

**Addendum #1**  
**RFP # 19089 for Audit Services**  
**Questions and Answers**

1. Question: Could you provide a summary of fees by the various audits for fiscal year ended June 30, 2018?  
Answer: The fees for the FY2018 audit can be found in Attachment #1.
2. Question: Were there any significant audit adjustments or passed audit adjustments?  
Answer: We choose not to answer this question and believe it is not material to preparing a bid response.
3. Question: Were there any significant deficiencies or material weaknesses?  
Answer: The significant deficiencies or material weaknesses may be viewed in the audited financial statements at: <http://www.wvhepc.edu/resources/purchasing-and-finance/financial-statements-2018/>.
4. Are there any issues with the local firms used for Fiscal 2018 and are there objections to continuing those relationships?  
Question: No.
5. Question: What audit cycles/testing can be performed centrally versus on individual campuses?  
Answer: No audit cycle or testing is currently performed on an entirely centralized basis. Due to and from payments, payments on behalf of the institutions, Commission loans and system debt service payments are based upon Commission data.
6. Question: Can you provide the following fiscal 2018 reports?
  - a. Concord University Research Corporation Financial Audit
  - b. Marshall University Research Corporation Financial Audit
  - c. Marshall University Research Corporation Single Audit
  - d. Shepherd University Research Corporation Financial Audit
  - e. Shepherd University Research Corporation Single Audit
  - f. West Virginia State University Research & Development Corporation Financial Audit
  - g. West Virginia State University Research & Development Corporation Single Audit
  - h. West Virginia University Research Corporation Financial Audit
  - i. West Virginia University Research Corporation Single Audit
  - j. West Virginia Higher Education Fund Single Audit
  - k. WVNET Financial Audit

Answer: The Research Corporation audits are incorporated into the institutional audits. The WV Higher Education Fund audit is available at <http://www.wvhepc.edu/resources/purchasing-and-finance/financial-statements-2018/>. Single audits are completed at the State level.

7. Question: Please provide a copy of the most recently issued mid-year agreed-upon procedures report for WVU.

Answer: We are unable to provide this information.

8. Question: Why are you issuing the RFP? Is the incumbent firm participating in the RFP process?

Answer: The current contract period is ending. The incumbent firm is eligible to bid in response to this RFP.

9. Question: Please provide copies of the bond audits issued during fiscal 2018.

Answer: Bond Audits are attached (Attachment 3).

10. Question: Have there been issues in the past with timing of material component unit audit reports that are not included in this RFP?

Answer: The FY 2017 and FY 2018 audits were completed by the October 31<sup>st</sup> deadline. The FY 2015 and FY 2016 audits were not completed by the deadline because material information was not received from the WV Consolidated Retirement Board until after the deadlines.

11. Question: What are the biggest issues facing your system?

Answer: The State recently installed a new ERP system upon which Higher Education depends for receipts and disbursements as well as human resources and payroll processing. Opportunities exist for Higher Education and the State to take advantage of the new system's features to streamline the financial reporting process.

12. Question: Aside from compliance work, what help could a new provider offer to bring the system closer to its goals?

Answer: The RFP details the services desired from the auditor.

13. Question: Is there anything different you would like to see in your current provider?

Answer: No.

14. Question: What is the single biggest distinguishing feature that would motivate you to change providers?

Answer: We anticipate that any such distinguishing features will be proposed by the RFP respondents.

15. Question: Were there any recorded or unrecorded audit adjustments as a result of your most recent audits? If so, please provide details.

Answer: We choose not to answer this question and believe it is not material to preparing a bid response.

16. Question: Were there any significant deficiencies/material weaknesses noted during the course of the 2018 audits? If so, please describe the deficiency and corrective action taken by management to address the deficiency.

Answer: The significant deficiencies or material weaknesses may be viewed in the audited financial statements at: <http://www.wvhepc.edu/resources/purchasing-and-finance/financial-statements-2018/>.

17. Question: What were the fees for the FY2018 audits? What were the out of scope fees and the nature of those fees?

Answer: The fees for the FY2018 audit can be found in Attachment #1. Out of scope fees for FY2018 have not been requested at this time.

18. Question: Does each college/university operate on separate instances of Banner and/or Oracle? Are the applications and supporting infrastructure hosted and administered centrally under a common set of policies and procedures?

Answer: All institutions currently use Banner or Oracle except for Eastern WV CTC. The applications and supporting infrastructure are not hosted and administered centrally under a common set of policies and procedures although, some chart of accounts elements and processes are shared.

19. Question: Are the Oracle General Ledger systems leveraged at WVU and WVUP hosted at the schools or outsourced (i.e. cloud-based solution)?

Answer: We are unable to provide this information.

20. Question: Have previous audit results concluded an 'effective' IT general controls environment related to change management, logical access and security and IT operations and processes?

Answer: We choose not to answer this question and believe it is not material to preparing a bid response.

21. Question: Are there known IT deficiencies and if so, what remediation efforts have been taken?

Answer: We choose not to answer this question and believe it is not material to preparing a bid response.

22. Question: As mentioned in Section 4.9 (of the RFP), the auditor is required to perform an audit in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) for the following entities:

a. Marshall University Research Corporation

- b. Shepherd University Research and Development Corporation
- c. West Virginia State Research and Development Corporation
- d. West Virginia University Research Corporation

Do you anticipate significant changes in Federal expenditures or major programs with respect to these research corporation entities? If so, please describe.

Answer: Given the changing federal expenditure environment, it is not possible to predict the future federal research expenditures.

23. Question: On the Fee Proposal Form, the auditor is required to perform an audit in accordance with Uniform Guidance for the following entity:
- a. WV Higher Education Policy Commission (the Commission): Combined WV Higher Education Fund A-133 Report

With respect to the Commission, please provide a copy of the 2018 Uniform Guidance report. What are the anticipated Federal expenditures and major programs for FY2019?

Answer: We do not have a copy of the Uniform Guidance report. Since we do not have a Uniform Guidance Report audit, the amount of federal expenditures is not relevant to the RFP. A revised Fee Proposal Form is attached (Attachment #2 revised)

24. Question: With respect to Section 4.1, do any entities other than those listed in questions 22 and 23, require an audit in accordance with Uniform Guidance? If so, please provide a copy of the 2018 deliverables and the anticipated Federal Expenditures and major programs for FY2019.

Answer: No, there are no other entities.

25. Question: Section 4.2 states, "The Commission and WVNET shall be audited separately but a single audit report shall be issued for these entities." Is this a financial audit report on the combined entity? Is a separate audit opinion needed on WVNET?

Answer: A financial audit report is required on the combined entity. A separate audit opinion is not required for WVNET.

26. Question: Section 4.16, how many separate engagement letters are anticipated?

Answer: Separate engagement letters are prepared for the Commission and WVU.

Supplemental letters delineating institutional and auditor responsibility are prepared with fee schedules.

27. Question: Please describe any planned changes related to the IT systems, debt offering and capital projects.

Answer: There are none at this time.

28. Question: Please provide details of any third-party audits or fraud/irregularities identified during the past three years.

Answer: We choose not to discuss any audit results not provided in the financial statements and believe it is not material to preparing a bid response.

29. Question: Please describe changes to the nature of the investment portfolio in FY2019, if any.

Answer: There are none.

30. Question: As mentioned in Section 4.3, "WVU undergoes a mid-year agreed-upon procedure annually to meet the interim reporting requirements defined by its Board of Governors." Please provide us a copy of the most recent agreed upon procedures report and the timing of the completion of those procedures.

Answer: We are not able to provide this information.

31. Question: In section 7.4.2, Services – 30 points, please explain how Sections 4 and 5 will be evaluated and points are allocated.

Answer: See revised point allocations for Section 7.4 in Attachment #2.

32. Question: What format will the responses to the proposal be distributed to the proposal evaluators? Electronically, hardcopy or both?

Answer: Proposals will be distributed to the evaluators electronically.

		CLIA Billing Schedule									
		Payment Due Date									
LINE	INSTITUTION 4 Year Institutions	ACCOUNT NO.	ORIGINAL ENC. FEE AMOUNT	% of Original Fee	15.00%						100.00%
					7/31/2018	8/31/2018	10/15/2018	11/15/2018	12/15/2018	3/31/2018	
					\$ 111,457.95	\$ 111,457.95	\$ 148,610.60	\$ 185,763.25	\$ 111,457.95	\$ 74,305.30	Total
					\$ 111,457.95	\$ 111,457.95	\$ 148,610.60	\$ 185,763.25	\$ 111,457.95	\$ 74,305.30	
1	Bluefield State College	4371/4300/0482/2100/09900/3207/0000	\$ 24,557.00	3.30%	3,683.55	3,683.55	4,911.40	6,139.25	3,683.55	2,455.70	24,557.00
2	Concord University	4407/1841/0483/3231/09900/3207/H123	\$ 25,511.00	3.43%	3,826.65	3,826.65	5,102.20	6,377.75	3,826.65	2,551.10	25,511.00
3	Fairmont State University	4490/0000/0484/0484/09900/3207/0000	\$ 29,277.00	3.94%	4,391.55	4,391.55	5,855.40	7,319.25	4,391.55	2,927.70	29,277.00
4	Pierpont CTC	4831/0000/0446/0446/09900/3207/0000	\$ 22,169.00	2.98%	3,325.35	3,325.35	4,433.80	5,542.25	3,325.35	2,216.90	22,169.00
5	Glenville State College	4496/0000/0485/0485/09900/3207/0000	\$ 23,603.00	3.18%	3,540.45	3,540.45	4,720.60	5,900.75	3,540.45	2,360.30	23,603.00
6	Marshall University	4890/0000/0471/0471/09900/3207/0000	\$ 77,275.00	10.40%	11,591.25	11,591.25	15,455.00	19,318.75	11,591.25	7,727.50	77,275.00
7	Marshall University Research Corp.	4890/0000/0471/0471/09900/3207/0000	\$ 15,006.00	2.02%	2,250.90	2,250.90	3,001.20	3,751.50	2,250.90	1,500.60	15,006.00
8	Marshall University Research Corp. A-133	4890/0000/0471/0471/09900/3207/0000	\$ 4,296.00	0.58%	644.40	644.40	859.20	1,074.00	644.40	429.60	4,296.00
9	Shepherd University	4532/0000/0486/0486/09900/3207/0000	\$ 39,779.00	5.35%	5,966.85	5,966.85	7,955.80	9,944.75	5,966.85	3,977.90	39,779.00
10	Shepherd University Research & Development Corp.	4532/2043/0486/6310/09900/3207/H123	\$ 7,638.00	1.03%	1,145.70	1,145.70	1,527.60	1,909.50	1,145.70	763.80	7,638.00
11	Shepherd University Research Corp. A-133	4532/2043/0486/6310/09900/3207/H123	\$ 2,867.00	0.39%	430.05	430.05	573.40	716.75	430.05	286.70	2,867.00
12	West Liberty University	4562/8121/0488/0652/09900/3207/H123	\$ 26,945.00	3.63%	4,041.75	4,041.75	5,389.00	6,736.25	4,041.75	2,694.50	26,945.00
13	WV School of Osteopathic Medicine	4082/1820/0476/1110/09900/3207/H120 (00000)	\$ 25,511.00	3.43%	3,826.65	3,826.65	5,102.20	6,377.75	3,826.65	2,551.10	25,511.00
14	West Virginia State University	4611/1000/0490/5010/09900/3207/H123	\$ 31,186.00	4.20%	4,677.90	4,677.90	6,237.20	7,996.50	4,677.90	3,118.60	31,186.00
15	WV State University Research Corp.	4611/1000/0490/5010/09900/3207/H123	\$ 10,819.00	1.46%	1,622.85	1,622.85	2,163.80	2,704.75	1,622.85	1,081.90	10,819.00
16	WV State University Research Corp. A-133	4611/1000/0490/5010/09900/3207/H123	\$ 3,342.00	0.45%	501.30	501.30	668.40	835.50	501.30	334.20	3,342.00
17	West Virginia University	4187/0000/0463/0463/09900/3207/0000	\$ 167,605.00	22.56%	25,140.75	25,140.75	33,521.00	41,901.25	25,140.75	16,760.50	167,605.00
18	West Virginia University Research Corp.	4187/0000/0463/0463/09900/3207/0000	\$ 18,297.00	2.46%	2,744.55	2,744.55	3,659.40	4,574.25	2,744.55	1,829.70	18,297.00
19	West Virginia University Research Corp. A-133	4187/0000/0463/0463/09900/3207/0000	\$ 10,026.00	1.35%	1,503.90	1,503.90	2,005.20	2,506.50	1,503.90	1,002.60	10,026.00
20	Higher Education Policy Commission	0589/0000/0441/6921/13000/3207/H123	\$ 86,272.00	11.61%	12,940.80	12,940.80	17,254.40	21,568.00	12,940.80	8,627.20	86,272.00
21	HEPC Bond Audit - System	4903/0000/0442/6981/130600/3207/H123	\$ 40,576.00	5.46%	6,086.40	6,086.40	8,115.20	10,144.00	6,086.40	4,057.60	40,576.00
22	HEPC - GAAP Reporting Closing Books	0589/0000/0441/6921/13000/3207/H123	\$ 2,867.00	0.39%	430.05	430.05	573.40	716.75	430.05	286.70	2,867.00
23	HEPC - Combined WV Higher Ed. Fund Report	0589/0000/0441/6921/13000/3207/H123	\$ 31,504.00	4.24%	4,725.60	4,725.60	6,300.80	7,876.00	4,725.60	3,150.40	31,504.00
24	WVNET	4780/333A/0495/0495/09900/3207/H123	\$ 16,125.00	2.17%	2,418.75	2,418.75	3,225.00	4,031.25	2,418.75	1,612.50	16,125.00
4 Year Subtotal			\$ 743,053.00	100.00%	\$ 111,457.95	\$ 111,457.95	\$ 148,610.60	\$ 185,763.25	\$ 111,457.95	\$ 74,305.30	\$ 743,053.00
LINE	INSTITUTION 2 Year Institutions	ACCOUNT NO.	ORIGINAL ENC. FEE AMOUNT	% of Original Fee	15.00%						100.00%
					7/31/2018	8/31/2018	10/15/2018	11/15/2018	12/15/2018	3/31/2018	
					\$ 32,160.60	\$ 32,160.60	\$ 42,880.80	\$ 53,601.00	\$ 32,160.60	\$ 21,440.40	Total
					\$ 32,160.60	\$ 32,160.60	\$ 42,880.80	\$ 53,601.00	\$ 32,160.60	\$ 21,440.40	
26	Blue Ridge Community & Technical College	4961/1282/0447/0447/09900/3207/H123	\$ 23,229.00	10.83%	3,484.35	3,484.35	4,645.80	5,807.25	3,484.35	2,322.90	23,229.00
27	BridgeValley Community & Technical College	4986/0000/0493/0493/09900/3207/0000	\$ 24,447.00	11.40%	3,667.05	3,667.05	4,889.40	6,111.75	3,667.05	2,444.70	24,447.00
28	Consol. Fin. Rpt. - Bridgemont CTC & Kanawha Valley CTC		\$ -	0.00%	-	-	-	-	-	-	-
29	Eastern WV Comm. & Tech College	0587/0000/0492/0492/1200/3207/0000	\$ 21,800.00	10.17%	3,270.00	3,270.00	4,360.00	5,450.00	3,270.00	2,180.00	21,800.00
30	Mountwest Community & Technical College	4865/0000/0444/0444/09900/3207/0000	\$ 25,019.00	11.67%	3,752.85	3,752.85	5,003.80	6,254.75	3,752.85	2,501.90	25,019.00
31	New River Community & Technical College	4876/1650/0445/2525/09900/3207/H123	\$ 31,212.00	14.56%	4,681.80	4,681.80	6,242.40	7,803.00	4,681.80	3,121.20	31,212.00
32	Pierpont Community & Technical College	See 4 Year FSU	\$ -	0.00%	-	-	-	-	-	-	-
33	Southern WV Comm. & Tech College	4680/4680/0487/5002/09900/3207/H123	\$ 23,229.00	10.83%	3,484.35	3,484.35	4,645.80	5,807.25	3,484.35	2,322.90	23,229.00
34	WVU - Parkersburg	4726/2600/0489/2001/09900/3207/H123	\$ 22,275.00	10.39%	3,341.25	3,341.25	4,455.00	5,568.75	3,341.25	2,227.50	22,275.00
35	WVU - Parkersburg	4318/0000/0464/0464/09900/3207/0000	\$ 23,675.00	11.04%	3,551.25	3,551.25	4,735.00	5,918.75	3,551.25	2,367.50	23,675.00
36	Council for Community & Technical College Ed.	0596/0000/0420/0420/3207/0000	\$ 19,518.00	9.10%	2,927.70	2,927.70	3,903.60	4,879.50	2,927.70	1,951.80	19,518.00
2 Year Subtotal			\$ 214,404.00	100.00%	\$ 32,160.60	\$ 32,160.60	\$ 42,880.80	\$ 53,601.00	\$ 32,160.60	\$ 21,440.40	\$ 214,404.00
Total			\$ 957,457.00		\$ 143,618.55	\$ 143,618.55	\$ 191,491.40	\$ 239,364.25	\$ 143,618.55	\$ 95,745.70	\$ 957,457.00

## Fee Proposal Form

RFP # 19089

<b>Institution (Entity)/Service</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>Total</b>
<b>Commission Entities (fees &amp; expenses combined):</b>						
<b>Bluefield State College</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
<b>Concord University</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
<b>Concord University Research Corporation</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
<b>Fairmont State University</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
Bond Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
<b>Glenville State College</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
<b>Marshall University</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
<b>Marshall University Research Corporation</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
A-133 Audit (for the institution, include with the Financial Audit and provide 3 unbound copies to the Commission)*						

<b>Shepherd University</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
<b>Shepherd University and Research Corporation</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
A-133 Audit (for the institution, include with the Financial Audit and provide 3 unbound copies to the Commission)*						
<b>West Liberty University</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
<b>WV School of Osteopathic Medicine</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
<b>West Virginia State University</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
<b>West Virginia State University Research &amp; Development Corporation</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
A-133 Audit (for the institution, include with the Financial Audit and provide 3 unbound copies to the Commission)*						
<b>West Virginia University</b>						
Financial Audit (provide 60 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						
<b>West Virginia University Research Corporation</b>						
Financial Audit (provide 40 bound copies of the Audit Report to the institution and 3 unbound copies to the Commission)*						



A-133 Audit (for the institution, include with the Financial Audit and provide 3 unbound copies to the Commission)*						
<b>WV Higher Education Policy Commission</b>						
Financial Audit and Combined Commission and WVNET Report (Provide 30 bound copies of the Audit Report and 3 unbound copies to the Commission)*						
Bond Audit – System (provide 5 bound copies of the Audit Report and 3 unbound copies to the Commission)*						
GAAP Reporting (Closing Books) Forms Service						
Combined WV Higher Education Fund Report (provide 5 bound copies of the Audit Report to the Commission)*						
<b>WVNET</b>						
Financial Audit (issue report with the Commission)						
<b>Commission Subtotal (fees &amp; expenses combined)</b>						

<b>Council Entities (fees &amp; expenses combined)</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>Total</b>
<b>Blue Ridge CTC</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Council)*						
<b>BridgeValley CTC</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Council)*						
<b>Eastern West Virginia CTC</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Council)*						
<b>Marshall CTC</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Council)*						
<b>New River CTC</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Council)*						

<b>Pierpont CTC</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Council)*						
<b>Southern West Virginia CTC</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Council)*						
<b>West Virginia Northern Community College</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Council)*						
<b>WVU at Parkersburg</b>						
Financial Audit (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Council)*						
<b>WV Council for Community &amp; Technical College Education</b>						
Combined WV Council for Community & Technical College Education Report (Council & all CTC's) (provide 30 bound copies of the Audit Report to the institution and 3 unbound copies to the Council)*						
<b><u>Council Subtotal (fees &amp; expenses combined)</u></b>						
<b>Total Proposal for all Audit Services (fees &amp; expenses combined)</b>						

\*Please refer to Section 5 Reporting Requirements

If authorized in advance and in writing, additional services may be negotiated and paid on an hourly or stipulated fee basis. Please provide your firm's proposed hourly rates for additional services for FY 2019 through FY 2023 according to the schedule below:

	Hourly Rate				
Personnel	FY 2019	FY 2020	FY2021	FY2022	FY 2023
Partner					
Senior Manager					
Manager					
Senior Auditor					
Field Auditor					
Staff					

The undersigned, in submitting a proposal on behalf of the firm, warrants that he/she has read and understands the RFP requirements, terms and conditions, and agrees to be bound by them if awarded this contract.

This proposal is submitted by:

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Audit Firm: \_\_\_\_\_

Date: \_\_\_\_\_

Telephone: \_\_\_\_\_

E-mail: \_\_\_\_\_

ATTACHMENT #3A

**STATE OF WEST VIRGINIA  
HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS HIGHER  
EDUCATION FACILITIES 2007 SERIES A**

**COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
YEARS ENDED JUNE 30, 2018 AND 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING





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## INDEPENDENT AUDITORS' REPORT

West Virginia Higher Education  
Policy Commission  
Charleston, West Virginia

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

We have audited the accompanying combined special-purpose financial statements – modified cash basis of the West Virginia Higher Education Policy Commission Revenue Refunding Bonds Higher Education Facilities 2007 Series A, an agency of the state of West Virginia, which comprise the combined special-purpose statements of assets, liabilities, and fund balance (deficit) – modified cash basis as of June 30, 2018 and 2017, and the related combined special-purpose statements of revenues collected, expenses and costs paid, and changes in fund balance (deficit) – modified cash basis for the years then ended, and the related notes to the combined special-purpose financial statements.

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

Management is responsible for the preparation and fair presentation of these combined special-purpose financial statements in accordance with the modified cash basis of accounting described in Note 1 to the combined special-purpose financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these combined special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined special-purpose financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined special-purpose 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 combined special-purpose 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 combined special-purpose financial statements.

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

**Opinion**

In our opinion, the combined special-purpose financial statements referred to above present fairly, in all material respects, the combined assets, liabilities, and fund balance (deficit) of the West Virginia Higher Education Policy Commission Revenue Refunding Bonds Higher Education Facilities 2007 Series A as of June 30, 2018 and 2017, and its combined revenues collected, expenses and costs paid, and changes in fund balance (deficit) for the years then ended in accordance with the modified cash basis of accounting described in Note 1 to the combined special-purpose financial statements.

**Basis of Accounting**

We draw attention to Note 1 of the combined special-purpose financial statements, which describes the basis of accounting. As described in Note 1 of the combined special-purpose financial statements, these combined special-purpose financial statements were prepared for the purpose of complying with the related bond agreements and are intended to present only the selected assets, liabilities, fund balances, revenues, and expenses and costs paid of the West Virginia Higher Education Policy Commission required to be presented under these agreements. The combined special-purpose financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Emphasis of Matter**

As discussed in Note 1, the combined special-purpose financial statements – modified cash basis of the West Virginia Higher Education Policy Commission Revenue Refunding Bonds Higher Education Facilities 2007 Series A, an agency of the state of West Virginia are intended to present the assets, liabilities, fund balance, revenues collected, expenses and costs paid and changes in fund balance of only that portion of activities that are attributable to the transactions of the agency. They do not purport to, and do not present fairly the financial information of the West Virginia Higher Education Policy Commission, an agency of the state of West Virginia as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*CliftonLarsonAllen LLP*

Plymouth Meeting, Pennsylvania  
October 30, 2018

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS HIGHER EDUCATION  
FACILITIES 2007 SERIES A**

**COMBINED SPECIAL-PURPOSE STATEMENTS OF ASSETS, LIABILITIES,  
AND FUND BALANCE (DEFICIT) – MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017**

	2018				2017			
<b>ASSETS</b>	Revenue Fund	Escrow Fund	Bond Fund	Combined	Revenue Fund	Escrow Fund	Bond Fund	Combined
Deposits with the State Treasurer in Accounts of the Municipal Bond Commission	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,587	\$ 6,587
Amount Due from West Virginia Higher Education Policy Commission State University System Bonds	-	-	-	-	-	7	-	7
	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>7</u>	<u>\$ 6,587</u>	<u>\$ 6,594</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>								
<b>LIABILITIES</b>								
Bond indebtedness	\$ -	\$ -	\$ -	\$ -	\$ 15,765,000	\$ -	\$ -	\$ 15,765,000
Due to the state treasurer	-	-	-	-	13,291	-	-	13,291
Total liabilities	-	-	-	-	15,778,291	-	-	15,778,291
<b>FUND (DEFICIT) BALANCE</b>	-	-	-	-	(15,778,291)	7	6,587	(15,771,697)
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>7</u>	<u>\$ 6,587</u>	<u>\$ 6,594</u>

See accompanying notes to combined special-purpose financial statements – modified cash basis.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS HIGHER EDUCATION  
FACILITIES 2007 SERIES A**

**COMBINED SPECIAL-PURPOSE STATEMENTS OF REVENUES COLLECTED, EXPENSES AND COSTS PAID,  
AND CHANGES IN FUND BALANCE (DEFICIT) – MODIFIED CASH BASIS  
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			2017		
	Revenue Fund	Escrow Fund	Bond Fund	Revenue Fund	Escrow Fund	Bond Fund
<b>REVENUES COLLECTED</b>						
Student fees – net	\$ 350,871	\$ -	\$ -	\$ 2,142,840	\$ -	\$ -
Transfer to College System Bond funds	13,150	-	(9,080)	-	-	-
Income from investments	-	-	4,503	-	-	1,843
Total revenues collected	364,021	-	(4,577)	2,142,840	-	1,843
<b>EXPENSES AND COSTS PAID</b>						
Service fees	5,141	7	2,010	31,883	-	2,000
Interest	-	-	345,589	-	-	745,775
Total expenses and costs paid	5,141	7	347,599	31,883	-	747,775
<b>EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENSES AND COSTS PAID</b>						
	358,880	(7)	(352,176)	2,110,957	-	(745,932)
<b>RETIREMENT OF BONDS</b>						
	15,765,000	-	-	1,365,000	-	(1,365,000)
<b>TRANSFERS (FROM) TO – For payment of current debt service requirement</b>						
	(345,589)	-	345,589	(2,110,776)	-	2,110,776
<b>FUND (DEFICIT) BALANCE – Beginning of year</b>	(15,778,291)	7	6,587	(17,143,472)	7	6,743
<b>FUND (DEFICIT) BALANCE – End of year</b>	\$ -	\$ -	\$ -	\$ (15,778,291)	\$ 7	\$ 6,587

See accompanying notes to combined special-purpose financial statements – modified cash basis.



**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS HIGHER EDUCATION  
FACILITIES 2007 SERIES A  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 and 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The West Virginia Higher Education Policy Commission Revenue Refunding Bonds Higher Education Facilities 2007 Series A (the Bonds) are obligations of the West Virginia Higher Education Policy Commission (the Commission), an agency of the state of West Virginia (the State). Senate Bill 653 (S.B. 653) was enacted by the West Virginia Legislature on March 19, 2000, and restructured public higher education in West Virginia. S.B. 653 created the Commission, which is responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda. It is charged with oversight of public higher education institutions to ensure they are accomplishing their missions and implementing the provisions set by the State statute.

S.B. 653 abolished the board of trustees of the University System of West Virginia effective June 30, 2000, and created a one-year Interim Governing Board. Effective July 1, 2001, certain powers were transferred to newly created Governing Boards at each of the institutions of higher education. These powers and duties include, but are not limited to, the power to determine, control, supervise, and manage the financial, business, and educational policies and affairs of the institution(s) under its jurisdiction, the duty to develop a master plan for the institution, the power to prescribe the specific functions and institution's budget request, the duty to review at least every five years all academic programs offered at the institution, and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution.

The Bonds were issued on April 17, 2007, to advance refund the 1997 Series A State University System Bonds, 1997 Series A State College System Bonds, and 2000 Series A State University System Bonds per the State University General Resolution and State College General Resolution (the General Resolution). Of the refunding, \$7,855,000 of \$8,095,000 1997 Series A State College System Bonds, \$9,990,000 of \$10,300,000 1997 Series A State University System Bonds, and \$6,970,000 of \$7,780,000 2000 Series A State University System Bonds were refinanced and defeased.

The Commission has the authority to assess each public institution of higher education for payment of debt service on these Bonds. The tuition and registration fees of the members of the former state university and college systems are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by an institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Such pledged collections not remitted by the institutions (universities and colleges) were in excess of \$31.4 million and \$30.9 million for the years ended June 30, 2018 and 2017, respectively. The Bonds remain an obligation of the Commission.

**Basis of Presentation**

The General Resolution requires that the Commission is to maintain certain accounts and funds related to the Bonds. The Commission prepares annual combined special-purpose financial statements that set forth the balances and activity in the specified funds. The following is a description of the funds that the Commission is required to maintain and to present in the form of combined special-purpose financial statements:

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS HIGHER EDUCATION  
FACILITIES 2007 SERIES A  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 and 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

*Revenue Fund* - The revenue fund accounts for pledged revenues and expenses and costs paid related thereto, and outstanding bonds.

*Escrow Fund* - The escrow fund accounts for the proceeds of revenue bonds and subsequent disbursement thereof for their intended purpose.

*Bond Fund* - The bond fund accounts for the transfers from the revenue fund and subsequent disbursement thereof for their intended purpose and the payment of bond principal and interest.

Included in these combined special-purpose financial statements are the funds and accounts of the Revenue Refunding Bonds Higher Education Facilities 2007 Series A Bonds.

These combined special-purpose financial statements do not constitute a complete presentation of the assets, liabilities, net position, revenues, and expenses of the Commission, but present only the funds the Commission is required to present in the combined special-purpose financial statements pursuant to the provisions of the General Resolution.

In accordance with requirements of the General Resolution as amended, accounting records for the Bonds are maintained on the cash receipts and disbursements basis. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses and costs are recognized when paid rather than when the obligation is incurred. The combined special-purpose financial statements are prepared on the modified cash basis of accounting, which is an other comprehensive basis of accounting as required by the General Resolution. The principal modification to the cash basis of accounting is the recording of bond indebtedness. Consequently, as these are combined special-purpose financial statements to comply with the General Resolution, a Management Discussion and Analysis is not included in the combined special-purpose financial statements.

Deposits with the State Treasurer have been pooled for maximization of investment income. These deposits are combined with deposits of various other funds. Investment income on these deposits is allocated to the various funds based on the balance of these deposits at the end of the month in which the income was earned.

**NOTE 2 REVENUE REFUNDING BONDS HIGHER EDUCATION FACILITIES BONDS**

On April 17, 2007, the 2007 Series A Bonds were issued in the original principal amount of \$25,915,000, with rates up to 5% and a total all-in interest cost of 4.34%, maturing serially through April 1, 2027. The 2007 Series A Bonds were issued to provide funding for refinancing of a portion of the 1997 Series A State College System Bonds (\$7,855,000), the 1997 Series A State University System Bonds (\$9,990,000), and the 2000 Series A State University System Bonds (\$6,970,000). The amount refinanced was \$24,815,000, which, with the reduced interest rates, will provide a savings of \$1,813,791 to the Commission.

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS HIGHER EDUCATION  
FACILITIES 2007 SERIES A  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 and 2017**

**NOTE 2 REVENUE REFUNDING BONDS HIGHER EDUCATION FACILITIES BONDS  
(CONTINUED)**

The Bonds are revenue bonds payable solely from pledged university and college system institutions' revenues, including tuition and registration fees, and earnings attributable to the investment of pledged revenues. The University System Bonds, the 2004 Series B Bonds, the 2010 Series A, B, and C Bonds, the 2012 Series A and B Bonds, and the 2017 Series Bonds are on a parity with the 2007 Series A Bonds with respect to sources of and security for payment and in all other respects. No provision of the General Resolution is to be construed to authorize the Commission, at any time or in any manner, to pledge the credit or taxing power of the State, nor is any obligation or debt created by the Commission or issued under the General Resolution deemed to be an obligation of the State. The Bonds are fully insured as to principal and interest by the American Municipal Bond Assurance Corporation (AMBAC).

Under the amended General Resolution, the Commission shall at all times fix and otherwise provide for the collection of revenues (as defined in the General Resolution), which includes tuition and registration fees from university and college system institutions, as defined in the General Resolution and other amounts legally available, in an amount not less than 1.0 times the principal and interest due in each fiscal year (current budget period) the Bonds are outstanding, beginning with fiscal year ended June 30, 2008. On October 29, 1999, the board of trustees approved University System of West Virginia, Administrative Bulletin No. 37, which was retroactive to July 1, 1999. On August 2, 2001, the Commission resolved that effective for the year ended June 30, 2002, the institutions would remit only the stipulated amounts sufficient to meet debt service requirements. The purpose of these actions was to provide a more efficient and manageable process for assignment of responsibility by institution for payment of capital fund obligations. In addition, these actions are to simplify the process used for retention of the tuition and registration fee revenue collections, remitting only the required amounts to the Commission as scheduled. During the years ended June 30, 2018 and 2017, the Commission collected revenues approximating 1.04 and 1.01, respectively, times the principal and interest due.

**NOTE 3 OTHER TRANSACTIONS**

Certain purchasing, accounting, and other administrative services are provided by other state agencies to the Commission.

**NOTE 4 BONDS REFUNDING**

On December 21, 2017, The Commission issued the state of West Virginia Higher Education Policy Commission Revenue Refunding Bonds (Higher Education Facilities Series 2017). The bonds were issued to provide funds to advance refund the West Virginia Higher Education Policy Commission Revenue Bonds (Higher Education Facilities) 2007 Series A bonds (the 2007 Series A Bonds), and a portion of the West Virginia Higher Education Policy Commission Revenue Bonds (Higher Education Facilities) 2010 Series A bonds (the 2010 Series A Bonds) to reduce debt service payments and to pay the costs associated with the bonds. The bonds refunded and defeased the \$15,765,000 in outstanding 2007 Series A Bonds and \$12,880,000 of the 2010 Series A Bonds.



Investment advisory services are offered through CliftonLarsonAllen  
Wealth Advisors, LLC, an SEC-registered investment advisor.

*ATTACHMENT #3B*

**STATE OF WEST VIRGINIA  
HIGHER EDUCATION POLICY COMMISSION  
REVENUE BONDS (HIGHER EDUCATION FACILITIES),  
2010 SERIES A (TAX-EXEMPT); REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2010 SERIES B  
(FEDERALLY TAXABLE – ISSUER SUBSIDY –  
BUILD AMERICA BONDS); AND REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2010 SERIES C (TAXABLE)**

**COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
YEARS ENDED JUNE 30, 2018 AND 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING





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## INDEPENDENT AUDITORS' REPORT

West Virginia Higher Education  
Policy Commission  
Charleston, West Virginia

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

We have audited the accompanying combined special-purpose financial statements – modified cash basis of the State of West Virginia Higher Education Policy Commission Revenue Bonds (Higher Education Facilities), 2010 Series A (Tax-Exempt); Revenue Bonds (Higher Education Facilities), 2010 Series B (Federally Taxable - Issuer Subsidy - Build America Bonds); and Revenue Bonds (Higher Education Facilities), 2010 Series C (Taxable), an agency of the State of West Virginia, which comprise the combined special-purpose statements of assets, liabilities, and fund balance (deficit) – modified cash basis as of June 30, 2018 and 2017, and the related combined special-purpose statements of revenues collected, expenses and costs paid, and changes in fund balance (deficit) – modified cash basis for the years then ended, and the related notes to the combined special-purpose financial statements.

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

Management is responsible for the preparation and fair presentation of these combined special-purpose financial statements in accordance with the modified cash basis of accounting described in Note 1 to the combined special-purpose financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these combined special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined special-purpose financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined special-purpose 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 combined special-purpose 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 combined special-purpose financial statements.

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

**Opinion**

In our opinion, the combined special-purpose financial statements referred to above present fairly, in all material respects, the combined assets, liabilities, and fund balance (deficit) of the State of West Virginia Higher Education Policy Commission Revenue Bonds (Higher Education Facilities), 2010 Series A (Tax-Exempt); Revenue Bonds (Higher Education Facilities), 2010 Series B (Federally Taxable – Issuer Subsidy – Build America Bonds); and Revenue Bonds (Higher Education Facilities), 2010 Series C (Taxable) as of June 30, 2018 and 2017, and its combined revenues collected, expenses and costs paid, and changes in fund balance (deficit) for the years then ended in accordance with the modified cash basis of accounting described in Note 1 to the combined special-purpose financial statements.

**Basis of Accounting**

We draw attention to Note 1 of the combined special-purpose financial statements, which describes the basis of accounting. As described in Note 1 of the combined special-purpose financial statements, these combined special-purpose financial statements were prepared for the purpose of complying with the related bond agreements and are intended to present only the selected assets, liabilities, fund balances, revenues, and expenses and costs paid of the West Virginia Higher Education Policy Commission required to be presented under these agreements. The combined special-purpose financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Emphasis of Matter**

As discussed in Note 1, the combined special-purpose financial statements – modified cash basis of the West Virginia Higher Education Policy Commission Revenue Bonds (Higher Education Facilities), 2010 Series A (Tax-Exempt); Revenue Bonds (Higher Education Facilities), 2010 Series B (Federally Taxable – Issuer Subsidy – Build America Bonds); and Revenue Bonds (Higher Education Facilities), 2010 Series C (Taxable), an agency of the state of West Virginia are intended to present the assets, liabilities, fund balance, revenues collected, expenses and costs paid and changes in fund balance of only that portion of activities that are attributable to the transactions of the agency. They do not purport to, and do not present fairly the financial information of the West Virginia Higher Education Policy Commission, an agency of the State of West Virginia as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*CliftonLarsonAllen LLP*

Plymouth Meeting, Pennsylvania  
October 30, 2018

STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES A (TAX-EXEMPT);  
REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES B (FEDERALLY TAXABLE - ISSUER SUBSIDY -  
BUILD AMERICA BONDS); AND REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES C (TAXABLE  
COMBINED SPECIAL-PURPOSE STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCE  
(DEFICIT) - MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017

	2018				2017			
	Revenue Fund	Interest Subsidiary Reserve Fund	Project Fund	Combined	Revenue Fund	Interest Subsidiary Reserve Fund	Project Fund	Combined
<b>ASSETS</b>								
Deposits with State Treasurer in Accounts of the Policy Commission	\$ 4,127,024	\$ -	\$ -	\$ 4,127,024	\$ 4,048,626	\$ -	\$ -	\$ 4,048,626
Deposits with State Treasurer in Accounts of Municipal Bond Commission	-	867,417	2,005	869,422	-	949,401	11,522	960,923
Deposits with Trustee Bank	-	-	294,718	294,718	-	-	291,564	291,564
<b>TOTAL ASSETS</b>	<u>\$ 4,127,024</u>	<u>\$ 867,417</u>	<u>\$ 296,723</u>	<u>\$ 5,291,164</u>	<u>\$ 4,048,626</u>	<u>\$ 949,401</u>	<u>\$ 303,086</u>	<u>\$ 5,301,113</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>								
<b>LIABILITIES</b>								
Bond indebtedness	\$ 53,670,000	\$ -	\$ -	\$ 53,670,000	\$ 68,205,000	\$ -	\$ -	\$ 68,205,000
<b>FUND BALANCE (DEFICIT)</b>	<u>(49,542,976)</u>	<u>867,417</u>	<u>296,723</u>	<u>(48,378,836)</u>	<u>(64,156,374)</u>	<u>949,401</u>	<u>303,086</u>	<u>(62,903,887)</u>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<u>\$ 4,127,024</u>	<u>\$ 867,417</u>	<u>\$ 296,723</u>	<u>\$ 5,291,164</u>	<u>\$ 4,048,626</u>	<u>\$ 949,401</u>	<u>\$ 303,086</u>	<u>\$ 5,301,113</u>

See accompanying notes to combined special-purpose financial statements - modified cash basis.



STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES A (TAX-EXEMPT);  
REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES B (FEDERALLY TAXABLE-ISSUER SUBSIDY -  
BUILD AMERICA BONDS); AND REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES C (TAXABLE  
COMBINED SPECIAL-PURPOSE STATEMENTS OF REVENUES COLLECTED, EXPENSES AND COSTS PAID, AND  
CHANGES IN FUND BALANCE (DEFICIT) - MODIFIED CASH BASIS  
YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Revenue Fund	Interest Subsidiary Reserve Fund	Project Fund	Combined	Revenue Fund	Interest Subsidiary Reserve Fund	Project Fund	Combined
<b>REVENUES COLLECTED</b>								
Excess lottery revenues	\$ 4,751,250	\$ -	\$ -	\$ 4,751,250	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Build America Bond interest subsidy	1,247,951	-	-	1,247,951	1,247,243	-	-	1,247,243
Student fees - net	71,476	-	-	71,476	75,946	-	-	75,946
Transfer from (to) College System Bond funds	-	-	(14,166)	(14,166)	-	-	1,369	1,369
Income from investments	58,207	9,970	10,966	79,143	24,832	3,436	3,896	32,164
Total revenues collected	6,128,884	9,970	(3,200)	6,135,654	6,348,021	3,436	5,265	6,356,722
<b>EXPENSES AND COSTS PAID</b>								
Service fees	125,653	-	4,783	130,436	75,519	-	5,800	81,319
Interest	-	-	4,360,167	4,360,167	-	-	4,757,908	4,757,908
Total expenses and costs paid	125,653	-	4,364,950	4,490,603	75,519	-	4,763,708	4,839,227
<b>EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENSES AND COSTS PAID</b>	6,003,231	9,970	(4,368,150)	1,645,051	6,272,502	3,436	(4,758,443)	1,517,495
<b>RETIREMENT OF BONDS</b>	14,535,000	-	(1,655,000)	12,880,000	1,580,000	-	(1,580,000)	-
<b>TRANSFERS (FROM) TO - For payment of current debt service requirement</b>	(5,924,833)	(91,954)	6,016,787	-	(6,246,866)	(91,042)	6,337,908	-
<b>FUND (DEFICIT) BALANCE - Beginning of year</b>	(64,156,374)	949,401	303,086	(62,903,887)	(65,762,010)	1,037,007	303,621	(64,421,382)
<b>FUND (DEFICIT) BALANCE - End of year</b>	\$ (49,542,976)	\$ 867,417	\$ 296,723	\$ (48,378,836)	\$ (64,156,374)	\$ 949,401	\$ 303,086	\$ (62,903,887)

See accompanying notes to combined special-purpose financial statements - modified cash basis.

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES A  
(TAX-EXEMPT); REVENUE BONDS (HIGHER EDUCATION FACILITIES),  
2010 SERIES B (FEDERALLY TAXABLE – ISSUER SUBSIDY –  
BUILD AMERICA BONDS); AND REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2010 SERIES C (TAXABLE)  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The State of West Virginia Higher Education Policy Commission Revenue Bonds (Higher Education Facilities), 2010 Series A (Tax-Exempt) (the Series A Bonds); Revenue Bonds (Higher Education Facilities), 2010 Series B (Federally Taxable – Issuer Subsidy – Build America Bonds) (the Series B Bonds); and Revenue Bonds (Higher Education Facilities), 2010 Series C (Taxable) (the Series C Bonds) (collectively, the Bonds) are obligations of the West Virginia Higher Education Policy Commission (the Commission), an agency of the state of West Virginia (the State). Senate Bill 653 (S.B. 653) was enacted by the West Virginia Legislature on March 19, 2000, and restructured public higher education in West Virginia. S.B. 653 created the Commission, which is responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda. It is charged with oversight of public higher education institutions to ensure they are accomplishing their missions and implementing the provisions set by the state statute.

S.B. 653 abolished the board of trustees of the University System of West Virginia effective June 30, 2000, and created a one-year Interim Governing Board. Effective July 1, 2001, certain powers were transferred to newly created Governing Boards at each of the institutions of higher education. These powers and duties include, but are not limited to, the power to determine, control, supervise, and manage the financial, business, and educational policies and affairs of the institution(s) under its jurisdiction, the duty to develop a master plan for the institution, the power to prescribe the specific functions and institution's budget request, the duty to review at least every five years all academic programs offered at the institution, and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution.

The Bonds were issued on December 17, 2010, to provide funds to acquire, construct, improve, and equip certain higher education facilities.

The Commission will receive up to \$15 million per year through the year 2040 of excess lottery revenues from the West Virginia Lottery Commission for payment of debt service into a Higher Education Improvement Fund. In addition to the lottery revenues, registration and tuition fees, and educational and general capital fees collected at the institutions (universities and colleges) from students are also pledged as collateral for the Commission's bond indebtedness. The amount received from the Higher Education Improvement Fund was \$5 million for the years ended June 30, 2018 and 2017. Student fees collected by an institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Such pledged collections not remitted by the institutions were in excess of \$31.4 million and \$30.9 million for the years ended June 30, 2018 and 2017, respectively. The Bonds remain an obligation of the Commission.

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES A  
(TAX-EXEMPT); REVENUE BONDS (HIGHER EDUCATION FACILITIES),  
2010 SERIES B (FEDERALLY TAXABLE – ISSUER SUBSIDY –  
BUILD AMERICA BONDS); AND REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2010 SERIES C (TAXABLE)  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

The General Resolution requires that the Commission is to maintain certain accounts and funds related to the Bonds. The Commission prepares annual combined special-purpose financial statements that set forth the balances and activity in the specified funds. The following is a description of the funds that the Commission is required to maintain and to present in the form of combined special-purpose financial statements:

*Revenue Fund* - The revenue fund accounts for pledged revenues and expenses and costs paid related thereto and outstanding bonds.

*Interest Subsidy Reserve Fund* - The interest subsidy reserve fund shall include (i) initial deposit upon closing and (ii) subsidy receipts from the U.S. Treasury paid contemporaneously with each interest payment date for the Series B Bonds, equal to 35% of the interest payable on the Series B Bonds. These amounts shall be for credit to the holders of the Series B Bonds.

*Bond Fund* - The project fund accounts for the proceeds of revenue bonds and subsequent disbursements thereof for their intended purpose.

These combined special-purpose financial statements do not constitute a complete presentation of the assets, liabilities, net position, revenues, and expenses of the Commission, but present only the funds the Commission is required to present in the combined special-purpose financial statements pursuant to the provisions of the General Resolution.

In accordance with requirements of the General Resolution as amended, accounting records for the Bonds are maintained on the cash receipts and disbursements basis. Consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenses and costs are recognized when paid rather than when the obligation is incurred. The combined special-purpose financial statements are prepared on the modified cash basis of accounting which is an other comprehensive basis of accounting, as required by the General Resolution. The principal modification to the cash basis of accounting is the recording of bond indebtedness. Consequently, as these are combined special-purpose financial statements to comply with the General Resolution, a Management Discussion and Analysis is not included in the combined special-purpose financial statements.

Deposits with the State Treasurer have been pooled for maximization of investment income. These deposits are combined with deposits of various other funds. Investment income on these deposits is allocated to the various funds based on the balance of these deposits at the end of the month in which the income was earned.

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES A  
(TAX-EXEMPT); REVENUE BONDS (HIGHER EDUCATION FACILITIES),  
2010 SERIES B (FEDERALLY TAXABLE – ISSUER SUBSIDY –  
BUILD AMERICA BONDS); AND REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2010 SERIES C (TAXABLE)  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

Deposits with the Bank (the Trustee) as of June 30, 2018 and 2017 included \$294,718 and \$291,564, respectively, of cash invested in fixed-income investments and cash, the underlying assets of which are securities of the U.S. government, its agencies, authorities, and instrumentalities. The U.S. government agency securities are held in safekeeping with the Trustee.

Fixed assets are not included in these combined special-purpose financial statements since they do not represent financial resources available for expenditure, but are items for which financial resources have been used. Fixed assets are capitalized in the financial statements of the respective institutions.

Certain ongoing costs associated with the planning and administration of acquisition, construction, equipping, and improvements of certain higher education facilities are paid from these funds on a regular basis.

**NOTE 2 STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES A (TAX-EXEMPT); REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES B (FEDERALLY TAXABLE – ISSUER SUBSIDY – BUILD AMERICA BONDS); AND REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES C (TAXABLE)**

In December 2010, \$16,520,000 of Series A Bonds, \$50,265,000 of Series B Bonds, and \$10,080,000 of Series C Bonds were sold. The Bonds were issued to provide funds to (i) fund certain higher education facilities projects, (ii) fund an interest subsidy reserve fund for the benefit of the Series B Bonds, and (iii) pay the costs associated with the issuance of the Bonds.

The Series A Bonds, Series B Bonds, and Series C Bonds outstanding at June 30, 2018, consist of \$3,405,000, \$-0-, and \$-0- serial bonds, respectively, with varying interest rates from 3.75% to 4.00% at June 30, 2018, and mature serially from April 1, 2017 through April 1, 2020, and term bonds as follows:

<b>Principal Amount</b>	<b>Maturity Date</b>	<b>Interest Rate</b>
<b>Series B Bonds</b>		
\$ 10,800,000	April 1, 2030	7.45 %
39,465,000	April 1, 2040	7.65

The term bonds are subject to mandatory redemption prior to maturity. The redemption prices are 100% of the principal amount, plus accrued interest.

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES A  
(TAX-EXEMPT); REVENUE BONDS (HIGHER EDUCATION FACILITIES),  
2010 SERIES B (FEDERALLY TAXABLE – ISSUER SUBSIDY –  
BUILD AMERICA BONDS); AND REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2010 SERIES C (TAXABLE)  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017**

**NOTE 2 STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES A (TAX-EXEMPT); REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES B (FEDERALLY TAXABLE - ISSUER SUBSIDY - BUILD AMERICA BONDS); AND REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES C (TAXABLE) (CONTINUED)**

The Bonds are revenue bonds payable solely from excess lottery revenues. The University System Bonds, the 2004 Series B Bonds, the 2007 Series A Bonds, the 2012 Series A Bonds and B Bonds, and 2017 Series Bonds are on parity with the Bonds with respect to sources of and security for payment and in all other respects. See below for further information on the Series B Bonds. No provision of the General Resolution is to be construed to authorize the Commission, at any time or in any manner, to pledge the credit or taxing power of the State, nor is any obligation or debt created by the Commission or issued under the General Resolution deemed to be an obligation of the State.

Under the amended General Resolution, the Commission shall at all times fix and otherwise provide for the collection of revenues (as defined in the General Resolution), which includes subsidy receipts for the benefit of the Series B Bonds, in an amount not less than 100% of the Debt Service payable on all Bonds outstanding during the then-current Budget Period (as defined in the General Resolution and the 2010 Series Resolution). During the years ended June 30, 2018 and 2017, the Commission collected revenues approximating 1.00 times the principal and interest due.

**Series B Bonds**

The Commission has elected to designate the Series B Bonds as “Build America Bonds” for purpose of the American Recovery and Reinvestment Act of 2009 (ARRA) and to receive payments (Subsidy Receipts) from the U.S. Treasury in connection therewith. The Commission expects to receive a cash subsidy payment from the U.S. Treasury equal to 35% of the interest payable on the Series B Bonds on or about each interest payment date (a Direct Payment). The Direct Payments to the Commission do not constitute full faith and credit guarantees of the Series B Bonds by the U.S. Treasury under ARRA. The Direct Payments, if received by the Commission, will be applied to the payment of debt service on the Series B Bonds in accordance with the terms of the 2010 Series Resolution. The Commission is obligated to make all payments of principal and interest on the Series B Bonds whether or not it receives the Direct Payments. To receive each Direct Payment, the Commission must file Form 8038-CP with the Internal Revenue Service. No assurances can be given that the Commission will receive the Direct Payments. The amount and receipt of any Direct Payment is subject to future changes in legislation or U.S. Treasury regulations, the Commission's filings of Form 8038-CP and any offset against certain amounts that may, for unrelated reasons, be owed by the Commission to the federal government. If the Subsidy Receipts from the U.S. Treasury are reduced or eliminated, the Series B Bonds are subject to extraordinary optional redemption.

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES A  
(TAX-EXEMPT); REVENUE BONDS (HIGHER EDUCATION FACILITIES),  
2010 SERIES B (FEDERALLY TAXABLE – ISSUER SUBSIDY –  
BUILD AMERICA BONDS); AND REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2010 SERIES C (TAXABLE)  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017**

**NOTE 2 STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES A (TAX-EXEMPT); REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES B (FEDERALLY TAXABLE - ISSUER SUBSIDY - BUILD AMERICA BONDS); AND REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES C (TAXABLE) (CONTINUED)**

**Series B Bonds (Continued)**

If the Commission fails to timely file Form 8038-CP to receive a Direct Payment, it is possible that the Commission will receive a Direct Payment after the related interest payment date. It is for this reason that the Commission has established the interest subsidy reserve fund. Direct Payments will only be paid with respect to the Series B Bonds if the Commission complies with certain covenants and establishes certain facts and expectations with respect to the Series B Bonds regarding the use and investment of proceeds thereof and the use of property financed thereby.

So long as the Series B Bonds are outstanding, the Commission shall maintain the interest subsidy reserve fund with the Municipal Bond Commission or a corporate trustee. On the date of issuance of Series B Bonds, there shall be deposited to the credit of the interest subsidy reserve fund an amount equal to the interest subsidy reserve requirement of \$1,338,285. In the event that any Subsidy Receipt is not received by the Commission in connection with the Series B Bonds on or before any interest payment date, the Municipal Bond Commission or a corporate trustee shall apply an amount on deposit in the interest subsidy reserve fund equal to the amount of the anticipated Subsidy Receipt for that interest payment date as claimed by the Commission on Form 8038-CP. Any amounts paid from the interest subsidy reserve fund shall be repaid by the Commission to the interest subsidy reserve fund immediately upon receipt of any Subsidy Receipt.

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES A  
(TAX-EXEMPT); REVENUE BONDS (HIGHER EDUCATION FACILITIES),  
2010 SERIES B (FEDERALLY TAXABLE – ISSUER SUBSIDY –  
BUILD AMERICA BONDS); AND REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2010 SERIES C (TAXABLE)  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017**

**NOTE 2 STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES A (TAX-EXEMPT); REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES B (FEDERALLY TAXABLE - ISSUER SUBSIDY - BUILD AMERICA BONDS); AND REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES C (TAXABLE) (CONTINUED)**

A summary of annual aggregate principal, interest, and sinking fund payments for each series of bonds is as follows:

<u>Years Ending June 30,</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>35% Direct Subsidy</u>	<u>Total</u>
2019	\$ 1,670,000	\$ 3,955,698	\$ (1,338,285)	\$ 4,287,413
2020	1,735,000	3,893,072	(1,338,285)	\$ 4,289,787
2021	-	3,823,672	(1,338,285)	\$ 2,485,387
2022	-	3,823,672	(1,338,285)	\$ 2,485,387
2023	-	3,823,673	(1,338,285)	\$ 2,485,388
2024	-	3,823,673	(1,338,285)	\$ 2,485,388
2025	-	3,823,673	(1,338,285)	\$ 2,485,388
2026	-	3,823,673	(1,338,285)	\$ 2,485,388
2027	2,510,000	3,823,678	(1,338,285)	\$ 4,995,393
2028	2,635,000	3,636,678	(1,272,838)	\$ 4,998,840
2029	2,760,000	3,440,370	(1,204,130)	\$ 4,996,240
2030	2,895,000	3,234,750	(1,132,163)	\$ 4,997,587
2031	3,035,000	3,019,072	(1,056,675)	\$ 4,997,397
2032	3,185,000	2,786,895	(975,414)	\$ 4,996,481
2033	3,345,000	2,543,243	(890,136)	\$ 4,998,107
2034	3,510,000	2,287,350	(800,573)	\$ 4,996,777
2035	3,685,000	2,018,835	(706,593)	\$ 4,997,242
2036	3,870,000	1,736,932	(607,926)	\$ 4,999,006
2037	4,060,000	1,440,877	(504,307)	\$ 4,996,570
2038	4,265,000	1,130,288	(395,602)	\$ 4,999,686
2039	4,475,000	804,015	(281,406)	\$ 4,997,609
2040	6,035,000	461,677	(161,587)	\$ 6,335,090
Total	<u>\$ 53,670,000</u>	<u>\$ 63,155,466</u>	<u>\$ (22,033,915)</u>	<u>\$ 94,791,551</u>

\*Total debt service reflects the release at the final maturity of the Interest Subsidy Reserve Fund of \$1,338,404 as of June 30, 2018.

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2010 SERIES A  
(TAX-EXEMPT); REVENUE BONDS (HIGHER EDUCATION FACILITIES),  
2010 SERIES B (FEDERALLY TAXABLE – ISSUER SUBSIDY –  
BUILD AMERICA BONDS); AND REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2010 SERIES C (TAXABLE)  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017**

**NOTE 3 OTHER TRANSACTIONS**

Certain purchasing, accounting, and other administrative services are provided by other state agencies to the University.

**NOTE 4 BONDS REFUNDING**

On December 21, 2017, The Commission issued the state of West Virginia Higher Education Policy Commission Revenue Refunding Bonds (Higher Education Facilities Series 2017). The bonds were issued to provide funds to advance refund the West Virginia Higher Education Policy Commission Revenue Bonds (Higher Education Facilities) 2007 Series A bonds (the 2007 Series A Bonds), and a portion of the West Virginia Higher Education Policy Commission Revenue Bonds (Higher Education Facilities) 2010 Series A bonds (the 2010 Series A Bonds) to reduce debt service payments and to pay the costs associated with the bonds. The bonds refunded and defeased the \$15,765,000 in outstanding 2007 Series A Bonds and \$12,880,000 of the 2010 Series A Bonds.





Investment advisory services are offered through CliftonLarsonAllen  
Wealth Advisors, LLC, an SEC-registered investment advisor.

ATTACHMENT #3C

**STATE OF WEST VIRGINIA  
HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS (HIGHER EDUCATION  
FACILITIES), 2012 SERIES A AND REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2012 SERIES B**

**COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH  
YEARS ENDED JUNE 30, 2018 AND 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING





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## INDEPENDENT AUDITORS' REPORT

West Virginia Higher Education  
Policy Commission  
Charleston, West Virginia

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

We have audited the accompanying combined special-purpose financial statements – modified cash basis of the State of West Virginia Higher Education Policy Commission Revenue Refunding Bonds (Higher Education Facilities), 2012 Series A and Revenue Bonds (Higher Education Facilities), 2012 Series B, an agency of the state of West Virginia, which comprise the combined special-purpose statements of assets, liabilities, and fund balance (deficit) – modified cash basis as of June 30, 2018 and 2017, and the related combined special-purpose statements of revenues collected, expenses and costs paid, and changes in fund balance (deficit) – modified cash basis for the years then ended, and the related notes to the combined special-purpose financial statements.

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

Management is responsible for the preparation and fair presentation of these combined special-purpose financial statements in accordance with the modified cash basis of accounting described in Note 1 to the combined special-purpose financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these combined special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined special-purpose financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined special-purpose 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 combined special-purpose 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 combined special-purpose financial statements.

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

**Opinion**

In our opinion, the combined special-purpose financial statements referred to above present fairly, in all material respects, the combined assets, liabilities, and fund balance (deficit) of the State of West Virginia Higher Education Policy Commission Revenue Refunding Bonds (Higher Education Facilities), 2012 Series A and Revenue Bonds (Higher Education Facilities), 2012 Series B as of June 30, 2018 and 2017, and its combined revenues collected, expenses and costs paid, and changes in fund balance (deficit) for the years then ended in accordance with the modified cash basis of accounting described in Note 1 to the combined special-purpose financial statements.

**Basis of Accounting**

We draw attention to Note 1 of the combined special-purpose financial statements, which describes the basis of accounting. As described in Note 1 of the combined special-purpose financial statements, these combined special-purpose financial statements were prepared for the purpose of complying with the related bond agreements and are intended to present only the selected assets, liabilities, fund balances, revenues, and expenses and costs paid of the West Virginia Higher Education Policy Commission required to be presented under these agreements. The combined special-purpose financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Emphasis of Matter**

As discussed in Note 1, the combined special-purpose financial statements – modified cash basis of the West Virginia Higher Education Policy Commission Revenue Refunding Bonds (Higher Education Facilities), 2012 Series A and Revenue Bonds (Higher Education Facilities), 2012 Series B, an agency of the state of West Virginia are intended to present the assets, liabilities, fund balance, revenues collected, expenses and costs paid and changes in fund balance of only that portion of activities that are attributable to the transactions of the agency. They do not purport to, and do not present fairly the financial information of the West Virginia Higher Education Policy Commission, an agency of the state of West Virginia as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*CliftonLarsonAllen LLP*

Plymouth Meeting, Pennsylvania  
October 30, 2018

STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS (HIGHER EDUCATION FACILITIES), 2012 SERIES A  
AND REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2012 SERIES B  
COMBINED SPECIAL-PURPOSE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE  
(DEFICIT) – MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017

	2018				2017					
	Revenue Fund	Project Fund	Bond Fund	Cost of Issuance Fund	Combined	Revenue Fund	Project Fund	Bond Fund	Cost of Issuance Fund	Combined
ASSETS										
Deposits with the State Treasurer in Accounts of the Municipal Bond Commission	\$ -	\$ -	\$ 46,906	\$ -	\$ 46,906	\$ -	\$ -	\$ 19,495	\$ -	\$ 19,495
Deposits with Trustee Bank	-	1,913,970	-	15,735	1,929,705	-	1,892,208	-	15,557	1,907,765
Total assets	\$ -	\$ 1,913,970	\$ 46,906	\$ 15,735	\$ 1,976,611	\$ -	\$ 1,892,208	\$ 19,495	\$ 15,557	\$ 1,927,260
LIABILITIES AND FUND BALANCE (DEFICIT)										
LIABILITIES										
Bond indebtedness	\$ 113,050,000	\$ -	\$ -	\$ -	\$ 113,050,000	\$ 117,675,000	\$ -	\$ -	\$ -	\$ 117,675,000
Due to the state treasurer	10,328	-	-	-	10,328	20,026	-	-	-	20,026
Total liabilities	113,060,328	-	-	-	113,060,328	117,695,026	-	-	-	117,695,026
FUND (DEFICIT) BALANCE	(113,060,328)	1,913,970	46,905	15,736	(111,083,717)	(117,695,026)	1,892,208	19,495	15,557	(115,767,766)
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ -	\$ 1,913,970	\$ 46,905	\$ 15,736	\$ 1,976,611	\$ -	\$ 1,892,208	\$ 19,495	\$ 15,557	\$ 1,927,260

See accompanying notes to combined special-purpose financial statements – modified cash basis.

	2018				2017					
	Revenue Fund	Project Fund	Bond Fund	Cost of Issuance Fund	Combined	Revenue Fund	Project Fund	Bond Fund	Cost of Issuance Fund	Combined
<b>REVENUES COLLECTED</b>										
Excess lottery revenues	\$ 10,000,000	\$ -	\$ -	\$ -	\$ 10,000,000	\$ 10,000,000	\$ -	\$ -	\$ -	\$ 10,000,000
Student fees – net	152,744	-	-	-	152,744	151,816	-	-	-	151,816
Transfer from College System Bond funds	-	-	11,783	-	11,783	-	-	-	-	-
Income from investments	-	21,762	18,704	179	40,645	-	8,125	6,660	67	14,852
Total revenues collected	10,152,744	21,762	30,487	179	10,205,172	10,151,816	8,125	6,660	67	10,166,668
<b>EXPENSES AND COSTS PAID</b>										
Capital improvements and related costs	-	-	-	-	-	-	-	-	-	-
Service fees	148,637	-	3,077	-	151,714	150,963	-	3,230	-	154,193
Interest	-	-	5,369,409	-	5,369,409	-	-	5,584,209	-	5,584,209
Total expenses and costs paid	148,637	-	5,372,486	-	5,521,123	150,963	-	5,587,439	-	5,738,402
<b>EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENSES AND COSTS PAID</b>	10,004,107	21,762	(5,341,999)	179	4,684,049	10,000,853	8,125	(5,580,779)	67	4,428,266
<b>RETIREMENT OF BONDS</b>	4,625,000	-	(4,625,000)	-	-	4,410,000	-	(4,410,000)	-	-
<b>TRANSFERS (FROM) TO – For payment of current debt service requirement</b>	(9,994,409)	-	9,994,409	-	-	(9,994,209)	-	9,994,209	-	-
<b>FUND (DEFICIT) BALANCE – Beginning of year</b>	(117,695,026)	1,892,208	19,495	15,557	(115,767,766)	(122,111,670)	1,884,083	16,065	15,490	(120,196,032)
<b>FUND (DEFICIT) BALANCE – End of year</b>	<u>\$ (113,060,328)</u>	<u>\$ 1,913,970</u>	<u>\$ 46,905</u>	<u>\$ 15,736</u>	<u>\$ (111,083,717)</u>	<u>\$ (117,695,026)</u>	<u>\$ 1,892,208</u>	<u>\$ 19,495</u>	<u>\$ 15,557</u>	<u>\$ (115,767,766)</u>

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**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS (HIGHER EDUCATION FACILITIES),  
2012 SERIES A AND REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2012 SERIES B  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The State of West Virginia Higher Education Policy Commission Revenue Refunding Bonds (Higher Education Facilities), 2012 Series A (the Series A Bonds) and Revenue Bonds (Higher Education Facilities), 2012 Series B (the Series B Bonds) (collectively, the Bonds) are obligations of the West Virginia Higher Education Policy Commission (the Commission), an agency of the state of West Virginia (the State). Senate Bill 653 (S.B. 653) was enacted by the West Virginia Legislature on March 19, 2000, and restructured public higher education in West Virginia. S.B. 653 created the Commission, which is responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda. It is charged with oversight of public higher education institutions to ensure they are accomplishing their missions and implementing the provisions set by the state statute.

S.B. 653 abolished the board of trustees of the University System of West Virginia effective June 30, 2000, and created an one-year Interim Governing Board. Effective July 1, 2001, certain powers were transferred to newly created Governing Boards at each of the institutions of higher education. These powers and duties include, but are not limited to, the power to determine, control, supervise, and manage the financial, business, and educational policies and affairs of the institution(s) under its jurisdiction, the duty to develop a master plan for the institution, the power to prescribe the specific functions and institution's budget request, the duty to review at least every five years all academic programs offered at the institution, and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution.

The Bonds were issued on June 12, 2012, to provide funds to advance refund a portion of the West Virginia Higher Education Policy Commission Revenue Bonds Higher Education Facilities 2004 Series B (the 2004 Series B Bonds), to fund certain projects of the Commission, and to pay the costs associated with the Bonds. The Bonds refunded and defeased \$124,585,000 of \$135,820,000 2004 Series B Bonds outstanding.

The debt service on the Bonds is payable solely from certain revenues including: (i) registration and tuition fees and any earnings attributable to the investment of monies, including proceeds of Bonds held in the various funds and accounts created under the General Resolution and permitted, in accordance with the General Resolution, to be credited to any such fund; (ii) the component part of the required educational and general capital fees of the institutions (universities and colleges) that constituted registration and tuition fees in effect as of March 21, 2004; and (iii) excess lottery revenues deposited into the Higher Education Improvement Fund as provided for in the Lottery Act (collectively, the Pledged Revenues). Student fees collected by an institution in excess of the debt service allocations are retained by the institution for internal funding of capital projects and maintenance. As no debt service was due in fiscal year 2018, no revenues were collected.

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS (HIGHER EDUCATION FACILITIES),  
2012 SERIES A AND REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2012 SERIES B  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

The General Resolution requires that the Commission is to maintain certain accounts and funds related to the Bonds. The Commission prepares annual combined special-purpose financial statements that set forth the balances and activity in the specified funds. The following is a description of the funds that the Commission is required to maintain and to present in the form of combined special-purpose financial statements:

*Revenue Fund* - The revenue fund accounts for pledged revenues and expenses and costs paid related thereto, and outstanding bonds.

*Project Fund* - The project fund accounts for the proceeds of revenue bonds and subsequent disbursements thereof for their intended purpose.

*Bond Fund* - The bond fund accounts for the proceeds of revenue bonds and the transfers from the revenue fund and subsequent disbursements thereof for their intended purpose and the payment of debt service amounts.

*Cost of Issuance Fund* - The cost of issuance fund accounts for the costs of issuance, which include legal and underwriter costs and certain other costs to issue the Bonds. The costs of issuance were \$899,293, of which \$671,247 was paid directly to the underwriter.

These combined special-purpose financial statements do not constitute a complete presentation of the assets, liabilities, net position, revenues, and expenses of the Commission, but present only the funds the Commission is required to present in the combined special-purpose financial statements pursuant to the provisions of the General Resolution.

In accordance with requirements of the General Resolution as amended, accounting records for the Bonds are maintained on the cash receipts and disbursements basis. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses and costs are recognized when paid rather than when the obligation is incurred. The combined special-purpose financial statements are prepared on the modified cash basis of accounting, which is an other comprehensive basis of accounting, as required by the General Resolution. The principal modification to the cash basis of accounting is the recording of bond indebtedness. Consequently, as these are combined special-purpose financial statements to comply with the General Resolution, a Management Discussion and Analysis is not included in the combined special-purpose financial statements.

Deposits with the State Treasurer have been pooled for maximization of investment income. These deposits are combined with deposits of various other funds. Investment income on these deposits is allocated to the various funds based on the balance of these deposits at the end of the month in which the income was earned.



**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS (HIGHER EDUCATION FACILITIES),  
2012 SERIES A AND REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2012 SERIES B  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

Deposits with the Bank (the Trustee) as of June 30, 2018 and 2017, included \$1,929,705 and \$1,907,765, respectively, of cash invested in fixed-income investments and cash, the underlying assets of which are securities of the U.S. government, its agencies, authorities, and instrumentalities. The U.S. government agency securities are held in safekeeping with the Trustee.

Fixed assets are not included in these combined special-purpose financial statements since they do not represent financial resources available for expenditure, but are items for which financial resources have been used. Fixed assets are capitalized in the financial statements of the respective institutions.

Certain ongoing costs associated with the planning and administration of acquisition, construction, equipping, and improvements of certain higher education facilities are paid from these funds on a regular basis.

**NOTE 2 STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION REVENUE REFUNDING BONDS (HIGHER EDUCATION FACILITIES), 2012 SERIES A AND REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2012 SERIES B**

In June 2012, \$124,190,000 of Series A Bonds and \$7,975,000 of Series B Bonds were sold. The Bonds were issued to provide funds to (i) advance refund a portion of the 2004 Series B Bonds, (ii) fund certain projects of the Commission, and (iii) pay the costs associated with the issuance of the Bonds.

The Series A Bonds and Series B Bonds outstanding at June 30, 2018 consist of \$64,550,000 and \$4,000,000 serial bonds, respectively, with varying interest rates from 2.65% to 5.0% at June 30, 2018, and mature serially from April 1, 2018 through April 1, 2029, and term bonds as follows:

<b>Principal Amount</b>	<b>Maturity Date</b>	<b>Interest Rate</b>
<b>Series A Bonds</b>		
\$ 42,100,000	April 1, 2034	4.00 %
<b>Series B Bonds</b>		
\$ 2,400,000	April 1, 2034	4.00 %

The term bonds are subject to mandatory redemption prior to maturity. The redemption prices are 100% of the principal amount, plus accrued interest.

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS (HIGHER EDUCATION FACILITIES),  
2012 SERIES A AND REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2012 SERIES B  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION REVENUE REFUNDING BONDS (HIGHER EDUCATION FACILITIES), 2012 SERIES A AND REVENUE BONDS (HIGHER EDUCATION FACILITIES), 2012 SERIES B (CONTINUED)**

The Bonds are revenue bonds payable solely from the Pledged Revenues. The University System Bonds, the 2004 Series B Bonds, the 2007 Series A Bonds, the 2010 Series A, B, and C Bonds, and the 2017 Series Bonds are on a parity with the Bonds with respect to sources of and security for payment and in all other respects. No provision of the General Resolution is to be construed to authorize the Commission, at any time or in any manner, to pledge the credit or taxing power of the State, nor is any obligation or debt created by the Commission or issued under the General Resolution deemed to be an obligation of the State.

Under the amended General Resolution, the Commission shall, at all times, fix and otherwise provide for the collection of revenues (as defined in the General Resolution), which includes subsidy receipts for the benefit of the Series B Bonds, in an amount not less than 100% of the Debt Service payable on all Bonds Outstanding during the then current Budget Period (as defined in the General Resolution and the 2012 Series Resolution). During the years ended June 30, 2018 and 2017, the Commission collected revenues approximating 1.02 and 1.01 times of the debt service payable, respectively.

A summary of annual aggregate principal, interest, and sinking fund payments for each series of Bonds is as follows:

<u>Years Ending June 30,</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2019	\$ 4,850,000	\$ 5,144,159	\$ 9,994,159
2020	5,090,000	4,904,709	9,994,709
2021	5,340,000	4,653,358	9,993,358
2022	5,600,000	4,394,196	9,994,196
2023	5,870,000	4,121,846	9,991,846
2024	6,160,000	3,835,346	9,995,346
2025	6,460,000	3,533,826	9,993,826
2026	6,780,000	3,216,920	9,996,920
2027	7,110,000	2,883,695	9,993,695
2028	7,460,000	2,533,795	9,993,795
2029	7,830,000	2,166,125	9,996,125
2030	8,215,000	1,780,000	9,995,000
2031	8,545,000	1,451,400	9,996,400
2032	8,885,000	1,109,600	9,994,600
2033	9,245,000	754,200	9,999,200
2034	9,610,000	384,399	9,994,399
Total	<u>\$ 113,050,000</u>	<u>\$ 46,867,574</u>	<u>\$ 159,917,574</u>

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS (HIGHER EDUCATION FACILITIES),  
2012 SERIES A AND REVENUE BONDS  
(HIGHER EDUCATION FACILITIES), 2012 SERIES B  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018 AND 2017**

**NOTE 3 OTHER TRANSACTIONS**

Certain purchasing, accounting, and other administrative services are provided by other state agencies to the Commission.



Investment advisory services are offered through CliftonLarsonAllen  
Wealth Advisors, LLC, an SEC-registered investment advisor.

**ATTACHMENT #30**

**STATE OF WEST VIRGINIA  
HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS (HIGHER EDUCATION  
FACILITIES) SERIES 2017**

**COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2018**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING





CliftonLarsonAllen LLP  
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# CliftonLarsonAllen

## INDEPENDENT AUDITORS' REPORT

West Virginia Higher Education  
Policy Commission  
Charleston, West Virginia

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

We have audited the accompanying combined special-purpose financial statements – modified cash basis of the State of West Virginia Higher Education Policy Commission Revenue Refunding Bonds (Higher Education Facilities) Series 2017, an agency of the state of West Virginia, which comprise the combined special-purpose statement of assets, liabilities, and fund balance (deficit) – modified cash basis as of June 30, 2018, and the related combined special-purpose statement of revenues collected, expenses and costs paid, and changes in fund balance (deficit) – modified cash basis for the year then ended, and the related notes to the combined special-purpose financial statements.

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

Management is responsible for the preparation and fair presentation of these combined special-purpose financial statements in accordance with the modified cash basis of accounting described in Note 1 to the combined special-purpose financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these combined special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined special-purpose financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined special-purpose 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 combined special-purpose 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 combined special-purpose financial statements.

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

***Opinion***

In our opinion, the combined special-purpose financial statements referred to above present fairly, in all material respects, the combined assets, liabilities, and fund balance (deficit) of the State of West Virginia Higher Education Policy Commission Revenue Refunding Bonds (Higher Education Facilities) Series 2017 as of June 30, 2018, and its combined revenues collected, expenses and costs paid, and changes in fund balance (deficit) for the year then ended in accordance with the modified cash basis of accounting described in Note 1 to the combined special-purpose financial statements.

**Basis of Accounting**

We draw attention to Note 1 of the combined special-purpose financial statements, which describes the basis of accounting. As described in Note 1 of the combined special-purpose financial statements, these combined special-purpose financial statements were prepared for the purpose of complying with the related bond agreements and are intended to present only the selected assets, liabilities, fund balances, revenues, and expenses and costs paid of the West Virginia Higher Education Policy Commission required to be presented under these agreements. The combined special-purpose financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Emphasis of Matter**

As discussed in Note 1, the combined special-purpose financial statements – modified cash basis of the West Virginia Higher Education Policy Commission Revenue Refunding Bonds (Higher Education Facilities) Series 2017, an agency of the state of West Virginia are intended to present the assets, liabilities, fund balance, revenues collected, expenses and costs paid and changes in fund balance of only that portion of activities that are attributable to the transactions of the agency. They do not purport to, and do not present fairly the financial information of the West Virginia Higher Education Policy Commission, an agency of the state of West Virginia as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*CliftonLarsonAllen LLP*

Plymouth Meeting, Pennsylvania  
October 30, 2018

STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS (HIGHER EDUCATION FACILITIES) SERIES 2017  
COMBINED SPECIAL-PURPOSE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE  
(DEFICIT) – MODIFIED CASH BASIS  
JUNE 30, 2018

	2018			
	Revenue Fund	Project Fund	Bond Fund	Cost of Issuance Fund Combined
<b>ASSETS</b>				
Deposits with the State Treasurer in Accounts of the Municipal Bond Commission	\$ 781	\$ -	\$ -	\$ 781
Deposits with Trustee Bank	-	2,051	13,380	17,634
Total assets	\$ 781	\$ 2,051	\$ 13,380	\$ 18,415
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>				
<b>LIABILITIES</b>				
Bond indebtedness	24,905,000	-	-	24,905,000
Total liabilities	24,905,000	-	-	24,905,000
<b>FUND (DEFICIT) BALANCE</b>	(24,904,219)	2,051	13,380	(24,886,585)
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	\$ 781	\$ 2,051	\$ 13,380	\$ 18,415

See accompanying notes to combined special-purpose financial statements – modified cash basis.



STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS (HIGHER EDUCATION FACILITIES) SERIES 2017  
COMBINED SPECIAL-PURPOSE STATEMENT OF REVENUES COLLECTED, EXPENSES AND  
COSTS PAID, AND CHANGES IN FUND BALANCE (DEFICIT) – MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2018

	2018			
	Revenue Fund	Project Fund	Bond Fund	Cost of Issuance Fund Combined
<b>REVENUES COLLECTED</b>				
Excess lottery revenues	\$ 248,750	\$ -	\$ -	\$ 248,750
Student fees – net	1,697,723	-	-	1,697,723
Transfer from College System Bond funds	-	-	11,463	11,463
Income from investments	-	5	1,917	2,196
Total revenues collected	1,946,473	5	13,380	1,960,132
<b>EXPENSES AND COSTS PAID</b>				
Capital improvements and related costs	28,261	-	-	28,261
Interest	-	-	367,431	367,431
Total expenses and costs paid	28,261	-	367,431	395,692
<b>EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENSES AND COSTS PAID</b>	1,918,212	5	(354,051)	1,564,440
<b>PROCEEDS FROM SALE OF BONDS NET OF ISSUANCE COSTS</b>	-	2,046	-	3,975
<b>ISSUANCE OF BONDS</b>	(26,455,000)	-	-	(26,455,000)
<b>RETIREMENT OF BONDS</b>	1,550,000	-	(1,550,000)	-
<b>TRANSFERS (FROM) TO – For payment of current debt service requirement</b>	(1,917,431)	-	1,917,431	-
<b>FUND (DEFICIT) BALANCE – Beginning of year</b>	-	-	-	-
<b>FUND (DEFICIT) BALANCE – End of year</b>	\$ (24,904,219)	\$ 2,051	\$ 13,380	\$ (24,886,585)

See accompanying notes to combined special-purpose financial statements – modified cash basis.

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS (HIGHER EDUCATION  
FACILITIES) SERIES 2017  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The State of West Virginia Higher Education Policy Commission Revenue Refunding Bonds (Higher Education Facilities), Series 2017 (the Bonds) are obligations of the West Virginia Higher Education Policy Commission (the Commission), an agency of the state of West Virginia (the State). Senate Bill 653 (S.B. 653) was enacted by the West Virginia Legislature on March 19, 2000, and restructured public higher education in West Virginia. S.B. 653 created the Commission, which is responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda. It is charged with oversight of public higher education institutions to ensure they are accomplishing their missions and implementing the provisions set by the State statute.

S.B. 653 abolished the board of trustees of the University System of West Virginia effective June 30, 2000, and created a one-year Interim Governing Board. Effective July 1, 2001, certain powers were transferred to newly created Governing Boards at each of the institutions of higher education. These powers and duties include, but are not limited to, the power to determine, control, supervise, and manage the financial, business, and educational policies and affairs of the institution(s) under its jurisdiction, the duty to develop a master plan for the institution, the power to prescribe the specific functions and institution's budget request, the duty to review at least every five years all academic programs offered at the institution, and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution.

The Bonds were issued on December 21, 2017, to provide funds to advance refund the West Virginia Higher Education Policy Commission Revenue Bonds (Higher Education Facilities) 2007 Series A bonds (the 2007 Series A Bonds), and a portion of the West Virginia Higher Education Policy Commission Revenue Bonds (Higher Education Facilities) 2010 Series A Bonds (the 2010 Series A Bonds) to reduce debt service payments, and to pay the costs associated with the Bonds. The Bonds refunded and defeased the \$15,765,000 in outstanding 2007 Series A Bonds and \$12,880,000 of the 2010 Series A Bonds.

The debt service on the Bonds is payable solely from certain revenues including: (i) registration and tuition fees and any earnings attributable to the investment of monies, including proceeds of Bonds held in the various funds and accounts created under the General Resolution as permitted, in accordance with the General Resolution, to be credited to any such fund; (ii) the component part of the required educational and general capital fees of the institutions (Universities and Colleges) that constituted registration and tuition fees in effect as of March 21, 2004; and (iii) excess lottery revenues deposited into the Higher Education Improvement Fund as provided for in the Lottery Act (collectively, the Pledged Revenues). Student fees collected by an institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance.

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS (HIGHER EDUCATION  
FACILITIES) SERIES 2017  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

The General Resolution requires that the Commission is to maintain certain accounts and funds related to the Bonds. The Commission prepares annual combined special-purpose financial statements that set forth the balances and activity in the specified funds. The following is a description of the funds that the Commission is required to maintain and to present in the form of combined special-purpose financial statements:

*Revenue Fund* - The revenue fund accounts for pledged revenues and expenses and costs paid related thereto and outstanding bonds.

*Project Fund* - The project fund accounts for the proceeds of revenue bonds and subsequent disbursements thereof for their intended purpose.

*Bond Fund* - The bond fund accounts for the proceeds of revenue bonds and the transfers from the revenue fund and subsequent disbursements thereof for their intended purpose and the payment of debt service amounts.

*Cost of Issuance Fund* - The cost of issuance fund accounts for the costs of issuance, which include legal and underwriter costs and certain other costs to issue the Bonds. The costs of issuance were \$325,191, of which \$126,191 was paid directly to the underwriter.

These combined special-purpose financial statements do not constitute a complete presentation of the assets, liabilities, net position, revenues, and expenses of the Commission, but present only the funds the Commission is required to present in the combined special-purpose financial statements pursuant to the provisions of the General Resolution.

In accordance with requirements of the General Resolution as amended, accounting records for the Bonds are maintained on the cash receipts and disbursements basis. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses and costs are recognized when paid rather than when the obligation is incurred. The combined special-purpose financial statements are prepared on the modified cash basis of accounting, which is an other comprehensive basis of accounting, as required by the General Resolution. The principal modification to the cash basis of accounting is the recording of bond indebtedness. Consequently, as these are combined special-purpose financial statements to comply with the General Resolution, a Management Discussion and Analysis is not included in the combined special-purpose financial statements.

Deposits with the State Treasurer have been pooled for maximization of investment income. These deposits are combined with deposits of various other funds. Investment income on these deposits is allocated to the various funds based on the balance of these deposits at the end of the month in which the income was earned.

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS (HIGHER EDUCATION  
FACILITIES) SERIES 2017  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

Deposits with the Bank (the Trustee) as of June 30, 2018 included \$17,634 of cash invested in fixed-income investments and cash, the underlying assets of which are securities of the U.S. government, its agencies, authorities, and instrumentalities. The U.S. government agency securities are held in safekeeping with the Trustee.

Fixed assets are not included in these combined special-purpose financial statements since they do not represent financial resources available for expenditure, but are items for which financial resources have been used. Fixed assets are capitalized in the financial statements of the respective institutions.

Certain ongoing costs associated with the planning and administration of acquisition, construction, equipping, and improvements of certain higher education facilities are paid from these funds on a regular basis.

**NOTE 2 STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION REVENUE REFUNDING BONDS (HIGHER EDUCATION FACILITIES), SERIES 2017**

In December 2, 2017, \$26,455,000 2017 Series Bonds were sold. The Bonds were issued to provide funds to (i) advance refund the 2007 Series A and a portion of the 2010 Series A Bonds, and (ii) pay the costs associated with the issuance of the Bonds.

The Bonds outstanding at June 30, 2018, consist of \$24,905,000 serial bonds, with 5% interest rates and mature serially from April 1, 2019 through April 1, 2027.

The Bonds are revenue bonds payable solely from the Pledged Revenues. The University System Bonds, the, 2010 Series A, B, and C Bonds, the 2012 Series 2012 A and B Bonds, and 2017 Series Bonds are on a parity with the Bonds with respect to sources of and security for payment and in all other respects. No provision of the General Resolution is to be construed to authorize the Commission, at any time or in any manner, to pledge the credit or taxing power of the State, nor is any obligation or debt created by the Commission or issued under the General Resolution deemed to be an obligation of the State.

Under the amended General Resolution, the Commission shall, at all times, fix and otherwise provide for the collection of revenues (as defined in the General Resolution), in an amount not less than 100% of the Debt Service payable on all Bonds Outstanding during the then current Budget Period (as defined in the General Resolution and the 2017 Series Resolution). During the year ended June 30, 2018 the Commission collected revenues approximating 102% of the Debt Service payable, respectively.

**STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REVENUE REFUNDING BONDS (HIGHER EDUCATION  
FACILITIES) SERIES 2017  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
JUNE 30, 2018**

**NOTE 2 STATE OF WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION REVENUE  
REFUNDING BONDS (HIGHER EDUCATION FACILITIES), SERIES 2017 (CONTINUED)**

A summary of annual aggregate principal, interest, and sinking fund payments for each series of Bonds is as follows:

<u>Years Ending June 30,</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2019	\$ 1,290,000	\$ 1,245,250	\$ 2,535,250
2020	1,350,000	1,180,750	2,530,750
2021	3,190,000	1,113,250	4,303,250
2022	3,360,000	953,750	4,313,750
2023	3,520,000	785,750	4,305,750
2024	3,700,000	609,750	4,309,750
2025	3,885,000	424,750	4,309,750
2026	3,405,000	230,500	3,635,500
2027	1,205,000	60,250	1,265,250
Total	<u>\$ 24,905,000</u>	<u>\$ 6,604,000</u>	<u>\$ 31,509,000</u>

**NOTE 3 OTHER TRANSACTIONS**

Certain purchasing, accounting, and other administrative services are provided by other state agencies to the Commission.



Investment advisory services are offered through CliftonLarsonAllen  
Wealth Advisors, LLC, an SEC-registered investment advisor.

*ATTACHMENT #3E*

**STATE OF WEST VIRGINIA  
HIGHER EDUCATION POLICY COMMISSION  
STATE UNIVERSITY SYSTEM BONDS**

**COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS – MODIFIED CASH BASIS  
YEARS ENDED JUNE 30, 2018 AND 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING





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### INDEPENDENT AUDITORS' REPORT

West Virginia Higher Education  
Policy Commission  
Charleston, West Virginia

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

We have audited the accompanying combined special-purpose financial statements – modified cash basis of the West Virginia Higher Education Policy Commission State University System Bonds, an agency of the state of West Virginia, which comprise the combined special-purpose statements of assets, liabilities, and fund balance (deficit) – modified cash basis as of June 30, 2018 and 2017, and the related combined special-purpose statements of revenues collected, expenses and costs paid, and changes in fund balance (deficit) – modified cash basis for the years then ended, and the related notes to the combined special-purpose financial statements.

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

Management is responsible for the preparation and fair presentation of these combined special-purpose financial statements in accordance with the modified cash basis of accounting described in Note 1 to the combined special-purpose financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these combined special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined special-purpose financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined special-purpose 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 combined special-purpose 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 combined special-purpose financial statements.



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

**Opinion**

In our opinion, the combined special-purpose financial statements referred to above present fairly, in all material respects, the combined assets, liabilities, and fund balance (deficit) of the West Virginia Higher Education Policy Commission State University System Bonds as of June 30, 2018 and 2017, and its combined revenues collected, expenses and costs paid, and changes in fund balance (deficit) for the years then ended in accordance with the modified cash basis of accounting described in Note 1 to the combined special-purpose financial statements.

**Basis of Accounting**

We draw attention to Note 1 of the combined special-purpose financial statements, which describes the basis of accounting. As described in Note 1 of the combined special-purpose financial statements, these combined special-purpose financial statements were prepared for the purpose of complying with the related bond agreements and are intended to present only the selected assets, liabilities, fund balances, revenues, and expenses and costs paid of the West Virginia Higher Education Policy Commission required to be presented under these agreements. The combined special-purpose financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Emphasis of Matter**

As discussed in Note 1, the combined special-purpose financial statements – modified cash basis of the West Virginia Higher Education Policy Commission State University System Bonds, an agency of the state of West Virginia are intended to present the assets, liabilities, fund balance, revenues collected, expenses and costs paid and changes in fund balance of only that portion of activities that are attributable to the transactions of the agency. They do not purport to, and do not present fairly the financial information of the West Virginia Higher Education Policy Commission, an agency of the state of West Virginia as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*CliftonLarsonAllen LLP*

Plymouth Meeting, Pennsylvania  
October 30, 2018

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**STATE UNIVERSITY SYSTEM BONDS**  
**COMBINED SPECIAL-PURPOSE STATEMENTS OF ASSETS, LIABILITIES,**  
**AND FUND BALANCE (DEFICIT) – MODIFIED CASH BASIS**  
**JUNE 30, 2018 AND 2017**

	2018			2017		
<b>ASSETS</b>	<b>Revenue Fund</b>	<b>Construction Fund</b>	<b>Bond Fund</b>	<b>Combined</b>	<b>Revenue Fund</b>	<b>Combined</b>
Deposits with the State Treasurer in Accounts of the Policy Commission	\$ 695,991	\$ -	\$ -	\$ 695,991	\$ 677,573	\$ -
Deposits with the State Treasurer in Accounts of the Municipal Bond Commission	-	-	593,556	593,556	-	587,078
Deposits with Trustee Bank	-	-	45,366	45,366	-	16,365
<b>TOTAL ASSETS</b>	<b>\$ 695,991</b>	<b>\$ -</b>	<b>\$ 638,922</b>	<b>\$ 1,334,913</b>	<b>\$ 677,573</b>	<b>\$ 603,443</b>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>						
<b>LIABILITIES:</b>						
Bond indebtedness	\$ 48,991,088	\$ -	\$ -	\$ 48,991,088	\$ 53,489,336	\$ -
Amount due to West Virginia Higher Education Policy Commission State College System Bonds	-	-	1,541	1,541	-	1,543
Amount due to West Virginia Higher Education Policy Commission Revenue Refunding Bonds Higher Education Facilities 2007 Series A	-	-	7	7	-	7
Total liabilities	48,991,088	-	1,548	48,992,636	53,489,336	1,550
<b>FUND (DEFICIT) BALANCE</b>	<b>(48,295,097)</b>	<b>-</b>	<b>637,374</b>	<b>(47,657,723)</b>	<b>(52,811,763)</b>	<b>601,893</b>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<b>\$ 695,991</b>	<b>\$ -</b>	<b>\$ 638,922</b>	<b>\$ 1,334,913</b>	<b>\$ 677,573</b>	<b>\$ 603,443</b>

See accompanying notes to combined special-purpose financial statements – modified cash basis.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**STATE UNIVERSITY SYSTEM BONDS**  
**COMBINED SPECIAL-PURPOSE STATEMENTS OF REVENUES COLLECTED,**  
**EXPENSES AND COSTS PAID, AND CHANGES IN FUND BALANCE (DEFICIT) – MODIFIED CASH BASIS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			2017				
	Revenue Fund	Construction Fund	Bond Fund	Combined	Revenue Fund	Construction Fund	Bond Fund	Combined
REVENUES COLLECTED								
Student fees – net	\$ 10,780,515	\$ -	\$ -	\$ 10,780,515	\$ 10,776,970	\$ -	\$ -	\$ 10,776,970
Income from investments	14,053	-	35,480	49,533	727	-	12,762	13,489
Total revenues collected	10,794,568	-	35,480	10,830,048	10,777,697	-	12,762	10,790,459
EXPENSES AND COSTS PAID								
Service fees	157,912	-	-	157,912	160,351	-	-	160,351
Interest (including defeased bonds redemption premium)	-	-	6,119,989	6,119,989	-	-	6,067,565	6,067,565
Total expenses and costs paid	157,912	-	6,119,989	6,277,901	160,351	-	6,067,565	6,227,916
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENSES AND COSTS PAID	10,636,656	-	(6,084,509)	4,552,147	10,617,346	-	(6,054,803)	4,562,543
RETIREMENT OF BONDS	4,498,248	-	(4,498,248)	-	4,548,147	-	(4,548,147)	-
TRANSFERS (FROM) TO – For payment of current debt service requirement	(10,618,238)	-	10,618,238	-	(10,615,712)	-	10,615,712	-
FUND (DEFICIT) BALANCE – Beginning of year	(52,811,763)	-	601,893	(52,209,870)	(57,361,544)	-	589,131	(56,772,413)
FUND (DEFICIT) BALANCE – End of year	\$ (48,295,097)	\$ -	\$ 637,374	\$ (47,657,723)	\$ (52,811,763)	\$ -	\$ 601,893	\$ (52,209,870)

See accompanying notes to combined special-purpose financial statements – modified cash basis.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
STATE UNIVERSITY SYSTEM BONDS  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS - MODIFIED CASH BASIS  
JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The West Virginia Higher Education Policy Commission State University System Bonds (the Bonds) are obligations of the West Virginia Higher Education Policy Commission (the Commission), an agency of the state of West Virginia (the State). Senate Bill 653 (S.B. 653) was enacted by the West Virginia Legislature on March 19, 2000, and restructured public higher education in West Virginia. S.B. 653 created the Commission, which is responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda. It is charged with oversight of public higher education institutions to ensure they are accomplishing their missions and implementing the provisions set by the state statute.

S.B. 653 abolished the board of trustees of the University System of West Virginia effective June 30, 2000, and created a one-year Interim Governing Board. Effective July 1, 2001, certain powers were transferred to newly created Governing Boards at each of the institutions of higher education. These powers and duties include, but are not limited to, the power to determine, control, supervise, and manage the financial, business, and educational policies and affairs of the institution(s) under its jurisdiction; the duty to develop a master plan for the institution; the power to prescribe the specific functions and institution's budget request; the duty to review at least every five years all academic programs offered at the institution; and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution.

The Board of Trustees State University System Bonds were issued between 1996 and 2000 to construct, renovate, and maintain various academic and other facilities of the State's universities. These obligations were assumed by and are administered by the Commission, as successor to various former governing boards of the West Virginia public higher education system by virtue of S.B. 653. The Commission issued University Bonds in 2003, and together with the 1996–2000 Bonds, collectively comprise the State University System Bonds per the State University General Resolution (the General Resolution).

The Commission has the authority to assess each public institution of higher education for payment of debt service on these 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 an institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Such pledged collections not remitted were in excess of \$19.5 million and \$18.1 million for the years ended June 30, 2018 and 2017, respectively. The Bonds remain an obligation of the Commission.

**Basis of Presentation**

The General Resolution requires that the Commission is to maintain certain accounts and funds related to the Bonds. The Commission prepares annual combined special-purpose financial statements that set forth the balances and activity in the specified funds. The following is a description of the funds that the Commission is required to maintain and to present in the form of combined special-purpose financial statements:

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
STATE UNIVERSITY SYSTEM BONDS  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS - MODIFIED CASH BASIS  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

*Revenue Fund* - The revenue fund accounts for pledged revenues and expenses and costs paid related thereto, and outstanding bonds.

*Construction Fund* - The construction fund accounts for the proceeds of revenue bonds and subsequent disbursement thereof for their intended purpose.

*Bond Fund* - The bond fund accounts for the transfers from the revenue fund and subsequent disbursement thereof for their intended purpose and the payment of bond principal and interest.

Included in these combined special-purpose financial statements are the funds and accounts of the University System Revenue Bonds, 1998 Series A and the State University System Revenue Bonds, 2000 Series A.

These combined special-purpose financial statements do not constitute a complete presentation of the assets, liabilities, net position, revenues, and expenses of the Commission, but present only the funds the Commission is required to present in the combined special-purpose financial statements pursuant to the provisions of the General Resolution.

In accordance with requirements of the General Resolution as amended, accounting records for the Bonds are maintained on the cash receipts and disbursements basis. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses and costs are recognized when paid rather than when the obligation is incurred. These combined special-purpose financial statements are prepared on the modified-cash basis of accounting, which is an other comprehensive basis of accounting as required by the General Resolution. The principal modification to the cash basis of accounting is the recording of bond indebtedness. Consequently, as these are combined special-purpose financial statements to comply with the General Resolution, a Management Discussion and Analysis is not included in the combined special-purpose financial statements.

Deposits with the State Treasurer have been pooled for maximization of investment income. These deposits are combined with deposits of various other funds. Investment income on these deposits are allocated to the various funds based on the balance of these deposits at the end of the month in which the income was earned.

Deposits with the Trustee Bank (the Trustee) as of June 30, 2018 and 2017, include \$45,366 and \$16,365, respectively, of cash invested in a money market fund sponsored by an investment company, the underlying assets of which are securities of the U.S. government, its agencies, authorities, and instrumentalities. The U.S. government agency securities are held in safekeeping with the Trustee.

Fixed assets are not included in these combined special-purpose financial statements since they do not represent financial resources available for expenditure, but are items for which financial resources have been used. Fixed assets are capitalized in the financial statements of the respective institutions.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
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NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
STATEMENTS - MODIFIED CASH BASIS  
JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Certain ongoing costs associated with the planning and administration of capital improvements at university system institutions are paid from these funds on a regular basis.

**NOTE 2 STATE UNIVERSITY SYSTEM BONDS**

In May 1998, the 1998 Series A Bonds were issued with an original accreted value of \$55,025,000 with varying rates up to 5.5% and mature serially commencing April 2014 through April 2020 with term bonds, which have mandatory sinking fund redemptions due April 2021 through April 2028. The 1998 Series A Bonds were issued for the purpose to finance a portion of the costs of design, acquisition, construction, and equipping a new Life Sciences Building and improvements to several existing facilities on the campus of West Virginia University, and to pay costs relating to the issuance of the 1998 Series A Bonds. At June 30, 2018, the outstanding bonds have interest rates ranging from 5.25% to 5.50%.

In June 2000, the 2000 Series A Bonds were issued in the original principal amount of \$36,590,868 with rates of 6.09% to 6.26% and mature serially commencing April 1, 2014 through April 2031. The 2000 Series A Bonds were issued for the purpose of financing a portion of the costs of design, acquisition, construction, and equipping of, and certain renovations, upgrades, repairs, and improvements to several existing facilities on the campus of West Virginia University in Morgantown, West Virginia University at Parkersburg, and Potomac State College of West Virginia University, and to pay costs relating to the issuance of the 2000 Series A Bonds. At June 30, 2017, the outstanding bonds have interest rates ranging from 6.09% to 6.26%.

The Bonds are revenue bonds payable solely from pledged University System Institutions' revenues, including tuition and registration fees, and earnings attributable to the investment of pledged revenues. The 2004 Series B Bonds, the 2007 Series A Bonds, the 2010 Series A, B, and C Bonds, the 2012 Series A and B Bonds, and the 2017 Series Bonds are on parity with the Bonds with respect to sources of, and security for, payment and in all other respects. No provision of the General Resolution is to be construed to authorize the Commission, at any time or in any manner, to pledge the credit or taxing power of the State nor is any obligation or debt created by the Commission or issued under the General Resolution deemed to be an obligation of the State. The remaining outstanding Bonds are fully insured as to principal and interest by the American Municipal Bond Assurance Corporation (AMBAC) and Financial Guaranty Insurance Company (FGIC).

Under the amended General Resolution, the Commission shall at all times fix and otherwise provide for the collection of revenues (as defined in the General Resolution), which includes tuition and registration fees, from University System institutions as defined in the General Resolution, in an amount not less than 1.0 times the principal and interest due in each fiscal year the Bonds are outstanding. On October 29, 1999, the board of trustees approved University System of West Virginia, Administrative Bulletin No. 37, which was retroactive to July 1, 1999. The purpose of the administrative bulletin was to provide a more efficient and manageable process for assignment of responsibility by institution for payment of capital fund obligations. In addition, it is to simplify the process used for retention of the tuition and registration fee revenue collections, remitting only the required amounts to the Commission as scheduled. During the years ended June 30, 2018 and 2017, the University System institutions remitted revenues approximating 1.02 and 1.01, respectively, times the principal and interest due.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
STATE UNIVERSITY SYSTEM BONDS  
NOTES TO COMBINED SPECIAL-PURPOSE FINANCIAL  
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JUNE 30, 2017 AND 2016**

**NOTE 2 STATE UNIVERSITY SYSTEM BONDS (CONTINUED)**

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

<u>Years Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest (Due April 1 and October 1)</u>	<u>Principal Payments</u>	<u>Interest (Due April 1 and October 1)</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2019	\$ 2,275,000	\$ 1,539,438	\$ 2,186,064	\$ 4,613,936	\$ 4,461,064	\$ 6,153,374	\$ 10,614,438
2020	2,400,000	1,414,313	2,046,188	4,753,812	4,446,188	6,168,125	10,614,313
2021	2,535,000	1,282,313	1,914,064	4,885,936	4,449,064	6,168,249	10,617,313
2022	2,670,000	1,149,225	1,797,104	5,002,896	4,467,104	6,152,121	10,619,225
2023	2,810,000	1,009,050	1,686,944	5,113,056	4,496,944	6,122,106	10,619,050
2024	2,955,000	861,525	1,583,176	5,216,824	4,538,176	6,078,349	10,616,525
2025	3,110,000	706,388	1,485,528	5,314,472	4,595,528	6,020,860	10,616,388
2026	3,275,000	543,113	1,397,128	5,402,872	4,672,128	5,945,985	10,618,113
2027	3,445,000	371,175	1,310,564	5,489,436	4,755,564	5,860,611	10,616,175
2028	3,625,000	190,313	1,229,168	5,570,832	4,854,168	5,761,145	10,615,313
2029	-	-	1,152,600	5,647,400	1,152,600	5,647,400	6,800,000
2030	-	-	1,083,648	5,716,352	1,083,648	5,716,352	6,800,000
2031	-	-	1,018,912	5,781,088	1,018,912	5,781,088	6,800,000
<b>Total</b>	<b>\$ 29,100,000</b>	<b>\$ 9,066,853</b>	<b>\$ 19,891,088</b>	<b>\$ 68,508,912</b>	<b>\$ 48,991,088</b>	<b>\$ 77,575,765</b>	<b>\$ 126,566,853</b>

**NOTE 3 OTHER TRANSACTIONS**

Certain purchasing, accounting, and other administrative services are provided by other State agencies to the Commission.



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