabilities:					
Net other postemployment benefits liability	25,439,133	816,455	6,835,129	19,420,459	-
Accrued compensated absences	3,719,562	1,079,896	403,826	4,395,632	3,862,631
Net pension liability	<u>1,125,483</u>	<u>302,672</u>	<u>384,017</u>	<u>1,044,138</u>	<u>-</u>
Total long-term liabilities	<u>\$ 39,063,754</u>	<u>\$ 2,892,918</u>	<u>\$ 9,317,867</u>	<u>\$ 32,638,805</u>	<u>\$ 5,527,529</u>

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NOTE 6 - LONG-TERM LIABILITIES (Continued)

	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>

At June 30, 2020 and 2019, debt service obligations include amounts due to the Commission of \$1,231,662 and \$1,508,890, respectively, Fairmont of \$2,296,632 and \$2,582,783, respectively, and West Virginia University of \$1,184,000 and \$1,471,000, respectively.

NOTE 7 - LEASES

Capital - The Council leases certain property, plant, and equipment through capital leases. The net book value of leased assets totaled \$1,091,017 and \$621,391 for June 30, 2020 and 2019, 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>
2021	\$ 205,797
2022	192,980
2023	178,980
2024	169,534
2025	40,350
Thereafter	<u>3,363</u>
Future minimum lease payments	791,004
Less interest	<u>67,535</u>
Total	<u>\$ 723,469</u>

**WEST VIRGINIA COUNCIL FOR COMMUNITY
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NOTE 7 - LEASES (Continued)

Operating - The Council had entered into various operating lease agreements. Future annual minimum lease payments for years subsequent to June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2021	\$ 892,524
2022	770,661
2023	666,622
2024	301,806
2025	148,824
Thereafter	<u>338,413</u>
 Total	 <u>\$ 3,118,850</u>

Total rent expense for these operating leases for the years ended June 30, 2020 and 2019, was approximately \$1,085,469 and \$934,992, respectively.

Lessor - New River leases certain facilities to a third party under an operating lease agreement that was effective July 1, 2019. The cost of the facilities was \$1,752,556 at June 30, 2020. Accumulated depreciation on the facilities was \$379,693 at June 30, 2020.

Rental income from the lease agreement was \$30,972 for the year ended June 30, 2020. Future minimum rentals to be received under the lease agreement as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2021	\$ 30,972
2020	30,972
2023	30,972
2024	30,972
2025	30,972
Thereafter	<u>123,888</u>
 Total	 <u>\$ 278,748</u>

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NOTE 8 - BONDS

Bonds payable at June 30, 2020 and 2019, respectively, consist of the following:

	<u>Original Interest Rate</u>	<u>Annual Principal Installment Due</u>	<u>Principal Amount Outstanding 2020</u>	<u>Principal Amount Outstanding 2019</u>
College Revenue Bonds	4.125 %	\$229,999–\$446,147	\$ <u>676,146</u>	\$ <u>1,104,444</u>

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, 2020, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 446,147	\$ 23,338	\$ 469,485
2022	229,999	4,744	<u>234,743</u>
			704,228
Less interest			<u>28,082</u>
Total			<u>\$ 676,146</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, 2020. 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, 2018 until the debt is paid in full. The debt will be due in total on June 30, 2045. As of June 30, 2020 a total of \$1,666,667 is outstanding on this agreement. The total amount of loan payments made for the year ended June 30, 2020 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, 2020, were as follows:

<u>Year Ending June 30,</u>	
2021	\$ 66,668
2022	66,667
2023	66,667
2024	66,667
2025	66,667
Thereafter	<u>1,333,331</u>
	<u>\$ 1,666,667</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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net OPEB liability	\$ 19,420,459	\$ 25,439,133
Deferred outflows of resources	3,516,210	3,502,828
Deferred inflows of resources	9,673,006	7,096,375
Revenues	1,213,802	1,626,630
OPEB expense	(79,046)	2,179,917
Contributions made by the Council and Institutions	2,278,530	2,133,133

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 dates of June 30, 2019 and 2018 were:

	2019	2018
Paygo premium	\$ 183	\$ 177

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

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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, 2020, 2019, and 2018, were \$2,278,530, \$2,133,133, and \$2,343,858, respectively.

Assumptions

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

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

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NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

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

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NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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, 2020 and 2019 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 2020	\$ 24,785,785	\$ 19,420,459	\$ 17,507,414
Net OPEB liability 2019	\$ 30,261,678	\$ 25,439,133	\$ 21,985,765

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, 2020 and 2019 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 2020	\$ 16,866,137	\$ 19,420,459	\$ 25,626,656
Net OPEB liability 2019	\$ 21,304,795	\$ 25,439,133	\$ 31,161,185

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

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

At June 30, 2020, the Council's proportionate share of the net OPEB liability was \$23,516,384. Of this amount, the Council recognized \$19,420,459 as its proportionate share on the statement of net position. The remainder of \$4,095,925 denotes the Council's proportionate share of net OPEB liability attributable to the special funding.

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NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2019 and 2018. Employer contributions are recognized when due. At the June 30, 2019 measurement date, the Council's proportion was 1.206275389%, an increase of 0.006114212% from its proportion of 1.200161177% calculated as of June 30, 2018. 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.

For the year ended June 30, 2020, the Council recognized OPEB expense of \$(79,046). Of this amount, \$(1,292,848) was recognized as the Council's proportionate share of OPEB expense and \$1,213,802 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The Council also recognized revenue of \$1,213,802 for support provided by the State.

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.

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

<u>June 30, 2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,663	\$ 2,329,941
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,216,404	2,547,796
Net difference between projected and actual investment earnings	-	225,712
Changes in assumptions	-	4,030,891
Reallocation of opt-out employer change in proportionate share	5,613	538,666
Contributions after the measurement date	<u>2,278,530</u>	<u>-</u>
Total	<u>\$ 3,516,210</u>	<u>\$ 9,673,006</u>

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NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

<u>June 30, 2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 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>

The Council will recognize the \$2,278,530 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amortization</u>
2021	\$ (3,349,129)
2022	(3,219,265)
2023	(1,727,369)
2024	<u>(139,563)</u>
	<u>\$ (8,435,326)</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, 2020 and 2019.

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.

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NOTE 11 - SYSTEM BONDS PAYABLE (Continued)

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 2020 and 2019, the Council paid \$53,630 and \$50,826, respectively, to the Commission against the debt obligation.

For the years ended June 30, 2020 and 2019, debt service assessed is as follows:

	<u>2020</u>	<u>2019</u>
Principal	\$ 53,630	\$ 50,826
Interest	22,932	25,285
Other	<u>34,058</u>	<u>32,869</u>
	<u>\$ 110,620</u>	<u>\$ 108,980</u>

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. BridgeValley repaid \$68,479 to the Commission during 2020 and owes the Commission \$145,325 as of June 30, 2020.

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, 2020, there are no funds remaining to be drawn.

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.

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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 Follett Higher Education Group, Inc. (Follett), Mountwest and Follett, and Northern and Barnes & Noble College Booksellers, Inc. (Barnes & Noble). Blue Ridge, Mountwest, and Northern contract with Barnes & Noble and Follett to operate the campus bookstores. 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, 2020 and 2019, as follows:

	<u>2020</u>	<u>2019</u>
Designated for fund managers	\$ 1,013,520	\$ 1,272,663
Designated for auxiliaries	40,952	41,432
Undesignated	<u>58,470,065</u>	<u>58,652,791</u>
 Total unrestricted net position before OPEB	 59,524,537	 59,966,886
 Less net OPEB liability	 <u>19,420,459</u>	 <u>25,439,133</u>
 Total unrestricted net position	 <u>\$ 40,104,078</u>	 <u>\$ 34,527,753</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.

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.

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NOTE 15 - RETIREMENT PLANS (Continued)

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, 2020 and 2019:

STRS	2020	2019
Net pension liability	\$ 1,044,138	\$ 1,125,483
Deferred outflows of resources	324,495	325,335
Deferred inflows of resources	922,837	1,240,205
Revenues	288,875	244,601
Pension expense	78,619	(35,389)
Contributions made by the Council and Institutions	150,225	152,544

Plan Description

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

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

Benefits Provided

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

Contributions

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

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NOTE 15 - RETIREMENT PLANS (Continued)

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;
- 7.5% of the gross salary of STRS covered employees hired for the first time after July 1, 2005 and for those TDCRS members who elected to transfer to STRS effective July 1, 2008;
- a certain percentage of fire insurance premiums paid by State residents; and
- under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the STRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2020 and 2019, the Council's proportionate share attributable to this special funding subsidy was \$288,875 and \$244,601, respectively.

The Council's contributions to STRS for the years ended June 30, 2020, 2019, and 2018, were approximately \$150,000, \$153,000, and \$164,000, respectively.

Assumptions

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

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2035.
- Investment rate of return: 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.00-6.00% and non-teachers 3.00-6.50%, based on age.
- Inflation rate: 3.00%.
- Discount rate: 7.50%.
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 0.80-35.00% and non-teachers 1.316-24.75%.
- Disability rates: 0.008-0.704%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%.
- *Ad hoc* cost-of-living increases in pensions are periodically granted by the Legislature. However, the retirement system makes no automatic provision for such increases.

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

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NOTE 15 - RETIREMENT PLANS (Continued)

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

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

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

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.

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NOTE 15 - RETIREMENT PLANS (Continued)

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, 2020 and 2019 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 2020	\$ 1,425,877	\$ 1,044,138	\$ 718,694
Net pension liability 2019	\$ 1,519,309	\$ 1,125,483	\$ 789,017

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

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

At June 30, 2020, the Council's proportionate share of the STRS net pension liability was \$3,393,277. Of this amount, the Council recognized \$1,044,138 as its proportionate share on the statement of net position. The remainder of \$2,349,139 denotes the Council's proportionate share of net pension liability attributable to the special funding.

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.

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, 2019 and 2018. Employer contributions are recognized when due. At the June 30, 2019 measurement date, the Council's proportion was 0.035101%, a decrease of 0.000959% from its proportion of 0.036060% calculated as of June 30, 2018. 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.

For the year ended June 30, 2020, the Council recognized STRS pension expense of \$78,619. Of this amount, \$(210,256) was recognized as the Council's proportionate share of the STRS expense and \$288,875 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The Council also recognized revenue of \$288,875 for support provided by the State.

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.

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NOTE 15 - RETIREMENT PLANS (Continued)

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

<u>June 30, 2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,858	\$ 35,226
Changes in proportion and difference between employer contributions and proportionate share of contributions	146,422	859,172
Changes in assumptions	22,990	-
Net difference between projected and actual investment earnings	-	28,439
Contributions after the measurement date	<u>150,225</u>	<u>-</u>
Total	<u>\$ 324,495</u>	<u>\$ 922,837</u>
<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>

The Council will recognize the \$150,225 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the STRS net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in STRS pension expense as follows.

<u>Fiscal Year Ended June 30,</u>	<u>Amortization</u>
2021	\$ (208,546)
2022	(243,840)
2023	(208,213)
2024	<u>(87,968)</u>
	<u>\$ (748,567)</u>

**WEST VIRGINIA COUNCIL FOR COMMUNITY
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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, 2020 and 2019.

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, 2020, 2019, and 2018 were approximately \$7,486,000, \$6,970,000, and \$6,748,000, which consisted of approximately \$3,743,000, \$3,485,000, and \$3,374,000, respectively, from both the Council and the covered employees.

Total contributions to the Educators Money for the years ended June 30, 2020, 2019, and 2018 were approximately \$50,000, \$136,000, and \$138,000, which consisted of approximately \$25,000, \$68,000, and \$69,000, respectively, from both the Council and the covered employees.

The Council's total payroll for the years ended June 30, 2020, 2019, and 2018 was approximately \$73,996,000, \$69,785,000, and \$67,340,000, respectively, and total covered employees' salaries in TIAA-CREF and Educators Money were approximately \$62,408,000 and \$411,000, respectively, in 2020, approximately \$58,201,000 and \$1,024,000, respectively, in 2019, and \$56,832,000 and \$8,320,000, respectively, in 2018.

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>2020</u>	<u>2019</u>
Due from:		
Board of Treasury Investments	\$ 59	\$ 288
Department of Agriculture	-	1,951
Department of Commerce	7,046	58,161
Department of Education	-	14,165
Department of Energy	7,200	-
Department of Health and Human Resources	97,526	29,122
Department of Veterans Affairs	-	8,301
Division of Highways	33,597	37,031
Division of Rehabilitation Services	-	194
State Treasurer's Office	-	27,364
Marshall University	250	-
Workforce West Virginia	<u>22,500</u>	<u>6,955</u>
	<u>\$ 168,178</u>	<u>\$ 183,532</u>
Due to:		
Attorney General	\$ 362	\$ 230
Department of Administration	12,939	976
Department of Health and Human Resources	5,626	53,786
Department of Veterans Affairs	-	1,585
Division of Labor	270	6,100
Fairmont State University	39,636	163,633
PEIA/RHBT	13,699	15,218
State Treasurer's Office	6,722	10,705
Tax Department	102	718
Workforce West Virginia	9,603	6,369
WVNET	169,109	203,354
WVU Mining Extension	<u>-</u>	<u>400</u>
	<u>\$ 258,068</u>	<u>\$ 463,074</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, 2020.

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.

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

NOTE 19 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 14, 2020, 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.

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
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NOTE 20 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2020 and 2019, the following table represents operating expenses within both natural and functional classifications:

2020	Salaries and <u>Wages</u>	<u>Benefits</u>	Supplies and Other <u>Services</u>	<u>Utilities</u>	Scholarships and <u>Fellowships</u>	<u>Depreciation</u>	Loan Cancellations and <u>Write-Offs</u>	<u>Total</u>
Instruction	\$ 38,033,591	\$ 8,069,594	\$ 9,626,400	\$ 302,380	\$ 15,302	\$ -	\$ -	\$ 56,047,267
Public service	1,607,517	327,270	1,102,146	677	-	-	-	3,037,610
Academic support	4,753,030	1,067,383	2,001,906	95,732	8,500	-	-	7,926,551
Student services	8,694,203	2,074,800	2,106,380	34,578	9,500	-	-	12,919,461
General institutional support	16,712,791	2,723,905	12,318,017	618,541	191,781	-	-	32,565,035
Operations and maintenance of plant	<u>3,663,375</u>	<u>1,027,282</u>	<u>4,979,702</u>	<u>2,710,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,381,133</u>
Total education and general	73,464,507	15,290,234	32,134,551	3,762,682	225,083	-	-	124,877,057
Student financial aid	155,577	123	471,911	790	20,469,923	-	-	21,098,324
Auxiliary enterprises	376,243	74,506	669,056	6,049	-	-	-	1,125,854
Depreciation	-	-	-	-	-	11,163,621	-	11,163,621
Loan cancellations and write-offs	-	-	-	-	-	-	469,133	469,133
Other	<u>-</u>	<u>-</u>	<u>369,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,296</u>
Total	<u>\$ 73,996,327</u>	<u>\$ 15,364,863</u>	<u>\$ 33,644,814</u>	<u>\$ 3,769,521</u>	<u>\$ 20,695,006</u>	<u>\$ 11,163,621</u>	<u>\$ 469,133</u>	<u>\$ 159,103,285</u>
2019	<u>Salaries and Wages</u>	<u>Benefits</u>	<u>Supplies and Other Services</u>	<u>Utilities</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	<u>Loan Cancellations and Write-Offs</u>	<u>Total</u>
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	<u>3,622,248</u>	<u>1,141,491</u>	<u>6,250,867</u>	<u>2,705,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,719,920</u>
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	<u>-</u>	<u>-</u>	<u>370,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>370,860</u>
Total	<u>\$ 69,784,733</u>	<u>\$ 16,678,013</u>	<u>\$ 33,754,440</u>	<u>\$ 3,873,510</u>	<u>\$ 15,584,936</u>	<u>\$ 11,324,526</u>	<u>\$ 155,929</u>	<u>\$ 151,156,087</u>

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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, 2020 and 2019 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, 2019 and 2018 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 Foundations 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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NOTE 21 - COMPONENT UNITS' DISCLOSURES (Continued)

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of 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, 2020 and 2019, 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, 2017 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.

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.

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NOTE 21 - COMPONENT UNITS' DISCLOSURES (Continued)

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.

PRIOR PERIOD ADJUSTMENT

The Blue Ridge Community and Technical College Foundation, Inc. financial statements for the year ended June 30, 2019 have been restated to correct an error for equipment that was previously reported as donated to Blue Ridge Community and Technical College in June 2019. The effect of the restatement was to increase net income for the year ended June 30, 2019 by \$421,950. During the year ended June 30, 2020, \$21,000 worth of equipment was sold for \$21,000, and the remaining \$400,950 was donated to Blue Ridge Community and Technical College.

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.

**WEST VIRGINIA COUNCIL FOR COMMUNITY
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 21 - COMPONENT UNITS' DISCLOSURES (Continued)

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, 2020					DECEMBER 31, 2019
	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	\$ -	\$ 22,436	\$ -	\$ 277,715	\$ -	\$ -
U.S. Government securities	-	405,350	18,971	154,417	-	-
Corporate and municipal bonds and notes	50,778	-	317,367	492,531	674,969	-
Equity securities and mutual funds	663,790	1,104,225	991,447	3,855,487	10,762,360	4,016,417
Other	-	409,601	-	248,884	257,704	54,000
Total investments	<u>\$ 714,568</u>	<u>\$ 1,941,612</u>	<u>\$ 1,327,785</u>	<u>\$ 5,029,034</u>	<u>\$ 11,695,033</u>	<u>\$ 4,070,417</u>

	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>

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.

**WEST VIRGINIA COUNCIL FOR COMMUNITY
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YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 21 - COMPONENT UNITS' DISCLOSURES (Continued)

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, 2020 are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		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	\$ 300,151	\$ 300,151	\$ -	\$ -
U.S. Government securities	578,738	18,971	559,767	-
Corporate and municipal bonds and notes	1,535,645	368,145	1,167,500	-
Equity securities and mutual funds	21,393,726	21,220,726	173,000	-
Other	<u>970,189</u>	<u>-</u>	<u>916,189</u>	<u>54,000</u>
Total investments	<u>\$ 24,778,449</u>	<u>\$ 21,907,993</u>	<u>\$ 2,816,456</u>	<u>\$ 54,000</u>

**WEST VIRGINIA COUNCIL FOR COMMUNITY
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 21 - COMPONENT UNITS' DISCLOSURES (Continued)

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

	Fair Value	Fair Value Measurements at Reporting Date Using		
		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>

PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2020	(Restated) 2019
Land	\$ 24,592	\$ 24,592
Buildings	1,224,930	1,224,930
Furniture	77,065	77,065
Machinery and equipment	3,900	425,850
Total	1,330,487	1,752,437
Less accumulated depreciation	(189,332)	(117,056)
Property and equipment, net	<u>\$ 1,141,155</u>	<u>\$ 1,635,381</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$72,276 and \$71,673, respectively.

**WEST VIRGINIA COUNCIL FOR COMMUNITY
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 21 - COMPONENT UNITS' DISCLOSURES (Continued)

NET ASSETS WITH DONOR RESTRICTIONS

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

	YEAR ENDED JUNE 30, 2020					YEAR ENDED DECEMBER 31, 2019
	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	\$ -	\$ 983,808	\$ 92,164	\$ 93,736	\$ -	\$ -
Scholarships and grants	741,389	268,302	557,626	4,670,288	11,435,483	2,117,216
Endowments	-	91,685	2,203,181	-	-	-
Special events or purposes	-	13,393	-	-	-	-
Institutional support	-	178,869	-	764,688	-	1,443,522
Other	-	781,384	-	-	-	15,373
Total	<u>\$ 741,389</u>	<u>\$ 2,317,441</u>	<u>\$ 2,852,971</u>	<u>\$ 5,528,712</u>	<u>\$ 11,435,483</u>	<u>\$ 3,576,111</u>

	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>

**WEST VIRGINIA COUNCIL FOR COMMUNITY
AND TECHNICAL COLLEGE EDUCATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 21 - COMPONENT UNITS' DISCLOSURES (Continued)

LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of June 30, 2020, the component units' financial assets available for general expenditure within one year after year end are as follows:

	JUNE 30, 2020				DECEMBER 31, 2019	
	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	\$ 204,799	\$ 442,065	Not available	\$ 110,694	\$ 60,941	\$ 301,618
Investments	714,568	1,147,072		371,876	443,030	494,306
Pledges and contributions receivable, net	15,000	7,500		-	-	32,295
Other assets	-	20,324		1,500	2,381	7,385
	<u>\$ 934,367</u>	<u>\$ 1,616,961</u>		<u>\$ 484,070</u>	<u>\$ 506,352</u>	<u>\$ 835,604</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

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

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, 2020

State Teachers' Retirement System
 Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Council's proportion of the net pension liability (asset) (percentage)	0.035101%	0.036060%	0.053070%	0.069243%	0.068486%	0.076370%				
Council's proportionate share of the net pension liability (asset)	\$ 1,044,138	\$ 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>2,349,139</u>	<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>\$ 3,393,277</u>	<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	\$ 949,668	\$ 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	109.95%	113.25%	137.53%	169.32%	119.89%	120.91%				
Plan fiduciary net position as a percentage of the total pension liability	72.64%	71.20%	67.85%	61.42%	66.25%	65.95%				

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date).
 This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, 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, 2020**

**State Teachers' Retirement System
Last 10 Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 150,225	\$ 152,544	\$ 164,441	\$ 220,166	\$ 258,982	\$ 328,285				
Contributions in relation to the contractually required contribution	<u>(150,225)</u>	<u>(152,544)</u>	<u>(164,441)</u>	<u>(220,166)</u>	<u>(260,982)</u>	<u>(329,310)</u>				
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,000)</u>	<u>\$ (1,025)</u>				
Council's covered payroll	\$ 940,998	\$ 989,968	\$ 1,037,540	\$ 1,355,895	\$ 1,555,318	\$ 1,982,331				
Contributions as a percentage of covered payroll	15.96%	15.41%	15.85%	16.24%	16.78%	16.61%				

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 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 June 30, 2020

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Council's proportion of the net OPEB liability (asset) (percentage)	1.206275389%	1.200161177%	1.123661118%							
Council's proportionate share of the net OPEB liability (asset)	\$ 19,420,459	\$ 25,439,133	\$ 27,438,774							
State's proportionate share of the net OPEB liability (asset)	<u>4,095,925</u>	<u>5,328,744</u>	<u>5,675,315</u>							
Total proportionate share of the net OPEB liability (asset)	<u>\$ 23,516,384</u>	<u>\$ 30,767,877</u>	<u>\$ 33,114,089</u>							
Council's covered-employee payroll	\$ 40,735,131	\$ 39,515,549	\$ 38,215,263							
Council's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	47.67%	64.38%	71.80%							
Plan fiduciary net position as a percentage of the total OPEB liability	39.69%	30.98%	25.10%							

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date). This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, 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, 2020

Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 2,278,530	\$ 2,133,133	\$ 2,343,858							
Contributions in relation to the statutorily required contribution	<u>(2,278,530)</u>	<u>(2,133,133)</u>	<u>(2,343,858)</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
Council's covered-employee payroll	\$ 42,049,469	\$ 39,922,479	\$ 38,107,414							
Contributions as a percentage of covered-employee payroll	5.42%	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, 2020 AND 2019

Notes to Required Supplementary Information

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

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

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

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

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

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

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

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



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

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, 2020, 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 14, 2020. 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.

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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.

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

Charleston, West Virginia
October 14, 2020