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, 2018 and 2017
and
Independent Auditor's Reports

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION

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Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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 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, 2018 and 2017, 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 2018 or 2017 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 48%, 48%, and 49% of the 2018 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 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.

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

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

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Opinions

In our opinion, based on our audits and the reports of other auditors, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the business-type activities of the Council, as of June 30, 2018 and 2017, 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.

Change in Accounting Principle

As described in Note 3 to the combined financial statements, in 2018, the Council adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 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 57 - 62 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 29, 2018, 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.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 29, 2018

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2018

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 2017 and 2018. 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, 2018 and 2017 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 2018, there were transfers to the Universities of approximately $382,000. During 2017, there were transfers to the Universities of approximately $329,000. 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 2018 to match outstanding bond commitments of Fairmont State University. Other than Pierpont's obligation, there are no formal commitments beyond 2018.

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 2018, 2017, and 2016, with a focus on 2018, 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.

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:

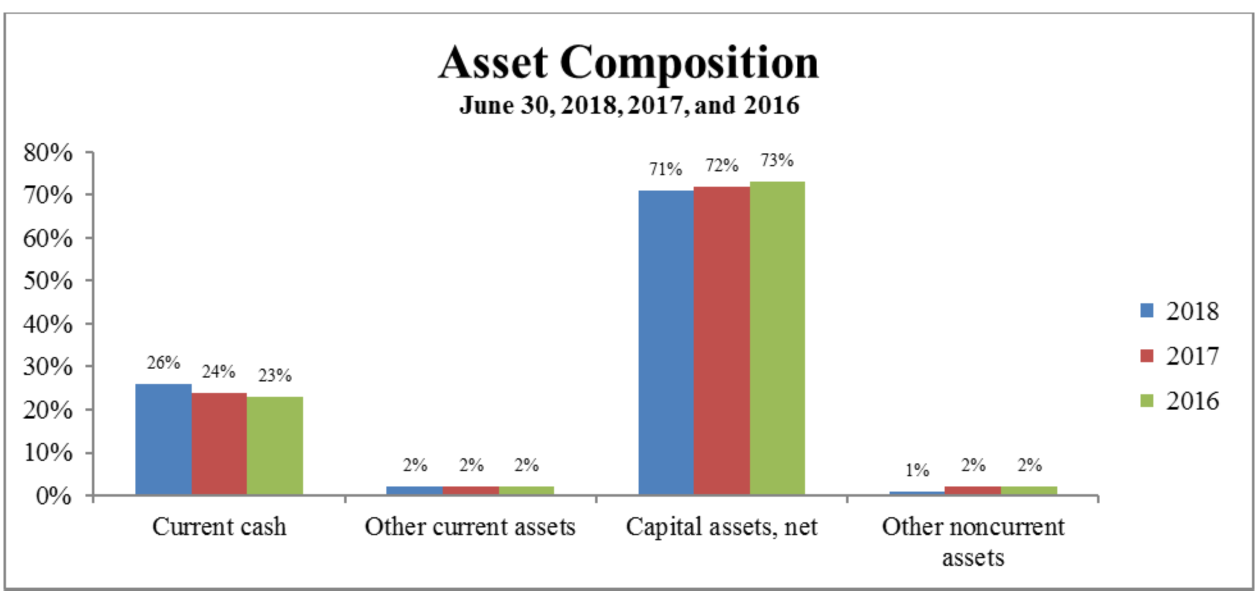
(1) Net investment in capital assets, which provides the Council's equity in property, plant, and equipment owned by the Council.

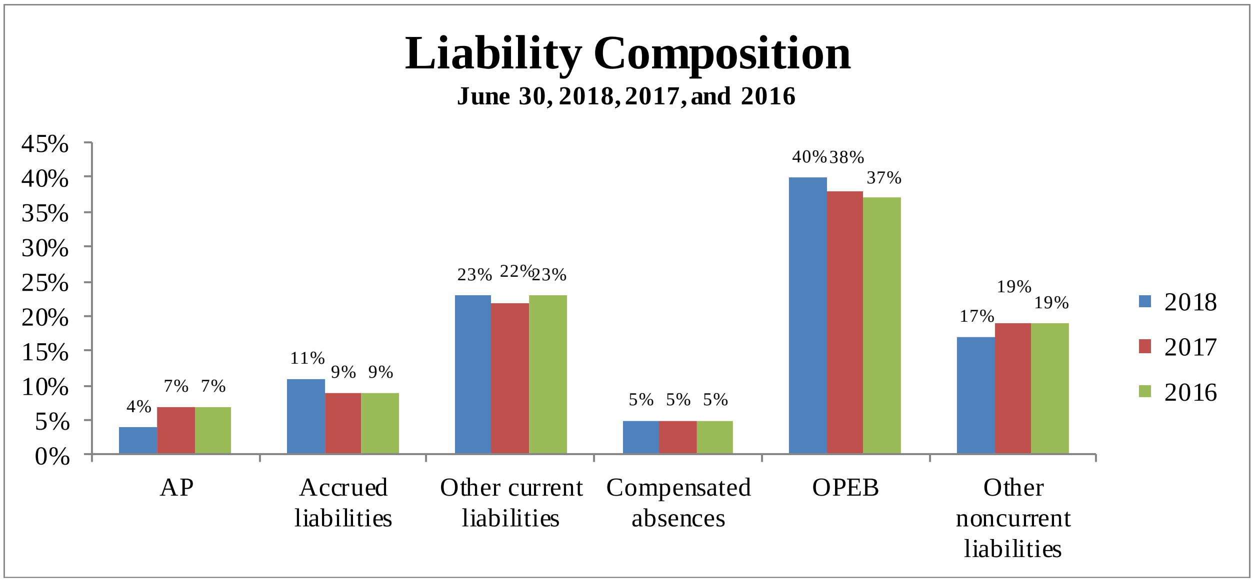
(2) Restricted net position, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted balances are not available for expenditure by the Council. These funds are invested and generate earnings that are available for certain types of expenditures. Expendable restricted 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.

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

	2018	2017	2016	Change from 2017 to 2018
Assets				
Current assets	$ 96,556	$ 91,615	$ 82,668	$ 4,941
Capital assets, net	242,951	249,181	239,464	(6,230)
Other noncurrent assets	3,147	6,091	5,607	(2,944)
Total assets	342,654	346,887	327,739	(4,233)
Deferred outflows of resources	2,772	822	329	1,950
Total	$ 345,426	$ 347,709	$ 328,068	$ (2,283)
Liabilities				
Current liabilities	$ 28,884	$ 31,652	$ 32,363	$ (2,768)
Noncurrent liabilities	39,404	42,827	42,455	(3,423)
Total liabilities	68,288	74,479	74,818	(6,191)
Deferred inflows of resources	6,697	873	1,080	5,824
Net position				
Net investment in capital assets	231,771	235,969	225,543	(4,198)
Restricted				
Nonexpendable	50	50	50	-
Expendable	9,174	12,583	11,898	(3,409)
Unrestricted	29,446	23,755	14,679	5,691
Total net position	270,441	272,357	252,170	(1,916)
Total	$ 345,426	$ 347,709	$ 328,068	$ (2,283)





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

- Total current assets of approximately $96.6 million exceeded total current liabilities of approximately $28.9 million as of June 30, 2018 for net working capital of approximately $67.7 million as compared to net working capital of approximately $59.9 million as of June 30, 2017. Current assets increased from the prior year by approximately $5.0 million, and current liabilities decreased by approximately $2.8 million.

  - The major components of currents assets include cash and cash equivalents of approximately $89.7 million and approximately $84.7 million, appropriations due from primary government of approximately $2.0 million and approximately $2.5 million, and net accounts receivable of approximately $3.9 million and approximately $3.4 million as of June 30, 2018 and 2017, 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, 2018 and 2017.

  - The major components of current liabilities include unearned revenue and deposits of approximately $13.9 million and approximately $14.3 million, approximately $7.3 million and approximately $6.9 million in accrued liabilities, approximately $2.6 million and approximately $5.3 million in accounts payable, and approximately $3.0 million and approximately $3.0 million of compensated absences as of June 30, 2018 and 2017, respectively.

- Noncurrent assets total approximately $246.1 million and approximately $255.3 million, and noncurrent liabilities total approximately $39.4 million and approximately $42.8 million as of June 30, 2018 and 2017, respectively. Noncurrent assets decreased over the prior year by approximately $9.2 million.

  - Capital assets, net of accumulated depreciation decreased from approximately $249.2 million to approximately $243.0 million, a decrease of approximately $6.2 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 $1.1 million and approximately $1.5 million, net pension liability of approximately $1.8 million and $2.8 million, debt service obligations of approximately $5.8 million and approximately $6.8 million, and net other postemployment benefits liability of approximately $27.4 million and approximately $28.3 million as of June 30, 2018 and 2017, respectively.

- Deferred outflows of resources totaled approximately $2.8 million and $0.8 million as of June 30, 2018 and 2017, respectively. Deferred inflows of resources totaled approximately $6.7 million and approximately $0.9 million as of June 30, 2018 and 2017, 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 $270.4 million and approximately $272.4 million as of June 30, 2018 and 2017, respectively, a decrease of approximately $2.0 million.

  - The net investment in capital assets totaled approximately $231.8 million and approximately $236.0 million as of June 30, 2018 and 2017, respectively.

  - The restricted portion of the net position totaled approximately $9.2 million and approximately $12.6 million as of June 30, 2018 and 2017, respectively and are primarily restricted for sponsored and capital projects.

  - The unrestricted portion of the net position totaled approximately $29.4 million and approximately $23.8 million as of June 30, 2018 and 2017, respectively and represent 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

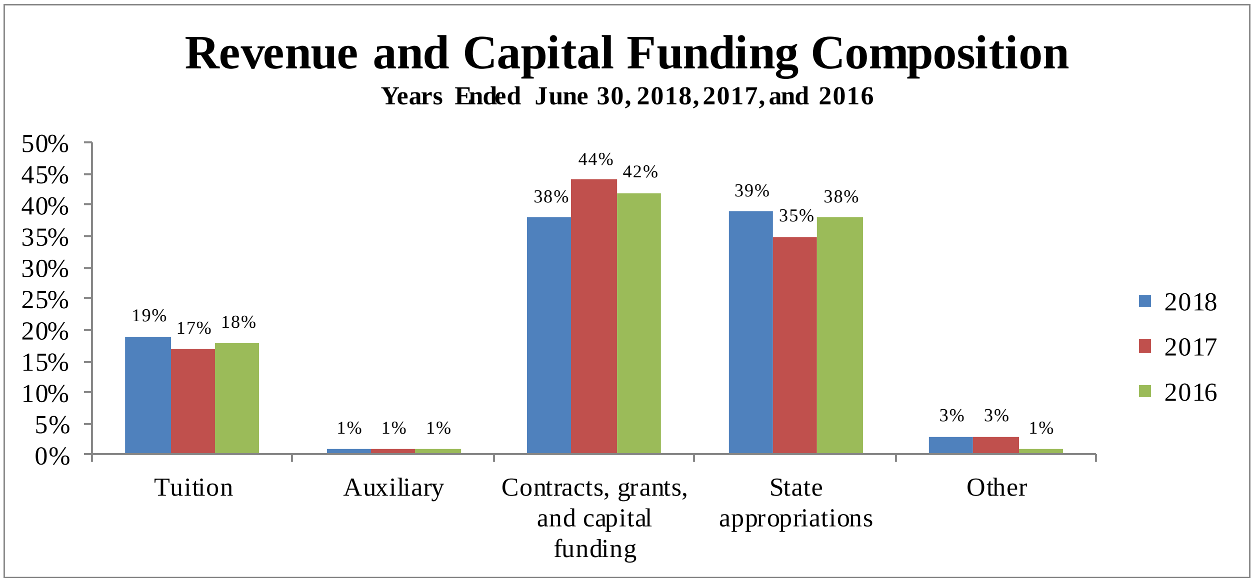
Changes in total net position as presented on the Combined Statement of Net Position are based on the activity presented in the Combined Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues, both operating and nonoperating, expenses, both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

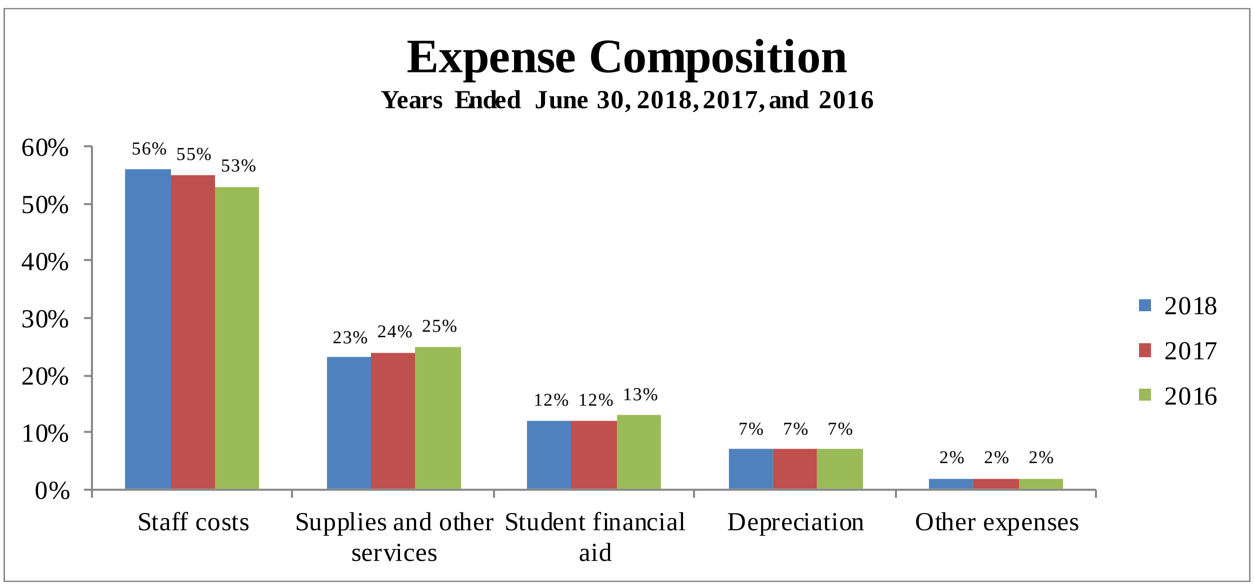
WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2018

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)

	2018	2017	2016	Change from 2017 to 2018
Operating revenues	$ 59,630	$ 64,789	$ 68,943	$ (5,159)
Operating expenses	152,826	156,723	166,794	(3,897)
Operating loss	(93,196)	(91,934)	(97,851)	(1,262)
Net nonoperating revenues	94,331	96,300	95,855	(1,969)
Increase (decrease) in net position before other revenues, expenses, gains, or losses	1,135	4,366	(1,996)	(3,231)
Payments made and expenses incurred by the State on behalf of the Council and Institutions	2,206	494	351	1,712
Capital projects and bond proceeds from the Commission and the State	109	130	6	(21)
Capital grants and gifts	416	287	1,107	129
Capital payments made on behalf of the Council and Institutions	1,426	15,239	558	(13,813)
Increase in net position before transfers	5,292	20,516	26	(15,224)
Transfers to Institutions of the Commission and others	(3,718)	(329)	(120)	(3,389)
Increase (decrease) in net position	1,574	20,187	(94)	(18,613)
Net position - beginning of year	272,357	252,170	252,264	20,187
Net effect of change in accounting policy	(3,490)	-	-	(3,490)
Net position - beginning of year (Restated)	268,867	252,170	252,264	16,697
Net position - end of year	$ 270,441	$ 272,357	$ 252,170	$ (1,916)





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

- Operating revenues of the Council totaled approximately $59.6 million in fiscal year 2018 compared to approximately $64.8 million in fiscal year 2017, a decrease of approximately $5.2 million compared to a prior year decrease of approximately $4.1 million.

  - Student tuition and fee revenues totaled approximately $29.3 million in fiscal year 2018 compared to approximately $29.5 million in fiscal year 2017, a decrease of approximately $0.2 million. Tuition is reported net of scholarship allowances totaling approximately $27.0 million and approximately $27.8 million in fiscal years 2018 and 2017, respectively. The decrease is primarily due to enrollment decline.

  - Federal grants and contracts totaled approximately $14.0 million in fiscal year 2018 compared to approximately $16.8 million in fiscal year 2017. Federal grants include funding for sponsored research and other miscellaneous federal programs.

  - State grants and contracts totaled approximately $8.7 million in fiscal year 2018 compared to approximately $10.0 million in fiscal year 2017, and private grants and contracts totaled approximately $2.4 million in fiscal year 2018 compared to approximately $2.6 million in fiscal year 2017. These fluctuations represent normal grant activities.

  - Sales and services of educational activities generated revenues of approximately $1.0 million in fiscal year 2018 compared to approximately $1.9 million in fiscal year 2017.

  - Auxiliary enterprises generated revenues of approximately $2.0 million in fiscal year 2018 compared to approximately $1.5 million in fiscal year 2017, net of scholarship allowance of approximately $0.2 million in each year.

  - Other operating revenues totaled approximately $2.3 million in fiscal year 2018 compared to approximately $2.5 million in fiscal year 2017.

- Operating expenses totaled approximately $152.8 million in fiscal year 2018 compared to approximately $156.7 million in fiscal year 2017, a decrease of approximately $3.9 million.

  - Staff costs, including salaries and benefits, totaled approximately $85.0 million in fiscal year 2018 compared to approximately $86.2 million in fiscal year 2017, a decrease of approximately $1.2 million from the prior year. This decrease is attributed to decreased staffing at the institutions.

  - Supplies and other services totaled approximately $34.6 million in fiscal year 2018 compared to approximately $37.0 million in fiscal year 2017. The change is attributable to reduction in purchases of supplies and other services in response to decreased appropriation revenues.

  - Scholarships and fellowships totaled approximately $18.0 million in fiscal year 2018 compared to approximately $18.8 million in fiscal year 2017. This is primarily attributed to a decrease in the number of students receiving Pell grants.

  - Depreciation on capital assets totaled approximately $11.4 million in fiscal year 2018 compared to approximately $11.3 million in fiscal year 2017.

- The result from operations was an operating loss of approximately $93.2 million and approximately $91.9 million for the years ended June 30, 2018 and 2017, respectively, which excludes State appropriations of approximately $61.4 million and approximately $62.4 million, respectively, and federal Pell grants of approximately $31.9 million and approximately $33.4 million, respectively. These exclusions are recorded as nonoperating revenues.

- Net nonoperating revenue totaled approximately $94.3 million and approximately $96.3 million for the years ended June 30, 2018 and 2017, respectively, a decrease of approximately $2.0 million from the prior year.

  - State general revenue and lottery appropriations totaled approximately $61.4 million and approximately $62.4 million for the years ended June 30, 2018 and 2017, reflecting a decrease of approximately $1.0 million in fiscal year 2018.

  - Federal Pell revenues totaled approximately $31.9 million and approximately $33.4 million for the year ended June 30, 2018 and 2017, respectively, reflecting a decrease of approximately $1.5 million in fiscal year 2018.

- Other funding primarily consists of capital payments made on behalf of the Council totaling approximately $1.4 million and approximately $15.2 million for the years ended June 30, 2018 and 2017, respectively. Capital grants and gifts totaled approximately $0.4 million and approximately $0.3 million for the years ended June 30, 2018 and 2017, respectively. Payments made and expenses incurred by the State on behalf of the Council totaled approximately $2.2 million and approximately $0.5 million for the years ended June 30, 2018 and 2017, respectively.

- The activity for fiscal year 2018 resulted in an increase in net position after transfers of approximately $1.6 million, as compared to the approximately $20.2 million increase in net position after transfers during fiscal year 2017. The net position at June 30, 2018 totaled approximately $270.4 million compared to approximately $272.4 million at June 30, 2017.

- As reported on a functional basis, expenditures for educational and general (E&G) expenses were approximately $120.9 million and approximately $124.4 million in fiscal year 2018 and fiscal year 2017, respectively, a decrease of approximately $3.5 million from fiscal year 2017. Instruction expenses constitute 46.2% and 46.8% of total E&G expenses, and institutional support constitutes 24.1% and 24.9% of total E&G expenses in fiscal year 2018 and fiscal year 2017, respectively.

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year 2018

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

	2018 Total	% of E&G Total	2017 Total	% of E&G Total	2016 Total	% of E&G Total	Change from 2017 to 2018
Instruction	$ 55,781	46.2%	$ 58,239	46.8%	$ 64,899	48.9%	$ (2,458)
Research	-	0.0%	18	0.0%	-	0.0%	(18)
Public service	2,766	2.3%	2,687	2.2%	2,895	2.2%	79
Academic support	7,750	6.4%	8,036	6.5%	7,859	5.9%	(286)
Student services	12,017	9.9%	11,415	9.2%	11,440	8.6%	602
General institutional support	29,074	24.1%	30,939	24.9%	30,253	22.8%	(1,865)
Operations and maintenance of plant	13,470	11.1%	13,052	10.4%	15,331	11.6%	418
Total education and general	120,858	100.0%	124,386	100.0%	132,677	100.0%	(3,528)
Student financial aid	18,596		18,874		21,012		(278)
Auxiliary enterprises	1,397		1,408		1,359		(11)
Depreciation	11,417		11,312		10,983		105
Loan cancellations and write-offs	169		234		189		(65)
Other	389		509		574		(120)
Total	$ 152,826		$ 156,723		$ 166,794		$ (3,897)

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)

	2018	2017	2016	Change from 2017 to 2018
Cash provided (used) by:				
Operating activities	$ (84,222)	$ (78,903)	$ (84,309)	$ (5,319)
Noncapital financing activities	94,094	95,453	99,824	(1,359)
Capital and related financing activities	(8,811)	(6,976)	(8,996)	(1,835)
Investing activities	1,140	599	226	541
Increase in cash	2,201	10,173	6,745	(7,972)
Cash - beginning of year	89,891	79,718	72,973	10,173
Cash - end of year	$ 92,092	$ 89,891	$ 79,718	$ 2,201

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 $84.2 million and approximately $78.9 million for the years ended June 30, 2018 and 2017, 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 2018 and 2017 were student tuition and fees of approximately $32.3 million and approximately $29.6 million, respectively, and contracts and grants of approximately $20.1 million and approximately $27.1 million, respectively. Primary uses of cash for fiscal years 2018 and 2017, respectively, included payments to and on behalf of employees of approximately $83.8 million and approximately $85.2 million, payments to suppliers of approximately $32.4 million and approximately $32.2 million, and payments for scholarship and fellowships of approximately $17.5 million and approximately $15.5 million.

- Net cash provided by noncapital financing activities for fiscal years 2018 and 2017, respectively, totaled approximately $94.1 million and approximately $95.5 million, of which approximately $61.5 million and approximately $61.6 million were from State general revenue and lottery appropriations, and approximately $31.9 million and approximately $33.4 million were from federal Pell grants.

- Net cash used in capital financing activities for fiscal years 2018 and 2017, respectively, totaled approximately $8.8 million and approximately $7.0 million and primarily resulted from purchases of capital assets and debt activity.

- Net cash of the Council at June 30, 2018 was approximately $92.1 million compared to approximately $89.9 million at June 30, 2017, an increase of approximately $2.2 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 6 and in Notes 7 through 13, respectively, of the Notes to the Council's Combined Financial Statements.

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

Fulfilling the Vision: 2016-2020 is the new 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 2018 and 2017, respectively, amounted to approximately $61.4 million and $62.4 million. For fiscal year 2018, State appropriations decreased approximately $1.0 million as a result of statewide budget reductions. For fiscal year 2018, state appropriations for the Council and its institutions declined 1.60%. For fiscal year 2019, the Governor has requested that agencies submit level-funded budget requests.

The demographics of the State of West Virginia also have an impact on the future operations of the Council. The number of high school graduates has declined in recent years and is projected to decline further over the next ten years. Significant efforts are underway to expand the participation rate in higher education by both high school graduating seniors as well as adults to improve the economic environment of the State. Net student tuition and fees provide approximately 18.6% 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.

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, 2018 AND 2017

	2018	2017
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 89,695,397	$ 84,681,039
Appropriations due from Primary Government	2,028,595	2,518,591
Accounts receivable, net of allowance for doubtful accounts	3,936,448	3,401,281
Due from the Commission	330,040	158,305
Inventories	120,815	130,761
Due from Marshall University - current portion	42,834	350,000
Other current assets	401,334	375,403
Total current assets	96,555,463	91,615,380
NONCURRENT ASSETS:		
Cash and cash equivalents	2,396,692	5,209,868
Due from Marshall University	-	42,834
Capital assets, net of accumulated depreciation	242,950,755	249,180,976
Other noncurrent assets	750,585	838,036
Total noncurrent assets	246,098,032	255,271,714
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows relating to the net pension liability	428,520	822,144
Deferred outflows relating to the net OPEB liability	2,343,858	-
Total deferred outflows of resources	2,772,378	822,144
TOTAL	$ 345,425,873	$ 347,709,238

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, 2018 AND 2017

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	2018	2017
CURRENT LIABILITIES:		
Accounts payable	$ 2,634,065	$ 5,269,416
Accrued liabilities	7,257,231	6,886,831
Due to the Commission	299,438	251,558
Due to the State and State agencies	362,707	473,945
Compensated absences - current portion	2,951,836	3,022,176
Capital lease obligations - current portion	110,795	112,230
Bonds payable - current portion	411,163	394,713
Other debt service obligations - current portion	882,351	914,651
Funds due to West Virginia Development Office - current portion	66,668	66,668
Unearned revenue and deposits	13,908,272	14,257,548
Other current liabilities	-	2,009
Total current liabilities	28,884,526	31,651,745
NONCURRENT LIABILITIES:		
Advances from federal sponsors	416	10,081
Net other postemployment benefits liability	27,438,774	28,263,567
Compensated absences	471,942	545,350
Capital lease obligations	378,767	470,534
Bonds payable	1,104,444	1,515,606
Other debt service obligations	5,823,097	6,756,807
Funds due to West Virginia Development Office	2,353,263	2,419,930
Net pension liability	1,833,140	2,845,650
Total noncurrent liabilities	39,403,843	42,827,525
DEFERRED INFLOWS OF RESOURCES:		
Service concession arrangement	100,000	165,991
Deferred inflows relating to the net pension liability	1,062,522	707,261
Deferred inflows relating to the net OPEB liability	5,534,020	-
Total deferred inflows of resources	6,696,542	873,252
NET POSITION:		
Net investment in capital assets	231,770,610	235,969,076
Restricted for - nonexpendable - other	50,000	50,000
Restricted for - expendable - capital projects	4,119,907	6,604,813
Restricted for - expendable - scholarships	39,473	78,307
Restricted for - expendable - sponsored projects	1,840,540	2,799,253
Restricted for - expendable - other	3,174,271	3,100,536
Unrestricted	29,446,161	23,754,731
Total net position	270,440,962	272,356,716
TOTAL	$ 345,425,873	$ 347,709,238

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES:		
Student tuition and fees, net of scholarship allowance of $27,010,094 and $27,839,256 in 2018 and 2017, respectively	$ 29,295,369	$ 29,537,056
Contracts and grants:		
Federal	13,977,267	16,841,313
State	8,682,424	9,956,464
Private	2,395,559	2,562,864
Sales and services of educational activities	1,033,191	1,945,260
Auxiliary enterprise revenue, net of scholarship allowance of $212,522 and $195,877 in 2018 and 2017, respectively	1,994,987	1,473,640
Other operating revenue	2,251,153	2,472,980
Total operating revenues	59,629,950	64,789,577
OPERATING EXPENSES:		
Salaries and wages	67,339,597	68,086,305
Benefits	17,680,657	18,147,591
Supplies and other services	34,608,107	37,031,444
Utilities	3,575,064	3,117,675
Student financial aid - scholarships and fellowships	18,037,074	18,793,745
Depreciation	11,416,814	11,312,589
Loan cancellations and write-offs	168,901	233,774
Total operating expenses	152,826,214	156,723,123
OPERATING LOSS	(93,196,264)	(91,933,546)

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
COMBINED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION (Continued)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
NONOPERATING REVENUES (EXPENSES):		
State appropriations	61,376,642	62,372,494
Federal Pell grant	31,936,741	33,428,037
Investment income	1,158,669	616,375
Fees assessed by the Commission	(75,631)	(90,085)
Other nonoperating revenues (expenses)	(65,360)	(27,142)
Net nonoperating revenues	94,331,061	96,299,679
INCREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	1,134,797	4,366,133
PAYMENTS MADE AND EXPENSES INCURRED BY THE STATE ON BEHALF OF THE COUNCIL AND INSTITUTIONS	2,205,873	493,759
CAPITAL PROJECTS AND BOND PROCEEDS FROM THE COMMISSION AND STATE	109,517	130,031
CAPITAL GRANTS AND GIFTS	416,700	286,721
CAPITAL PAYMENTS MADE ON BEHALF OF THE COUNCIL AND INSTITUTIONS	1,425,872	15,239,531
INCREASE IN NET POSITION BEFORE TRANSFERS	5,292,759	20,516,175
TRANSFERS TO INSTITUTIONS OF THE COMMISSION AND OTHERS	(3,718,163)	(329,463)
INCREASE IN NET POSITION	1,574,596	20,186,712
NET POSITION - Beginning of year, (As previously reported)	272,356,716	252,170,004
NET EFFECT OF CHANGE IN ACCOUNTING POLICY	(3,490,350)	-
NET POSITION - Beginning of year (Restated)	268,866,366	252,170,004
NET POSITION - End of year	$ 270,440,962	$ 272,356,716

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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 32,346,106	$ 29,559,725
Contracts and grants	20,061,737	27,105,381
Payments to and on behalf of employees	(83,837,180)	(85,173,169)
Payments to suppliers	(32,378,100)	(32,177,932)
Payments to utilities	(3,531,665)	(3,146,647)
Payments for scholarships and fellowships	(17,545,306)	(15,494,604)
Auxiliary enterprise charges	2,107,795	1,912,256
Sales and service educational activities	1,180,581	1,897,126
Other payments, net	(2,626,452)	(3,385,166)
Net cash used in operating activities	(84,222,484)	(78,903,030)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	61,525,117	61,552,698
Federal Pell Grant	31,939,287	33,425,492
Federal student loan program - direct lending receipts	21,154,354	29,484,821
Federal student loan program - direct lending payments	(21,153,768)	(29,488,521)
Other nonoperating receipts, net	629,489	478,704
Net cash provided by noncapital financing activities	94,094,479	95,453,194
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital grants and gifts received	391,700	230,721
Purchases of capital assets	(8,017,594)	(5,713,076)
Proceeds from capital debt	105,831	33,725
Proceeds from sale of capital assets	-	4,511
Capital projects and bond proceeds from the Commission and State	353,000	40,674
Debt service assessed for debt service and reserves	(576,075)	(560,465)
Principal paid on capital debt and leases	(822,761)	(1,155,507)
Interest paid on capital debt and leases	(149,661)	(192,311)
Other	(95,631)	335,674
Net cash used in capital financing activities	(8,811,191)	(6,976,054)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	1,140,378	598,585
Net cash provided by investing activities	1,140,378	598,585
INCREASE IN CASH AND CASH EQUIVALENTS	2,201,182	10,172,695
CASH AND CASH EQUIVALENTS - Beginning of year	89,890,907	79,718,212
CASH AND CASH EQUIVALENTS - End of year	$ 92,092,089	$ 89,890,907

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
COMBINED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (93,196,264)	$ (91,933,546)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	11,416,814	11,312,589
Pension expense - special funding situation	398,379	484,260
OPEB expense - special funding situation	1,742,126	-
Net effect of change in accounting policy	(3,490,350)	-
Payments made on behalf of the Council	9,509	-
Changes in assets and liabilities:		
Accounts receivable, net	393,499	2,103,638
Due from the Commission	(2,037,336)	43,662
Inventories	9,946	6,616
Deferred outflows of resources	(1,216,234)	(459,668)
Accounts payable/amounts due	(1,152,797)	(216,955)
Accrued liabilities	(807,322)	80,267
Advances from federal sponsors	(9,665)	(4,736)
Net other postemployment benefits liability	925,207	679,820
Compensated absences	(143,748)	(116,630)
Unearned revenue and deposits	(345,483)	(364,705)
Net pension liability	(958,510)	460,190
Deferred inflows of resources	4,341,281	(19,718)
Other	(101,536)	(958,114)
Net cash used in operating activities	$ (84,222,484)	$ (78,903,030)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:		
Cash and cash equivalents classified as current	$ 89,695,397	$ 84,681,039
Cash and cash equivalents classified as noncurrent	2,396,692	5,209,868
	$ 92,092,089	$ 89,890,907
NONCASH TRANSACTIONS:		
Capital asset additions in accounts payable or retainage	$ 593,280	$ 677,333
Capital assets acquired through contributions or donation	$ 29,279	$ 313,500
Capital payments made and expenses incurred on behalf of the Council	$ 1,359,536	$ 15,656,946
Loss on disposal of assets	$ 8,000	$ 6,000
Donations	$ 8,000	$ 8,000
OPEB adjustment	$ -	$ 117,000
Transfer of donated capital assets	$ 3,336,335	$ -
Transfer from Fairmont	$ (381,828)	$ (319,613)

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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 2018, there were transfers to the Universities of approximately $382,000. During 2017, there were transfers to the Universities of approximately $329,000. 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, 2018 except for Pierpont. The transition plans related to Fairmont and Pierpont extend Pierpont's obligation beyond 2018 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.

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.

Under GASB discretely presented component unit requirements, the Council does not have any foundations or other affiliates that are required to be included in the combined financial statements as a discretely presented component unit, as they are either 1) insignificant or 2) have dual purpose (not entirely or almost entirely for the benefit of the Council).

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.wvbti.com.

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.

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 12).

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Noncurrent Cash, 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, 2018 and 2017. 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 11 for further discussion.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 16).

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).

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2018 and 2017, the Council received and disbursed, or awarded, approximately $26,700,000 and $29,300,000, 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 2018 and 2017, the Council received and disbursed approximately $33,100,000 and $34,300,000, 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the Governmental Accounting Standards Board - The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The adoption of GASB Statement No. 75 reclassified some items previously reported as expenses as deferred inflows of resources. This Statement also changed the valuation methodology used to record the net other postemployment benefits liability. See Note 3 for a discussion of the effect and additional disclosures at Note 11.

The Governmental Accounting Standards Board has also issued Statement No. 85, *Omnibus 2017*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The adoption of GASB Statement No. 85 had no impact on the June 30, 2018 financial statements.

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

The Governmental Accounting Standards Board has also issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The Council has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The Council changed its method of accounting for the following items in order to comply with accounting principles generally accepted in the United States of America:

GASB 75 – As of July 1, 2017, the Council implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement reclassified some items previously reported as expenses as deferred outflows of resources and deferred inflows of resources. This statement also changed the valuation methodology used to record the net other postemployment benefits (OPEB) liability.

Employer contributions to the West Virginia Retiree Health Benefit Trust Fund (RHBT) made subsequent to the measurement date are now recorded as deferred outflows of resources. As of June 30, 2018, the Council reported $2,343,858 as deferred outflows of resources relating to these payments. Additionally, the net difference between the projected and actual investment earnings is required to be recorded as deferred inflows of resources or deferred outflows of resources and is amortized over 5 years. All other deferred outflows of resources and deferred inflows or resources relating to the net OPEB liability are amortized over 4.71 years, the average expected remaining service life. For the fiscal year ended June 30, 2018, the Council reported deferred inflows of resources relating to OPEB of $5,534,020.

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

Net effect of the change in accounting policy on beginning net position is as follows:

Net position – beginning of year, as previously stated	$ 272,356,716
Net effect of change in accounting policy	(3,490,350)
Net position – beginning of year, restated	$ 268,866,366

NOTE 4 - CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2018 and 2017, was held as follows:

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

	2017		
	Current	Noncurrent	Total
State Treasurer	$ 83,823,953	$ 5,133,931	$ 88,957,884
Trustee	-	105	105
Banks	846,736	75,832	922,568
On hand	10,350	-	10,350
	$ 84,681,039	$ 5,209,868	$ 89,890,907

Amounts held by the State Treasurer and Trustee include $5,042,013 and $8,553,171 of restricted cash at June 30, 2018 and 2017, respectively.

The combined carrying amount of cash in the bank at June 30, 2018 and 2017, was $2,538,945 and $922,568, respectively, as compared with the combined bank balance of $2,841,647 and $1,310,186, 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.

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

Amounts with the State Treasurer were $89,541,288 and $88,957,884 as of June 30, 2018 and 2017, respectively. Of these amounts, $83,045,061 and $84,059,838 were invested in the WV Money Market Pool and the WV Short Term Bond Pool as of June 30, 2018 and 2017, respectively. The remainder of the cash held with the State Treasurer was not invested at June 30, 2018 and 2017.

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:

	2018		2017	
External Pool	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	$ 81,162,089	AAAm	$ 82,168,487	AAAm
WV Short Term Bond Pool	$ 1,882,972	Not Rated	$ 1,891,351	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:

	2018		2017	
External Pool	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	$ 81,162,089	34	$ 82,168,487	36

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

	2018		2017	
External Pool	Carrying Value	Effective Duration (Days)	Carrying Value	Effective Duration (Days)
WV Short Term Bond Pool	$ 1,882,972	372	$ 1,891,351	426

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.

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NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

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 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 and 2017, are as follows:

	2018	2017
Student tuition and fees, net of allowance for doubtful accounts of $7,055,598 and $7,120,620 in 2018 and 2017, respectively	$ 1,699,197	$ 1,673,093
Grants and contracts receivable, no allowance necessary	653,313	777,353
Due from State agencies	91,759	202,671
Other	1,492,179	748,164
	$ 3,936,448	$ 3,401,281

NOTE 6 - CAPITAL ASSETS

A summary of capital assets transactions for the Council at June 30, 2018 and 2017, is as follows:

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

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NOTE 6 - CAPITAL ASSETS (Continued)

	2017				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	$ 11,066,289	$ -	$ 265,500	$ -	$ 11,331,789
Construction in progress	8,329,462	(4,571)	3,815,415	9,661,167	2,479,139
Total capital assets not being depreciated	$ 19,395,751	$ (4,571)	$ 4,080,915	$ 9,661,167	$ 13,810,928
Other capital assets:					
Land improvements	$ 3,060,216	$ (13,149)	$ 251,777	$ -	$ 3,298,844
Infrastructure	9,250,362	(82,902)	8,345	-	9,175,805
Buildings	259,726,084	(487,373)	24,435,883	27,067	283,647,527
Equipment	42,941,116	(5,466)	2,195,104	1,212,652	43,918,102
Software	592,900	-	-	-	592,900
Library books	9,042,129	(27,242)	124,534	491,829	8,647,592
Total other capital assets	324,612,807	(616,132)	27,015,643	1,731,548	349,280,770
Less accumulated depreciation for:					
Land improvements	1,334,938	(5,197)	199,845	-	1,529,586
Infrastructure	6,609,444	(58,715)	403,399	-	6,954,128
Buildings	62,712,617	(154,134)	6,903,598	12,631	69,449,450
Equipment	25,149,676	(3,318)	3,618,760	1,193,587	27,571,531
Software	158,247	-	39,127	-	197,374
Library books	8,579,369	(26,747)	147,860	491,829	8,208,653
Total accumulated depreciation	104,544,291	(248,111)	11,312,589	1,698,047	113,910,722
Other capital assets, net	$ 220,068,516	$ (368,021)	$ 15,703,054	$ 33,501	$ 235,370,048
Capital asset summary:					
Capital assets not being depreciated	$ 19,395,751	$ (4,571)	$ 4,080,915	$ 9,661,167	$ 13,810,928
Other capital assets	324,612,807	(616,132)	27,015,643	1,731,548	349,280,770
Total cost of capital assets	344,008,558	(620,703)	31,096,558	11,392,715	363,091,698
Less accumulated depreciation	104,544,291	(248,111)	11,312,589	1,698,047	113,910,722
Capital assets, net	$ 239,464,267	$ (372,592)	$ 19,783,969	$ 9,694,668	$ 249,180,976

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, 2018, of approximately:

Northern	$ 752,977
Eastern	141,665
Pierpont	69,914
WVU at Parkersburg	411,000
	$ 1,375,556

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - LONG-TERM LIABILITIES

A summary of long-term obligation transactions for the Council at June 30, 2018 and 2017, is as follows:

	2018				
	Beginning Balance	Transfers/ Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Capital leases payable	$ 582,764	$ 6,000	$ 99,202	$ 489,562	$ 110,795
Other debt service obligations	7,671,458	181,591	1,147,601	6,705,448	882,351
Bonds payable	1,910,319	-	394,712	1,515,607	411,163
Funds due to West Virginia Development Office	2,486,598	-	66,667	2,419,931	66,668
Total debt	12,651,139	187,591	1,708,182	11,130,548	1,470,977
Other noncurrent liabilities:					
Advances from federal sponsors	10,081	-	9,665	416	-
Net other postemployment benefits liability	28,263,567	3,013,791	3,838,584	27,438,774	-
Accrued compensated absences	3,567,526	258,121	401,869	3,423,778	2,951,836
Net pension liability	2,845,650	86,932	1,099,442	1,833,140	-
Total long-term liabilities	$ 47,337,963	$ 3,546,435	$ 7,057,742	$ 43,826,656	$ 4,422,813

	2017				
	Beginning Balance	Transfers/ Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Capital leases payable	$ 797,415	$ 254,333	$ 468,984	$ 582,764	$ 112,230
Other debt service obligations	8,107,412	493,353	929,307	7,671,458	914,651
Bonds payable	2,289,240	-	378,921	1,910,319	394,713
Funds due to West Virginia Development Office	2,553,265	-	66,667	2,486,598	66,668
Total debt	13,747,332	747,686	1,843,879	12,651,139	1,488,262
Other noncurrent liabilities:					
Advances from federal sponsors	14,817	-	4,736	10,081	-
Net other postemployment benefits liability	27,466,748	3,013,791	2,216,972	28,263,567	-
Accrued compensated absences	3,684,156	197,851	314,481	3,567,526	3,022,176
Net pension liability	2,385,460	742,613	282,423	2,845,650	-
Total long-term liabilities	$ 47,298,513	$ 4,701,941	$ 4,662,491	$ 47,337,963	$ 4,510,438

At June 30, 2018 and 2017, debt service obligations include amounts due to the Commission of $1,939,400 and $2,390,309, respectively, Fairmont of $2,880,799 and $3,185,452, respectively, West Virginia University of $1,746,000 and $2,023,000, respectively, WVNET of $139,249 and $0, respectively, and vendors of $0 and $72,697, respectively.

NOTE 8 - LEASE OBLIGATIONS

Capital - The Council leases certain property, plant, and equipment through capital leases. The net book value of leased assets totaled $669,881 and $841,147 for June 30, 2018 and 2017, respectively. The following is a schedule by year of future annual minimum payments required under the lease obligations:

Year Ending June 30,	Total
2019	$ 124,974
2020	107,040
2021	68,955
2022	62,138
2023	62,138
Thereafter	120,579
Future minimum lease payments	545,824
Less interest	56,262
Total	$ 489,562

Operating - The Council had entered into various operating lease agreements. Future annual minimum lease payments for years subsequent to June 30, 2018, are as follows:

Year Ending June 30,	Total
2019	$ 707,162
2020	610,186
2021	461,639
2022	447,325
2023	383,104
Thereafter	131,525
Total	$ 2,740,941

Total rent expense for these operating leases for the years ended June 30, 2018 and 2017, was approximately $881,550 and $958,812, respectively.

NOTE 9 - BONDS

Bonds payable at June 30, 2018 and 2017, respectively, consist of the following:

	Original Interest Rate	Annual Principal Installment Due	Principal Amount Outstanding 2018	Principal Amount Outstanding 2017
College Revenue Bonds	4.125 %	$229,999–$446,147	$ 1,515,607	$ 1,910,319

NOTE 9 - BONDS (Continued)

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

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2018, is as follows:

Year Ending June 30,	Principal	Interest	Total
2019	411,163	58,322	$ 469,485
2020	428,298	41,187	469,485
2021	446,147	23,337	469,484
2022	229,999	4,744	234,743
			1,643,197
Less interest			127,590
Total			$ 1,515,607

NOTE 10 - 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, 2018. 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.

Eastern entered into another financial assistance agreement with the WVDO in 2014 for $2,000,000 to construct an academic wing at Eastern's campus in Moorefield, West Virginia. Eastern will remit payments of $16,667 each quarter beginning on September 30, 2016 until the debt is paid in full. The debt will be due in total on June 30, 2045. As of June 30, 2018 a total of $2,419,930 is outstanding on these three agreements. The total amount of loan payments made for the year ended June 30, 2018 was $66,668.

Eastern entered into a financial agreement with the Commission at the end of 2017 for $75,000 to install a solar shed over an existing parking area at the Moorefield campus that will shade employee vehicles and provide a structure for the installation of solar panels. Eastern will remit payments of $7,500 each year beginning on September 30, 2017 until the debt is paid in full. The debt will be due in total on September 30, 2026. As of June 30, 2018, a total of $67,500 is outstanding on this agreement. The total amount of loan payments made for the year ended June 30, 2018 was $7,500.

NOTE 10 - WEST VIRGINIA DEVELOPMENT OFFICE OBLIGATION (Continued)

Future minimum payments related to the academic wing debt and solar shed, as of June 30, 2018, were as follows:

Year Ending June 30,	HEPC	WVDO
2019	$ 7,500	$ 66,668
2020	7,500	66,668
2021	7,500	66,668
2022	7,500	66,668
2023	7,500	66,668
Thereafter	30,000	2,086,591
	$ 67,500	$ 2,419,931

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

As related to the implementation of GASB 75, 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, 2018:

	2018
Net OPEB liability	$ 27,438,774
Deferred outflows of resources	2,343,858
Deferred inflows of resources	5,534,020
Revenues	1,742,126
OPEB expense	2,735,597
Contributions made by the Council and Institutions	2,343,858

Plan Description

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

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.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

Contributions

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

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2017 were:

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

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

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

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

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally, 3 1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage. Faculty hired after July 1, 2009, will no longer receive years of service credit toward insurance premiums when they retire. Employees hired after July 1, 2010 receive no health insurance premium subsidy from the 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, 2018, 2017, and 2016, were $2,343,858, $2,442,739, and $2,494,447, respectively.

Assumptions

The total OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2016 and rolled forward to June 30, 2017. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method: Entry age normal cost method.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method: Level percentage of payroll over a 21 year closed period
- Remaining amortization period: 21 years closed as of June 30, 2016.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Healthcare cost trend rates: Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend 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 cost beginning in 2020 to account for the Excise Tax.
- Projected salary increases: Dependent upon pension system ranging from 3.0-6.5%, including inflation.
- Inflation rate: 2.75%.
- Mortality rates based on RP-2000 Mortality Tables.

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

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

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2018 calculated using the discount rate of 7.15%, as well as what the Council's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate.

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB liability	$ 32,173,591	$ 27,438,774	$ 23,854,816

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	$ 23,210,918	$ 27,438,774	$ 33,037,177

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

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

At June 30, 2018, the Council's proportionate share of the net OPEB liability was $33,114,089. Of this amount, the Council recognized $27,438,774 as its proportionate share on the statement of net position. The remainder of $5,675,315 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, 2017 and 2016. Employer contributions are recognized when due. At the June 30, 2017 measurement date, the Council's proportion was 1.123661118%, a decrease of 0.255458299% from its proportion of 1.379119417% calculated as of June 30, 2016.

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

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NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 92,276
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,000,407
Net difference between projected and actual investment earnings	-	441,337
Contributions after the measurement date	2,343,858	-
Total	$ 2,343,858	$ 5,534,020

The Council will recognize the $2,343,858 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,	Amortization
2019	$ 1,413,748
2020	1,413,748
2021	1,413,748
2022	1,292,776
	$ 5,534,020

Payables to the OPEB Plan

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

NOTE 12 - 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.

NOTE 12 - 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 2018 and 2017, the Council paid $63,635 and $116,481, respectively, to the Commission against the debt obligation. The amount due to the Commission on this debt obligation at June 30, 2018 and 2017, is $1,187,617 and $1,460,545, respectively. The Commission has loans with individual institutions of the Council. During 2012, BridgeValley borrowed $910,000 from the Commission. In 2014, BridgeValley borrowed an additional $500,000 from the Commission. The institutions repaid $155,479 to the Commission during 2018 and owes the Commission $369,283 as of June 30, 2018.

For the years ended June 30, 2018 and 2017, debt service assessed is as follows:

	2018	2017
Principal	$ 63,635	$ 116,481
Interest	33,991	69,413
Other	38,938	37,810
	$ 136,564	$ 223,704

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, 2018, there are no funds remaining to be drawn.

NOTE 13 - CAPITAL PAYMENTS MADE ON BEHALF OF THE COUNCIL

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

NOTE 14 - SERVICE CONCESSION ARRANGEMENTS

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

NOTE 15 - UNRESTRICTED NET POSITION

The Council's unrestricted net position include certain designated net position at June 30, 2018 and 2017, as follows:

	2018	2017
Designated for fund managers	$ 1,370,135	$ 1,373,176
Designated for auxiliaries	9,052	13,380
Undesignated	55,505,748	50,631,742
Total unrestricted net position before OPEB	56,884,935	52,018,298
Less net OPEB liability	27,438,774	28,263,567
Total unrestricted net position	$ 29,446,161	$ 23,754,731

NOTE 16 - 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.

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, 2018 and 2017:

NOTE 16 - RETIREMENT PLANS (Continued)

STRS	2018	2017
Net pension liability	$ 1,833,140	$ 2,845,650
Deferred outflows of resources	428,520	822,144
Deferred inflows of resources	1,062,522	707,261
Revenues	398,379	487,448
Pension expense	307,440	587,031
Contributions made by the Council and Institutions	164,441	220,166

Plan Description

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

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

Benefits Provided

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

Contributions

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

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

Employer Contributions: Employers make the following contributions:

NOTE 16 - RETIREMENT PLANS (Continued)

The State (including institutions of higher education) contributes:

- 15% of gross salary of their State-employed members hired prior to July 1, 1991;
- 15% of School Aid Formula (SAF) covered payroll of county-employed members for entities other than institutions of higher education;
- 7.5% of SAF covered payroll of members of the Teachers' Defined Contribution Retirement System for entities other than institutions of higher education;
- a certain percentage of fire insurance premiums paid by State residents; and
- under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the STRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2018 and 2017, the Council's proportionate share attributable to this special funding subsidy was $398,379 and $487,448, respectively.

The Council's contributions to STRS for the years ended June 30, 2018, 2017, and 2016, were approximately $164,000, $220,000, and $243,000, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2016 and 2015 and rolled forward to June 30, 2017 and 2016, respectively. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return: 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.00-6.00% and non-teachers 3.00-6.50%, based on age.
- Inflation rate: 3.0%.
- Discount rate: 7.5%.
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 0.8-35% and non-teachers 1.316-24.75%.
- Disability rates: 0.008-0.704%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%.
- 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, 2016. These assumptions will remain in effect for valuation purposes until such time as the CPRB adopts revised assumptions.

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

NOTE 16 -RETIREMENT PLANS (Continued)

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	7.0%	27.5%
International equity	7.7%	27.5%
Core fixed income	2.7%	7.5%
High-yield fixed income	5.5%	7.5%
Real estate	7.0%	10.0%
Private equity	9.4%	10.0%
Hedge funds	4.7%	10.0%

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Council's proportionate share of the STRS net pension liability as of June 30, 2018 and 2017 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 2018	$ 2,441,460	$ 1,833,140	$ 1,352,745
Net pension liability 2017	$ 3,600,526	$ 2,845,650	$ 2,200,810

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

The June 30, 2018 STRS net pension liability was measured as of June 30, 2017, and the total pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017. The June 30, 2017 STRS net pension liability was measured as of June 30, 2016, and the total pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to the measurement date of June 30, 2016.

At June 30, 2018, the Council's proportionate share of the STRS net pension liability was $5,887,902. Of this amount, the Council recognized $1,833,140 as its proportionate share on the statement of net position. The remainder of $4,054,762 denotes the Council's proportionate share of net pension liability attributable to the special funding.

At June 30, 2017, the Council's proportionate share of the STRS net pension liability was $8,433,637. Of this amount, the Council recognized $2,845,650 as its proportionate share on the statement of net position. The remainder of $5,587,987 denotes the Council's proportionate share of net pension liability attributable to the special funding.

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NOTE 16 - RETIREMENT PLANS (Continued)

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to STRS for each of the fiscal years ended June 30, 2017 and 2016. Employer contributions are recognized when due. At the June 30, 2017 measurement date, the Council's proportion was 0.053070%, an increase of 0.016173% from its proportion of 0.069243% calculated as of June 30, 2016. At the June 30, 2016 measurement date, the Council's proportion was 0.069243%, an increase of 0.000757% from its proportion of 0.068486% calculated as of June 30, 2015.

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

For the year ended June 30, 2017, the Council recognized STRS pension expense of $587,031. Of this amount, $99,583 was recognized as the Council's proportionate share of the STRS expense and $487,448 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The Council also recognized revenue of $487,448 for support provided by the State.

At June 30, 2018 and 2017, deferred outflows of resources and deferred inflows of resources related to the STRS pension are as follows.

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,703	$ 33,125
Changes in proportion and difference between employer contributions and proportionate share of contributions	179,847	972,239
Changes in assumptions	68,529	-
Net difference between projected and actual investment earnings	-	57,158
Contributions after the measurement date	164,441	-
Total	$ 428,520	$ 1,062,522

June 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 26,275	$ 16,487
Changes in proportion and difference between employer contributions and proportionate share of contributions	228,599	690,774
Changes in assumptions	112,888	-
Net difference between projected and actual investment earnings	234,216	-
Contributions after the measurement date	220,166	-
Total	$ 822,144	$ 707,261

NOTE 16 - RETIREMENT PLANS (Continued)

The Council will recognize the $164,441 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in STRS pension expense as follows.

Fiscal Year Ended June 30,	Amortization
2019	$ 268,872
2020	179,512
2021	107,355
2022	138,251
2023	104,453
	$ 798,443

Payables to the Pension Plan

The Council did not report any amounts payable for normal contributions to the STRS as of June 30, 2018 and 2017.

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, 2018, 2017, and 2016 were approximately $6,748,000, $6,694,000, and $6,960,000, which consisted of approximately $3,374,000, $3,347,000, and $3,480,000, respectively, from both the Council and the covered employees.

Total contributions to the Educators Money for the years ended June 30, 2018, 2017, and 2016 were approximately $138,000, $128,000, and $130,000, which consisted of approximately $69,000, $64,000, and $65,000, respectively, from both the Council and the covered employees.

The Council's total payroll for the years ended June 30, 2018, 2017, and 2016 was approximately $67,340,000, $68,086,000, and $71,510,000, respectively, and total covered employees' salaries in TIAA-CREF and Educators Money were approximately $56,832,000 and $8,320,000, respectively in 2018, $55,924,000 and $1,070,000, respectively, in 2017, and $57,834,000 and $1,078,000, respectively, in 2016.

NOTE 17 - 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. The financial statements are also not included in the accompanying combined financial statements as discretely presented component units because they are not significant.

NOTE 18 - 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:

	2018	2017
Due from:		
Board of Treasury Investments	$ 241	$ 125
Department of Education	2,835	5,000
Department of Energy	-	135,830
Department of Environmental Protection	4,800	-
Department of Health and Human Resources	6,499	10,968
Department of Veterans Affairs	-	500
Division of Highways	41,618	30,603
Division of Rehabilitation Services	3,164	664
National Guard	-	1,937
State Treasurer's Office	-	29
Workforce West Virginia	29,756	6,026
	$ 88,913	$ 191,682

WEST VIRGINIA COUNCIL FOR COMMUNITY AND TECHNICAL COLLEGE EDUCATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 18 - AFFILIATED ORGANIZATIONS AND OTHER STATE AGENCIES (Continued)

Due to:		
Attorney General	$ 100	$ 15
Department of Administration	2,896	304
Department of Health and Human Resources	108,243	58,512
Division of Labor	90	50
Division of Rehabilitation Services	5,739	5,854
Fairmont State University	227,713	56,560
Marshall University	1,990	149,350
PEIA/RHBT	8,565	19,364
State Treasurer's Office	982	7,870
Tax Department	1,739	1,526
Workforce West Virginia	5,434	3,259
WVNET	33,449	191,082
WVU Health Science Center	-	100
	$ 396,940	$ 493,846

NOTE 19 - 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, 2018.

The institutions within the Council own various buildings that are known to contain asbestos. The institutions are not required by Federal, State, or Local Law to remove the asbestos from the buildings. The institutions are required by Federal Environmental, Health, and Safety Regulations to manage the presence of asbestos in the buildings in a safe condition. Significant problems of dangerous asbestos conditions are abated as the conditions become known. The institutions also address the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe condition.

NOTE 20 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2018, 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.

NOTE 21 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2018 and 2017, the following table represents operating expenses within both natural and functional classifications:

2018	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-Offs	Total
Instruction	$ 36,690,438	$ 9,021,953	$ 9,664,267	$ 356,553	$ 47,827	$ -	$ -	$ 55,781,038
Research	-	-	-	-	-	-	-	-
Public service	1,323,823	302,320	1,136,188	924	2,436	-	-	2,765,691
Academic support	4,086,077	1,051,743	2,514,144	93,041	5,000	-	-	7,750,005
Student services	7,312,736	2,016,251	2,656,152	31,463	-	-	-	12,016,602
General institutional support	14,046,112	4,145,355	10,443,205	439,808	-	-	-	29,074,480
Operations and maintenance of plant	3,348,988	1,064,227	6,409,903	2,647,103	-	-	-	13,470,221
Total education and general	66,808,174	17,601,849	32,823,859	3,568,892	55,263	-	-	120,858,037
Student financial aid	202,788	6,559	404,767	-	17,981,811	-	-	18,595,925
Auxiliary enterprises	328,635	72,249	990,055	6,172	-	-	-	1,397,111
Depreciation	-	-	-	-	-	11,416,814	-	11,416,814
Loan cancellations and write-offs	-	-	-	-	-	-	168,901	168,901
Other	-	-	389,426	-	-	-	-	389,426
Total	$ 67,339,597	$ 17,680,657	$ 34,608,107	$ 3,575,064	$ 18,037,074	$ 11,416,814	$ 168,901	$ 152,826,214

2017	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-Offs	Total
Instruction	$ 37,084,490	$ 9,011,260	$ 11,935,624	$ 189,178	$ 18,045	$ -	$ -	$ 58,238,597
Research	15,712	1,950	954	-	-	-	-	18,616
Public service	1,423,914	320,533	937,317	1,115	3,948	-	-	2,686,827
Academic support	4,542,572	1,164,409	2,258,004	60,467	11,000	-	-	8,036,452
Student services	6,889,460	1,954,267	2,570,226	1,010	-	-	-	11,414,963
General institutional support	14,460,085	4,541,791	11,589,378	347,407	-	-	-	30,938,661
Operations and maintenance of plant	3,245,409	1,062,512	6,225,283	2,518,498	-	-	-	13,051,702
Total education and general	67,661,642	18,056,722	35,516,786	3,117,675	32,993	-	-	124,385,818
Student financial aid	106,171	7,610	-	-	18,760,752	-	-	18,874,533
Auxiliary enterprises	318,492	83,259	1,005,890	-	-	-	-	1,407,641
Depreciation	-	-	-	-	-	11,312,589	-	11,312,589
Loan cancellations and write-offs	-	-	-	-	-	-	233,774	233,774
Other	-	-	508,768	-	-	-	-	508,768
Total	$ 68,086,305	$ 18,147,591	$ 37,031,444	$ 3,117,675	$ 18,793,745	$ 11,312,589	$ 233,774	$ 156,723,123

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, 2018

State Teachers' Retirement System
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Council's proportion of the net pension liability (asset) (percentage)	0.053070%	0.069243%	0.068486%	0.076370%						
Council's proportionate share of the net pension liability (asset)	$1,833,140	$2,845,650	$2,385,460	$ 2,638,588						
State's proportionate share of the net pension liability (asset)	4,054,762	5,419,987	5,415,637	5,962,696						
Total proportionate share of the net pension liability (asset)	$5,887,902	$8,265,637	$7,801,097	$ 8,601,284						
Council's covered payroll	$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	137.53%	169.32%	119.89%	120.91%						
Plan fiduciary net position as a percentage of the total pension liability	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, 2018

State Teachers' Retirement System
Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 164,441	$ 220,166	$ 258,982	$ 328,285						
Contributions in relation to the contractually required contribution	(164,441)	(220,166)	(260,982)	(329,310)						
Contribution deficiency (excess)	$ -	$ -	$ (2,000)	$ (1,025)						
Council's covered payroll	$ 1,037,540	$ 1,355,895	$ 1,555,318	$ 1,982,331						
Contributions as a percentage of covered payroll	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, 2018

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Council's proportion of the net OPEB liability (asset) (percentage)	1.123661118%									
Council's proportionate share of the net OPEB liability (asset)	$ 27,438,774									
State's proportionate share of the net OPEB liability (asset)	5,675,315									
Total proportionate share of the net OPEB liability (asset)	$ 33,114,089									
Council's covered-employee payroll	$ 38,215,263									
Council's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	71.80%									
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2018

Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	$ 2,343,858									
Contributions in relation to the statutorily required contribution	(2,343,858)									
Contribution deficiency (excess)	$ -									
Council's covered-employee payroll	$ 38,107,414									
Contributions as a percentage of covered-employee payroll	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, 2018 AND 2017

Changes in Assumptions

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

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

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, 2018 AND 2017

There were no other factors that affect trends in the amounts reported, such as a change of benefit terms, size or composition of the population covered by the benefit terms, or other assumptions. Additional information, if necessary, can be obtained from the RHBT audited Financial Statements, Required Supplementary Information, and Other Financial Information for the year ended June 30, 2017.

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2018, 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 29, 2018. 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, and West Virginia University at Parkersburg, as described in our report on the Council's combined financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report also includes an emphasis of a matter for the adoption of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion was not modified with respect to this change in accounting principle.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 29, 2018