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# Pierpont Community & Technical College

Financial Statements  
Years Ended June 30, 2020 and 2019

and

Independent Auditor's Reports



A Professional Limited Liability Company



# PIERPONT COMMUNITY & TECHNICAL COLLEGE

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## INDEPENDENT AUDITOR'S REPORT

Board of Governors  
Pierpont Community & Technical College  
Fairmont, West Virginia

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

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

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

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 19, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and related footnotes on pages 74 through 80, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. This additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2020, on our consideration of Pierpont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pierpont's internal control over financial reporting and compliance.



Charleston, West Virginia

October 1, 2020

## Management's Discussion and Analysis (Unaudited)

Fiscal Year Ended June 30, 2020

### About Pierpont Community & Technical College

Pierpont Community & Technical College (Pierpont), headquartered in Fairmont, West Virginia, is a comprehensive community college serving 13 counties in north central West Virginia. Pierpont shares a 120-acre main campus with Fairmont State University (Fairmont State). With an enrollment of approximately 1,900 academic credit students, Pierpont offers more than 40 Associate of Arts, Associate of Applied Science, and Certificate of Applied Science degree programs, Advanced Skill Sets, and Skill Sets throughout our 13-county service region. In addition to the shared campus in Fairmont, Pierpont delivers courses at the North Central Advanced Technology Center (ATC) in Fairmont, the Pierpont Center at Braxton County, the Pierpont Center at Lewis County, and the Pierpont Center at Monongalia County Technical Education Center (MTEC). Through its Center for Workforce Education housed within the ATC, Pierpont provides workforce training and community education opportunities to non-credit continuing education students. Through the Robert C. Byrd National Aerospace Education Center in Bridgeport, Pierpont offers programs in aviation maintenance.

The mission of Pierpont is to provide accessible, responsive, comprehensive education that works.

Pierpont Community & Technical College was founded in 1974 as Fairmont State Community & Technical College (FSC&TC), a component of Fairmont State College (now known as Fairmont State University). The State Legislature enacted legislation effective July 1, 2008 that provided for independent accreditation and a separate governing board for Pierpont. This legislation defined a statewide network of independently accredited community and technical colleges. The Board of Governors of Pierpont and the Board of Governors of Fairmont State jointly agreed to a division of assets and liabilities. The agreement was executed on December 15, 2009 and was effective retroactively to July 1, 2009. Therefore, Pierpont's independent audited financial statements began with fiscal year 2010.

Pierpont is governed by a 12-member Board of Governors consisting of nine lay members, appointed by the Governor, and three constituent members elected by the faculty, classified staff, and student body, respectively. This Board determines, controls, supervises, and manages the financial, business, and educational policies and affairs of the institution.

## Overview

This section of the annual financial report focuses on an overview of Pierpont's financial performance during the fiscal year ended June 30, 2020, with comparisons to the previous year.

As the financial statements are reviewed, it is important to understand how the reporting structure changed beginning in fiscal year 2010 with the Separation of Assets and Liabilities Agreement. As the separate entities were created by the Legislature, it was realized that, due to the bond debt responsibilities, shared campus facilities and infrastructure, and shared administrative and technical support, a Separation of Assets and Liabilities Agreement would be required. The agreement was effective as of July 1, 2009, and fiscal year 2020 is the eleventh year of operating and reporting based on the agreement. The agreement establishes general principles to apply to the division of assets and liabilities and allocation of revenues and expenditures between Pierpont and Fairmont State. The Agreement also provides specific language in relation to outstanding bond indebtedness, including the responsibilities of both Pierpont and Fairmont State. Financial statement note 16, Separation of Assets and Liabilities Agreement, provides additional information about this Agreement and the defining legislation. The fiscal year 2020 audited financial statements are presented in comparative format and reflect the reporting structure defined in the agreement.

Pierpont's audited financial report includes additional information for Unrestricted, Restricted, and Other Funds, and Pierpont's ownership in Board of Governors Support (BOG Support). The BOG Support component reports capital funds that support both academic institutions as a separate reporting component. BOG Support consists primarily of Educational and General (E&G) Capital, Infrastructure, and Bond funds for the repair and replacement of shared buildings and other capital assets. This component accounts for capital assets, depreciation, and debt obligations of the shared campus. These funds are allocated based on the average of the past ten (10) years of credit hour enrollments. The supplemental schedules were developed to show the component parts of Pierpont and may be found in the additional information section of this report.

The Fairmont State Foundation (the Foundation) financial information will not be presented. This presentation is not required to comply with GASB Statement No. 39 due to the fact that the Foundation supports both Pierpont and Fairmont State for fiscal years 2020 and 2019.

Pierpont's annual report consists of three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These statements focus on Pierpont's financial condition, results of operations, and cash flows as a whole. Each of these statements is discussed below.

## Financial Highlights

Financial highlights of fiscal year 2020 include increases in enrollment, a decrease in the net other postemployment benefits (OPEB) liability, and changes in net position.

- For fiscal year 2020, Pierpont experienced increases in full-time equivalent (FTE) students and increases in student headcount. The FTE increased from 1,288 for Fall 2018 to 1,351 for Fall 2019 and the headcount increased from 1,828 for Fall 2018 to 1,906 for Fall 2019.
- Total net position increased by \$142,099 or 0.35%. The increase can be attributed to the following:

- Net Investment in Capital Assets decreased by \$477,197.
- Restricted for Scholarships decreased by \$28,037.
- Restricted for Capital Projects decreased by \$224,990.
- Unrestricted fund manager funds of Pierpont decreased by \$259,143.
- Unrestricted primary operating funds of Pierpont increased by \$1,116,629 after the decrease in the net OPEB liability of \$692,554.

### Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) of Pierpont as of the fiscal year end. Assets denote the resources available to continue the operations of Pierpont. Deferred outflows of resources represent the consumption of net position that is applicable to a future fiscal year. Liabilities indicate how much Pierpont owes its vendors, employees, and lenders. Deferred inflows of resources represent an acquisition of net position that is applicable to a future fiscal year. Net position provides a way to measure the financial position of Pierpont.

Net position is divided into three major categories:

1. **Net investment in capital assets.** This category represents Pierpont's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of this category.
2. **Restricted net position.** This category includes net position whose use is restricted either due to externally imposed constraints or restrictions imposed by law. It is further divided into two additional components - expendable and nonexpendable. **Expendable restricted net position** includes resources for which Pierpont is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. **Nonexpendable restricted net position** includes endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instruments, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. Pierpont has no nonexpendable net position.
3. **Unrestricted net position.** This category includes resources that are not subject to externally imposed stipulations. Such resources are derived from tuition and fees (not restricted as to use), state appropriations, sales and services of educational activities, and auxiliary enterprises. Unrestricted net position is used for transactions related to the educational and general operations of Pierpont and may be designated for specific purposes by action of management or the Board of Governors.



### Condensed Schedules of Net Position

|                                       | JUNE 30,             |                      |                      |
|---------------------------------------|----------------------|----------------------|----------------------|
|                                       | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          |
| <b>Assets</b>                         |                      |                      |                      |
| Current Assets                        | \$ 8,226,124         | \$ 7,256,502         | \$ 8,256,040         |
| Noncurrent Assets                     | 40,893,294           | 41,730,606           | 42,997,085           |
| <b>Total Assets</b>                   | <u>49,119,418</u>    | <u>48,987,108</u>    | <u>51,253,125</u>    |
| <b>Deferred Outflows of Resources</b> |                      |                      |                      |
|                                       | 286,422              | 390,501              | 267,098              |
| <b>Total</b>                          | <u>\$ 49,405,840</u> | <u>\$ 49,377,609</u> | <u>\$ 51,520,223</u> |
| <b>Liabilities</b>                    |                      |                      |                      |
| Current Liabilities                   | \$ 3,053,454         | \$ 2,413,434         | \$ 2,946,962         |
| Noncurrent Liabilities                | 4,953,392            | 6,014,062            | 6,693,843            |
| <b>Total Liabilities</b>              | <u>8,006,846</u>     | <u>8,427,496</u>     | <u>9,640,805</u>     |
| <b>Deferred Inflows of Resources</b>  |                      |                      |                      |
|                                       | 1,060,789            | 754,007              | 544,824              |
| <b>Net Position</b>                   |                      |                      |                      |
| Net Investment in Capital Assets      | 38,052,588           | 38,529,785           | 39,430,806           |
| Restricted for:                       |                      |                      |                      |
| Expendable:                           |                      |                      |                      |
| Scholarships                          | -                    | 28,037               | 7,708                |
| Capital Projects                      | 2,246,978            | 2,471,968            | 2,227,351            |
| Debt Service                          | 16,060               | 743                  | 406                  |
| <b>Total Restricted</b>               | <u>2,263,038</u>     | <u>2,500,748</u>     | <u>2,235,465</u>     |
| Unrestricted                          | 22,579               | (834,427)            | (331,677)            |
| <b>Total Net Position</b>             | <u>40,338,205</u>    | <u>40,196,106</u>    | <u>41,334,594</u>    |
| <b>Total</b>                          | <u>\$ 49,405,840</u> | <u>\$ 49,377,609</u> | <u>\$ 51,520,223</u> |

- Total current assets increased by \$969,622 or 13.36%, resulting primarily from an increase in cash and cash equivalents of \$1,013,680.
- Total noncurrent assets, comprised primarily of capital assets, including buildings and equipment, decreased by \$837,312 or 2.01%.
  - The decrease in noncurrent assets is due to a decrease in net capital assets in the amount of \$810,370, primarily related to depreciation expense.
- Total current liabilities increased by \$640,020 or 26.52%, due primarily to an increase in unearned revenue and deposits of \$560,530, an increase in accrued payroll of \$125,620, and an increase in accounts payable of \$124,152. These increases were offset by a decrease in the current portion of amounts due to Fairmont State of \$123,997 and a decrease in the current portion of compensated absences of \$52,902.

- Total noncurrent liabilities decreased by \$1,060,670 or 17.64%. The noncurrent portion of the debt obligation due to Fairmont State decreased by \$273,263, the noncurrent portion of the debt obligation due to Commission decreased by \$66,921, the noncurrent portion of amounts due to Fairmont State decreased by 16,434, and the noncurrent portion of compensated absences decreased by \$15,033. Additionally, the net OPEB liability decreased by \$692,554.
- The total assets and deferred outflows of resources of Pierpont exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$40,338,205 (net position). Of this amount, \$22,579 (unrestricted net position) may be used to meet the educational and general operations of Pierpont. The unrestricted net position was in the Unrestricted, Restricted, and Other funds component at June 30, 2020.
- Pierpont's unrestricted net position balance of \$22,579 includes fund manager and auxiliary funds of \$1,054,472. Also, Pierpont's unrestricted President's control net position increased by \$1,116,629 to a net deficit of \$(1,031,893) at June 30, 2020.

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

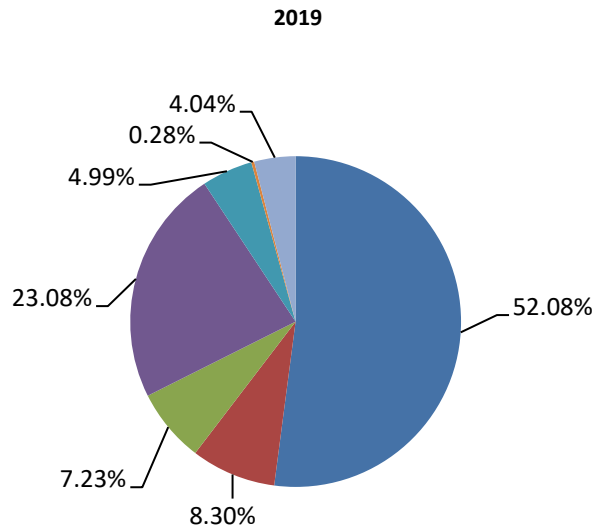
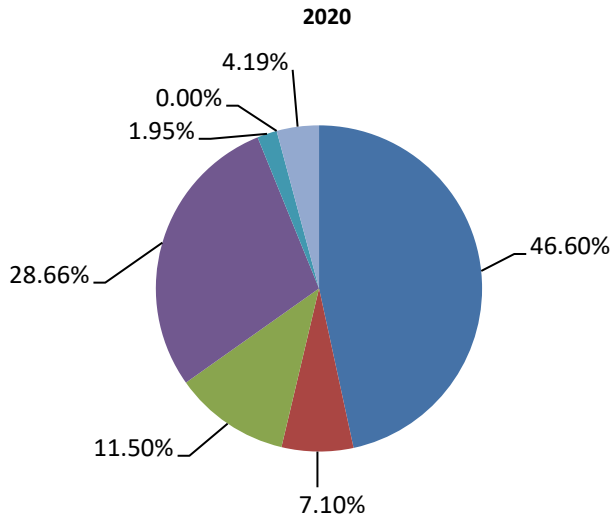
The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of Pierpont for the fiscal year. The purpose of the statement is to present Pierpont's revenues (operating and nonoperating), expenses (operating and nonoperating), and any other revenues, expenses, gains, losses, and transfers. State appropriations, while budgeted for operations, are considered and reported as nonoperating revenues. This is because State appropriations are provided by the Legislature to Pierpont without providing specific services in exchange. Likewise, Pell grants are reported as nonoperating because of specific guidance in the AICPA industry audit guide. Student tuition and fees are reported net of scholarship discounts and allowances. Financial aid to students is reported using the alternative method. Under this method, certain aid, such as loans and Federal Direct Lending, is accounted for as third-party payment, while all other aid is reflected either as operating expenses or scholarship allowances, which reduce revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

**Condensed Schedules of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30:**

|   | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|----------------------|
| Operating Revenues  | \$ 7,730,824         | \$ 7,420,699         | \$ 7,525,286         |
| Operating Expenses  | <u>18,494,441</u>    | <u>18,898,411</u>    | <u>19,063,431</u>    |
| Operating Loss  | (10,763,617)         | (11,477,712)         | (11,538,145)         |
| Total Net Nonoperating Revenues   | <u>10,945,800</u>    | <u>10,280,236</u>    | <u>10,270,689</u>    |
| Increase (Decrease) in Net Position before Other<br>Revenues, Expenses, Gains or Losses, and Transfer | 182,183              | (1,197,476)          | (1,267,456)          |
| Payments Made and Expenses Incurred by the<br>Commission on Behalf of Pierpont                        | 40,872               | 174,391              | 1,104,883            |
| Payments Made and Expenses Incurred by the<br>State on Behalf of Pierpont                             | 154,502              | 199,798              | 218,389              |
| Capital Projects Proceeds from the State  | <u>7,046</u>         | <u>58,161</u>        | <u>-</u>             |
| Increase (Decrease) in Net Position before Transfer   | 384,603              | (765,126)            | 55,816               |
| Transfer of Net Position to Fairmont State  | <u>(242,504)</u>     | <u>(373,362)</u>     | <u>(381,828)</u>     |
| Increase (Decrease) in Net Position   | <u>142,099</u>       | <u>(1,138,488)</u>   | <u>(326,012)</u>     |
| Net Position – Beginning of Year  | 40,196,106           | 41,334,594           | 41,518,761           |
| Net Effect of Change in Accounting Policy   | <u>-</u>             | <u>-</u>             | <u>141,845</u>       |
| Net Position – Beginning of Year (Restated)   | <u>40,196,106</u>    | <u>41,334,594</u>    | <u>41,660,606</u>    |
| Net Position – End of Year  | <u>\$ 40,338,205</u> | <u>\$ 40,196,106</u> | <u>\$ 41,334,594</u> |

Operating Revenues:

The following are graphic illustrations of Pierpont’s operating revenues by source.



- Tuition
  - Federal Revenue
  - Private Grants
  - Miscellaneous
- Auxiliary
  - State Grants
  - Faculty Services Revenue

Notable information presented on the statements of revenues, expenses, and changes in net position is as follows:

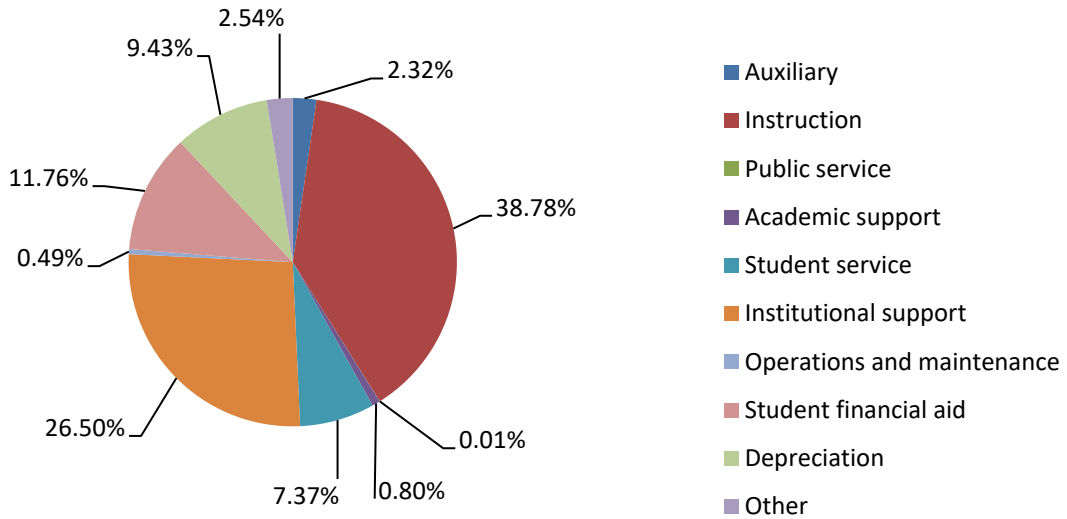
- Tuition and fee revenue, after adjustment for the scholarship allowance, decreased by \$262,188 or 6.78%.
  - Tuition and fees increased prior to the scholarship allowance by \$115,715 or 1.63%. The scholarship allowance increased by \$377,903 for a total decrease in net tuition and fees of \$262,188.
- Auxiliary enterprise revenue decreased by \$66,982 or 10.88%.
- Federal contracts and grants increased by \$352,971 or 65.82%.
- State contracts and grants increased by \$502,699 or 29.35%. State contracts and grants include institutional grants from other state agencies. State grants and contracts also include state-funded student financial aid.
- Private contracts and grants decreased by \$219,552 or 59.24%.
- State appropriations increased by \$575,886 or 7.95%.
- Pell grants are reported as nonoperating revenues because of specific guidance in the AICPA industry audit guide. Pell grants decreased by \$116,073 or 4.01%.
- Pierpont received \$298,400 under the Federal CARES Act in response to the Coronavirus (COVID-19) pandemic.
- E&G capital and debt service support revenue decreased by \$246,546 or 39.22%.
- Investment income decreased by \$68,615 or 43.60%.

**FUNCTIONAL CLASSIFICATION CHART**

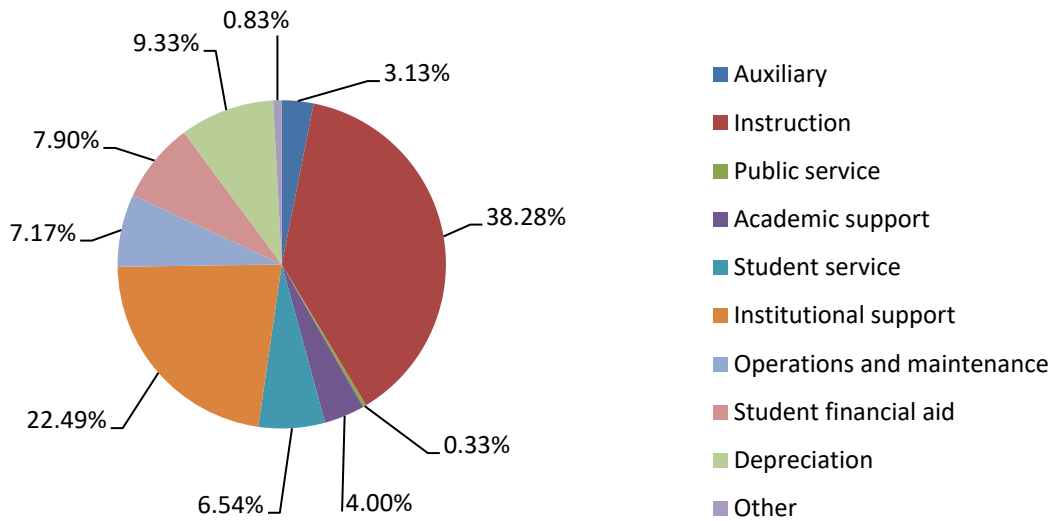
Operating Expenses:

The following is a graphic illustration of operating expenses by function.

**2020**



**2019**



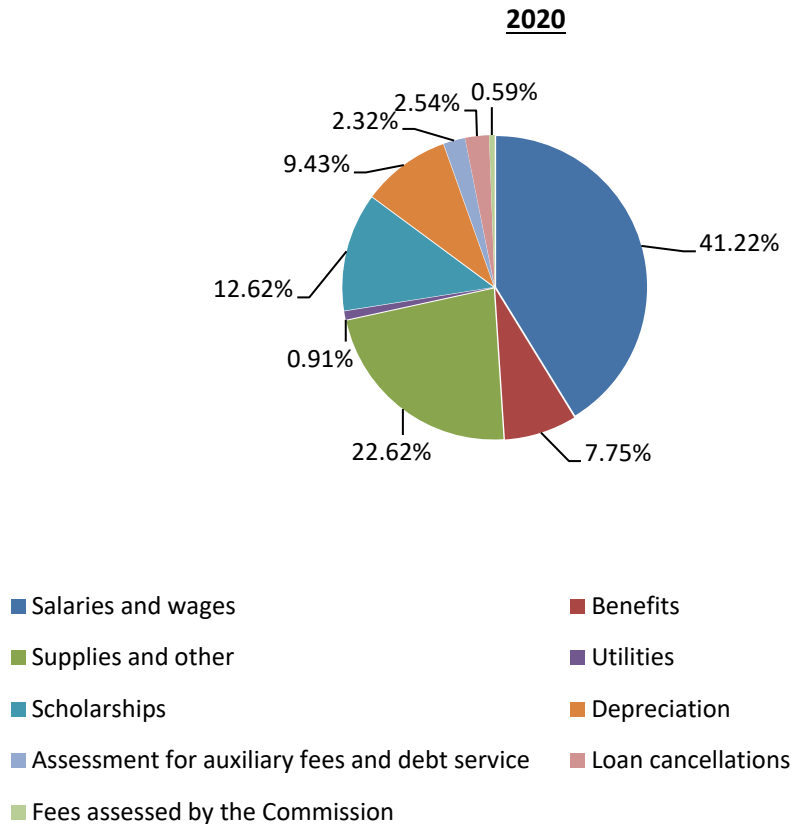
**Breakdown of Expense by Functional Classification:**

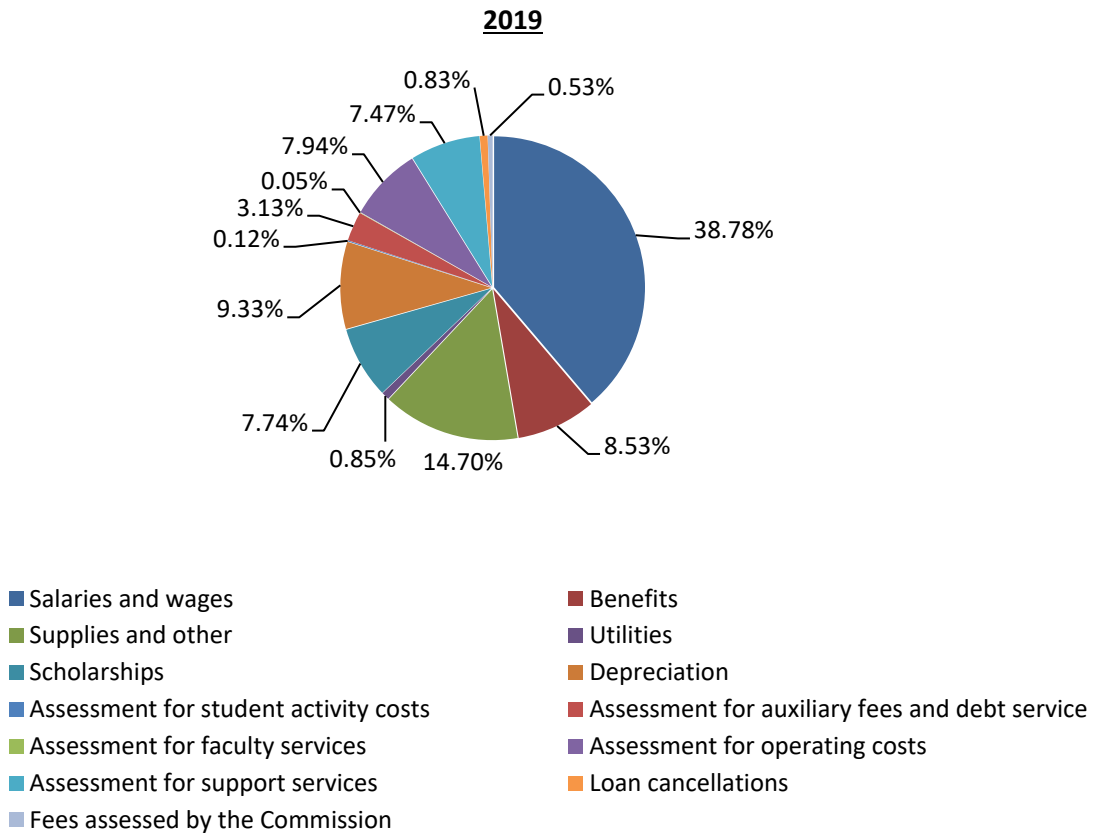
For fiscal year 2020, Pierpont’s total operating expenses were \$18,494,441. Instruction expenses totaled \$7,174,559 or 38.78% of the total operating budget. The following reflects the amounts and percentages for these expenses:

|                               | <u>2020</u>         | <u>%</u>       | <u>2019</u>         | <u>%</u>       | <u>2018</u>         | <u>%</u>       |
|-------------------------------|---------------------|----------------|---------------------|----------------|---------------------|----------------|
| Auxiliary                     | \$ 429,868          | 2.32%          | \$ 591,456          | 3.13%          | \$ 582,855          | 3.06%          |
| Instruction                   | 7,174,559           | 38.78%         | 7,233,091           | 38.28%         | 7,486,782           | 39.27%         |
| Public service                | 1,094               | 0.01%          | 62,827              | 0.33%          | 28,263              | 0.15%          |
| Academic support              | 148,069             | 0.80%          | 756,753             | 4.00%          | 757,380             | 3.97%          |
| Student services              | 1,362,929           | 7.37%          | 1,236,018           | 6.54%          | 1,675,513           | 8.79%          |
| General institutional support | 4,900,107           | 26.50%         | 4,249,823           | 22.49%         | 3,090,814           | 16.21%         |
| Operation and maintenance     | 91,033              | 0.49%          | 1,355,762           | 7.17%          | 1,500,553           | 7.87%          |
| Student financial aid         | 2,174,123           | 11.76%         | 1,492,999           | 7.90%          | 2,039,914           | 10.70%         |
| Depreciation                  | 1,743,526           | 9.43%          | 1,763,753           | 9.33%          | 1,732,456           | 9.09%          |
| Other                         | <u>469,133</u>      | <u>2.54%</u>   | <u>155,929</u>      | <u>0.83%</u>   | <u>168,901</u>      | <u>0.89%</u>   |
| Total                         | <u>\$18,494,441</u> | <u>100.00%</u> | <u>\$18,898,411</u> | <u>100.00%</u> | <u>\$19,063,431</u> | <u>100.00%</u> |

**NATURAL CLASSIFICATION CHARTS**

The following is a graphic illustration of operating expenses by natural classification:





**Breakdown of Expenses by Natural Classification:**

For fiscal year 2020, Pierpont's total operating expenses were \$18,494,441. A major portion of the total operating expenses is for direct salaries, wages, and benefits amounting to \$9,056,580 or 48.97%. The following reflects the amounts and percentages for these expenses:

|  | <b>2020</b>          | <b>%</b>       | <b>2019</b>          | <b>%</b>       | <b>2018</b>          | <b>%</b>       |
|--|----------------------|----------------|----------------------|----------------|----------------------|----------------|
| Salaries and wages                             | \$ 7,622,463         | 41.22%         | \$ 7,329,167         | 38.78%         | \$ 6,673,640         | 35.00%         |
| Benefits                                       | 1,434,117            | 7.75%          | 1,611,114            | 8.53%          | 1,668,417            | 8.75%          |
| Supplies and other services                    | 4,183,997            | 22.62%         | 2,777,722            | 14.70%         | 2,346,885            | 12.31%         |
| Utilities                                      | 169,148              | 0.91%          | 161,029              | 0.85%          | 127,382              | 0.67%          |
| Scholarships and fellowships                   | 2,333,699            | 12.62%         | 1,463,055            | 7.74%          | 2,032,492            | 10.66%         |
| Depreciation                                   | 1,743,526            | 9.43%          | 1,763,753            | 9.33%          | 1,732,456            | 9.09%          |
| Assessment for student activity costs          | -                    | 0.00%          | 22,362               | 0.12%          | 85,660               | 0.45%          |
| Assessment for auxiliary fees and debt service | 429,868              | 2.32%          | 591,456              | 3.13%          | 582,855              | 3.06%          |
| Assessment for faculty services                | -                    | 0.00%          | 9,955                | 0.05%          | 224,387              | 1.18%          |
| Assessment for operating costs                 | -                    | 0.00%          | 1,500,375            | 7.94%          | 1,534,349            | 8.05%          |
| Assessment for support services                | -                    | 0.00%          | 1,412,262            | 7.47%          | 1,782,681            | 9.35%          |
| Loan cancellations and write-offs              | 469,133              | 2.54%          | 155,929              | 0.83%          | 168,901              | 0.89%          |
| Fees assessed by the Commission                | 108,490              | 0.59%          | 100,232              | 0.53%          | 103,326              | 0.54%          |
| <b>Total</b>                                   | <b>\$ 18,494,441</b> | <b>100.00%</b> | <b>\$ 18,898,411</b> | <b>100.00%</b> | <b>\$ 19,063,431</b> | <b>100.00%</b> |



- Salaries and wages increased by \$293,296 or 4.00%.
- Benefits decreased by \$176,997 or 10.99%.
- Supplies and other services expense increased by \$1,406,275 or 50.63%. The increase in supplies and other services expense is a result of Pierpont entering into a fee for service agreement with Fairmont State, which replaced the former chargeback agreement.
- Student financial aid expense increased by \$870,644 or 59.51%. Gross scholarships and fellowships increased by \$1,248,547. The majority of the increase is due to the WV Invests Grant program.
- Depreciation expense decreased by \$20,227 and was 9.43% of total operating expenses.
- Assessment for auxiliary fees and debt service decreased by \$161,588 or 27.32%.
- Assessment for operating costs decreased by \$1,500,375 or 100.00% due to the elimination of the chargeback agreement with Fairmont State.
- Assessment for support services decreased by \$1,412,262 or 100.00% due to the elimination of the chargeback agreement with Fairmont State.
- Loan cancellations and write-offs increased by \$313,204 or 200.86% due to an increase in bad debt expense. Students were allowed to carry higher outstanding balances on their accounts and still register for classes.

### Statement of Cash Flows

The Statement of Cash Flows provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and financing activities during the year. This statement helps users assess Pierpont's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The Statement of Cash Flows is divided into five parts:

1. ***Cash flows from operating activities.*** This section shows the net cash used by the operating activities.
2. ***Cash flows from noncapital financing activities.*** This section reflects the cash received and paid for nonoperating, noninvesting, and noncapital financing purposes.
3. ***Cash flows from capital and related financing activities.*** This section includes cash used for the acquisition and construction of capital and related items.
4. ***Cash flows from investing activities.*** This section shows the purchases, proceeds, and interest received from investing activities.
5. ***Reconciliation of net cash provided by (used in) operating activities.*** This section provides a schedule that reconciles the accrual-based operating income (loss) and net cash used in operating activities.

**Condensed Schedules of Cash Flows  
For the Fiscal Year Ended June 30:**

|   | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|---------------------|
| Cash Provided By (Used In):             |                     |                     |                     |
| Operating Activities                    | \$ (8,467,507)      | \$ (10,417,890)     | \$ (9,451,096)      |
| Noncapital Financing Activities         | 10,919,254          | 10,162,328          | 10,230,314          |
| Capital Financing Activities            | (1,527,138)         | (1,043,006)         | (864,124)           |
| Investing Activities                    | <u>88,759</u>       | <u>157,374</u>      | <u>86,619</u>       |
| Net Change in Cash and Cash Equivalents | 1,013,368           | (1,141,194)         | 1,713               |
| <br>                                    |                     |                     |                     |
| Cash – Beginning of Year                | <u>6,634,625</u>    | <u>7,775,819</u>    | <u>7,774,106</u>    |
| <br>                                    |                     |                     |                     |
| Cash – End of Year                      | <u>\$ 7,647,993</u> | <u>\$ 6,634,625</u> | <u>\$ 7,775,819</u> |

Major sources of funds included in operating activities consist of tuition and fees of \$7,361,990, contracts and grants of \$3,719,147, and auxiliary enterprise charges of \$548,825. Major uses of funds under this category were payments made to and on behalf of employees for salaries and benefits amounting to \$9,235,672, payments to suppliers amounting to \$4,002,921, and payments for scholarships and fellowships of \$6,475,317.

Major sources of cash flow provided by noncapital financing activities consist of State appropriations of \$7,820,129 and Federal Pell grant revenues of \$2,775,001.

The major source of cash flow provided by capital financing activities was related to E&G capital and debt service support revenue of \$382,089. The major uses of cash flow in capital financing activities were for purchases of capital assets and equipment of \$1,151,103 and the assessment for E&G capital and debt service costs of \$334,516.

Major noncash transactions included payments made and expenses incurred on behalf of Pierpont by the Commission of \$40,872.

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

Fairmont State issued significant outstanding debt when the two institutions were still one. It has been agreed that Fairmont State and Pierpont will share the outstanding bond debt proportionately based on the 10-year average of enrollments. The 2002B Series bonds were issued to acquire improvements to infrastructure, and the 2006 Series bonds were issued to improve facilities of the main campus, including the addition of a technology wing, elevator, and HVAC improvements. The 2002B Series bonds were refinanced in fiscal year 2012 by Fairmont State in conjunction with Pierpont.

The refinanced bonds are payable over twenty years and the 2006 bonds are payable over twenty years from the time of issuance. The remaining debt obligation assigned to Pierpont as of June 30, 2020 was \$2,294,265. As of June 30, 2020, the current portion of debt payable is \$248,124, and the noncurrent portion of bonds payable is \$2,046,141.

The 2012 Series bonds do not require a separate audit on the modified cash basis of accounting as previously required. The audited financial statements of Fairmont State include the bond segment reporting, which is used to calculate the debt service coverage ratio. Fairmont State and Pierpont have complied with all debt service coverage ratio requirements for the bonds.

During 2012, the Commission was paid for debt incurred from bonds sold in previous years for the State's colleges and universities. The remaining debt obligation assigned to Pierpont as of June 30, 2020 was \$495,948. As of June 30, 2020, the current portion due to the Commission is \$61,055, and the noncurrent portion is \$434,893.

The separation of assets and liabilities agreement also documents Pierpont's obligation to continue to collect certain auxiliary fees from students and transfer 100% of these fees to Fairmont State in support of auxiliary operations and bonds indebtedness incurred when the institutions were still one. These original bonds were issued in 2003 and were included in refinancing. This obligation is now part of the Series 2012 bonds. This obligation is discussed in detail in note 16.

### **Economic Outlook**

Pierpont continues independent operation of the Gaston Caperton Center (the Caperton Center), a shared ownership and operation property with Fairmont State, in downtown Clarksburg, West Virginia. The Caperton Center houses Pierpont's Physical Therapy Assistant (PTA) Program and Emergency Medical Services Technician (EMT) Program. Pierpont has begun architectural design and planning for the remodel and expansion of the Caperton Center to accommodate the relocation of the Veterinary Technology Assistant (VTA) Programs from the Locust Avenue Campus. This relocation to the Caperton Center will enable the program to operate in a state of the art facility, allow adequate space for the addition of a grooming program while enhancing the learning experience for students, and create opportunities for program growth and expansion.

In fiscal year 2020, the West Virginia Legislature implemented an increase in State appropriations for all West Virginia Community and Technical Colleges. This increased Pierpont's State appropriations by \$575,886 from the amount appropriated in fiscal year 2019. This increase is to provide for across-the-board raises to state employees and increased general operating funds. Pierpont implemented a 5% pay raise up to a maximum of \$3,000 that was effective December 21, 2019. There was no change to State appropriations for Pierpont for fiscal year 2021.

With the onset of the COVID-19 pandemic in March 2020, Pierpont closed all campus locations and migrated all educational activities to online learning. At the end of June 2020, Pierpont is continuing to adjust to the impact of the continuing COVID-19 pandemic and is preparing for all campus locations to be open with in-person instruction in the fall. While the Fall 2019 enrollment was up by 2.01%, which represents two years of positive enrollment from one fall to the next, Pierpont is concerned about the impact that the continuing COVID-19 pandemic will have on fiscal year 2021 and beyond. Preliminary enrollment figures for Fall 2020 are down as is true for most higher education institutions. Pierpont is being proactive in taking steps to control spending in the upcoming year and is prepared to make necessary adjustments based on changes brought about during this unprecedented time of uncertainty. Even though the future seems more uncertain, Pierpont continues to focus on its mission in addressing the needs of students and industry within its service region.

**STATEMENTS OF NET POSITION**  
**JUNE 30, 2020 AND 2019**

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|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS</b>                     |                      |                      |
| CURRENT ASSETS:   |                      |                      |
| Cash and cash equivalents                               | \$ 7,647,562         | \$ 6,633,882         |
| Accounts receivable — net                               | <u>578,562</u>       | <u>622,620</u>       |
| Total current assets                                    | <u>8,226,124</u>     | <u>7,256,502</u>     |
| NONCURRENT ASSETS:                                      |                      |                      |
| Cash and cash equivalents                               | 431                  | 743                  |
| Other noncurrent assets                                 | 46,052               | 72,682               |
| Capital assets — net                                    | <u>40,846,811</u>    | <u>41,657,181</u>    |
| Total noncurrent assets                                 | <u>40,893,294</u>    | <u>41,730,606</u>    |
| DEFERRED OUTFLOWS OF RESOURCES:                         |                      |                      |
| Deferred outflows relating to the net pension liability | 18,305               | 16,429               |
| Deferred outflows relating to the net OPEB liability    | <u>268,117</u>       | <u>374,072</u>       |
| Total deferred outflows of resources                    | <u>286,422</u>       | <u>390,501</u>       |
| TOTAL   | <u>\$ 49,405,840</u> | <u>\$ 49,377,609</u> |

(Continued)

**STATEMENTS OF NET POSITION**  
**JUNE 30, 2020 AND 2019**

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>  |                      |                      |
| CURRENT LIABILITIES:                                    |                      |                      |
| Accounts payable  | \$ 239,867           | \$ 115,715           |
| Due to Commission                                       | -                    | 394                  |
| Due to Fairmont State — current portion                 | 39,636               | 163,633              |
| Accrued liabilities — payroll                           | 1,091,652            | 966,032              |
| Retainages payable                                      | 4,010                | -                    |
| Unearned revenue and deposits                           | 1,088,452            | 527,922              |
| Compensated absences — current portion                  | 280,658              | 333,560              |
| Debt obligation due to Commission — current portion     | 61,055               | 59,253               |
| Debt obligation due to Fairmont State — current portion | 248,124              | 246,925              |
|   | <u>3,053,454</u>     | <u>2,413,434</u>     |
| Total current liabilities                               |                      |                      |
| NONCURRENT LIABILITIES:                                 |                      |                      |
| Net other postemployment benefits liability             | 2,282,288            | 2,974,842            |
| Due to Fairmont State                                   | -                    | 16,434               |
| Compensated absences                                    | 134,643              | 149,676              |
| Debt obligation due to Commission                       | 434,893              | 501,814              |
| Debt obligation due to Fairmont State                   | 2,046,141            | 2,319,404            |
| Net pension liability                                   | 55,427               | 51,892               |
|   | <u>4,953,392</u>     | <u>6,014,062</u>     |
| Total noncurrent liabilities                            |                      |                      |
| DEFERRED INFLOWS OF RESOURCES:                          |                      |                      |
| Deferred inflows relating to the net pension liability  | 8,410                | 10,824               |
| Deferred inflows relating to the net OPEB liability     | 1,052,379            | 743,183              |
|   | <u>1,060,789</u>     | <u>754,007</u>       |
| Total deferred inflows of resources                     |                      |                      |
| NET POSITION:   |                      |                      |
| Net investment in capital assets                        | <u>38,052,588</u>    | <u>38,529,785</u>    |
| Restricted for — expendable:                            |                      |                      |
| Scholarships  | -                    | 28,037               |
| Capital projects  | 2,246,978            | 2,471,968            |
| Debt service  | 16,060               | 743                  |
|   | <u>2,263,038</u>     | <u>2,500,748</u>     |
| Total restricted  |                      |                      |
| Unrestricted  | <u>22,579</u>        | <u>(834,427)</u>     |
| Total net position                                      | <u>40,338,205</u>    | <u>40,196,106</u>    |
| TOTAL   | <u>\$ 49,405,840</u> | <u>\$ 49,377,609</u> |

The Accompanying Notes Are An Integral Part Of These Financial Statements

(Concluded)

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| OPERATING REVENUES:   |                      |                      |
| Student tuition and fees — net of scholarship allowance of \$3,590,989 and \$3,213,086 in 2020 and 2019, respectively | \$ 3,602,393         | \$ 3,864,581         |
| Auxiliary enterprise revenue  | 548,825              | 615,807              |
| Contracts and grants:   |                      |                      |
| Federal   | 889,240              | 536,269              |
| State/local   | 2,215,384            | 1,712,685            |
| Private   | 151,035              | 370,587              |
| Faculty services revenue  | -                    | 21,084               |
| Miscellaneous — net   | 323,947              | 299,686              |
| Total operating revenues  | <u>7,730,824</u>     | <u>7,420,699</u>     |
| OPERATING EXPENSES:   |                      |                      |
| Salaries and wages  | 7,622,463            | 7,329,167            |
| Benefits  | 1,434,117            | 1,611,114            |
| Supplies and other services   | 4,183,997            | 2,777,722            |
| Utilities   | 169,148              | 161,029              |
| Student financial aid — scholarships and fellowships  | 2,333,699            | 1,463,055            |
| Depreciation  | 1,743,526            | 1,763,753            |
| Assessment for student activity costs   | -                    | 22,362               |
| Assessment for auxiliary fees and debt service  | 429,868              | 591,456              |
| Assessment for faculty services   | -                    | 9,955                |
| Assessment for operating costs  | -                    | 1,500,375            |
| Assessment for support services   | -                    | 1,412,262            |
| Loan cancellations and write-offs   | 469,133              | 155,929              |
| Fees assessed by the Commission for operations  | 108,490              | 100,232              |
| Total operating expenses  | <u>18,494,441</u>    | <u>18,898,411</u>    |
| OPERATING LOSS  | <u>(10,763,617)</u>  | <u>(11,477,712)</u>  |
| NONOPERATING REVENUES (EXPENSES):   |                      |                      |
| State appropriations  | 7,820,129            | 7,244,243            |
| Federal Pell grant revenue  | 2,775,001            | 2,891,074            |
| Federal CARES Act revenue   | 298,400              | -                    |
| Gifts   | 9,409                | 11,374               |
| E&G capital and debt service support revenue  | 382,089              | 628,635              |
| Investment income   | 88,759               | 157,374              |
| Assessment for E&G capital and debt service costs   | (334,516)            | (541,836)            |
| Fees assessed by the Commission for debt service  | (26,214)             | (35,597)             |
| Fees assessed by Fairmont State for debt service  | (67,257)             | (75,031)             |
| Net nonoperating revenues   | <u>10,945,800</u>    | <u>10,280,236</u>    |
| INCREASE (DECREASE) IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES, AND TRANSFER                    | 182,183              | (1,197,476)          |
| PAYMENTS MADE AND EXPENSES INCURRED BY THE COMMISSION ON BEHALF OF PIERPONT   | 40,872               | 174,391              |
| PAYMENTS MADE AND EXPENSES INCURRED BY THE STATE ON BEHALF OF PIERPONT  | 154,502              | 199,798              |
| CAPITAL PROJECTS PROCEEDS FROM THE STATE  | <u>7,046</u>         | <u>58,161</u>        |
| INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFER   | 384,603              | (765,126)            |
| TRANSFER OF NET POSITION TO FAIRMONT STATE  | <u>(242,504)</u>     | <u>(373,362)</u>     |
| NET INCREASE (DECREASE) IN NET POSITION   | 142,099              | (1,138,488)          |
| NET POSITION — Beginning of year  | <u>40,196,106</u>    | <u>41,334,594</u>    |
| NET POSITION — End of year  | <u>\$ 40,338,205</u> | <u>\$ 40,196,106</u> |

The Accompanying Notes Are An Integral Part Of These Financial Statements

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:                  |                     |                     |
| Student tuition and fees                               | \$ 7,361,990        | \$ 8,017,947        |
| Contracts and grants                                   | 3,719,147           | 2,092,077           |
| Payments to and on behalf of employees                 | (9,235,672)         | (8,885,750)         |
| Payments to suppliers                                  | (4,002,921)         | (2,860,502)         |
| Payments to utilities                                  | (169,148)           | (161,029)           |
| Payments for scholarships and fellowships              | (6,475,317)         | (5,920,568)         |
| Auxiliary enterprise charges                           | 548,825             | 615,807             |
| Fees assessed by the Commission                        | (108,490)           | (100,232)           |
| Other receipts — net                                   | 323,947             | 299,686             |
| Assessment for support services                        | -                   | (1,412,262)         |
| Assessment for student activity costs                  | -                   | (22,362)            |
| Assessment for auxiliary fees and debt service         | (429,868)           | (591,456)           |
| Faculty services revenue                               | -                   | 21,084              |
| Assessment for faculty services                        | -                   | (9,955)             |
| Assessment for operating cost                          | -                   | (1,500,375)         |
|  | <u>(8,467,507)</u>  | <u>(10,417,890)</u> |
| Net cash used in operating activities                  |                     |                     |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:       |                     |                     |
| State appropriations                                   | 7,820,129           | 7,244,243           |
| Federal Pell grant revenues                            | 2,775,001           | 2,891,074           |
| Federal CARES Act revenues                             | 298,400             | -                   |
| Gift receipts  | 9,409               | 11,374              |
| William D. Ford direct lending receipts                | 4,141,618           | 4,457,513           |
| William D. Ford direct lending payments                | (4,141,618)         | (4,457,513)         |
| Transfers to Fairmont State                            | (23,521)            | (29,485)            |
| Transfers from Fairmont State                          | 39,836              | 45,122              |
|  | <u>10,919,254</u>   | <u>10,162,328</u>   |
| Net cash provided by noncapital financing activities   |                     |                     |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:          |                     |                     |
| Capital bond proceeds from State                       | 7,046               | 58,161              |
| E&G capital and debt service support revenue           | 382,089             | 628,635             |
| Fees assessed by the Commission                        | (26,214)            | (35,597)            |
| Purchases of capital assets                            | (1,151,103)         | (726,429)           |
| Assessment for E&G capital and debt service costs      | (334,516)           | (541,836)           |
| Payments to the Commission on debt obligation          | (65,119)            | (66,705)            |
| Payments to Fairmont State on debt obligation          | (272,064)           | (284,204)           |
| Fees assessed by Fairmont State                        | (67,257)            | (75,031)            |
|  | <u>(1,527,138)</u>  | <u>(1,043,006)</u>  |
| Net cash used in capital financing activities          |                     |                     |
| CASH FLOWS FROM INVESTING ACTIVITY — Investment income | <u>88,759</u>       | <u>157,374</u>      |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS       | 1,013,368           | (1,141,194)         |
| CASH AND CASH EQUIVALENTS — Beginning of year          | <u>6,634,625</u>    | <u>7,775,819</u>    |
| CASH AND CASH EQUIVALENTS — End of year                | <u>\$ 7,647,993</u> | <u>\$ 6,634,625</u> |

(Continued)

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019

|  | 2020                  | 2019                   |
|--|-----------------------|------------------------|
| RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:                         |                       |                        |
| Operating loss   | \$ (10,763,617)       | \$ (11,477,712)        |
| Adjustments to reconcile net operating loss to net cash used in operating activities:                  |                       |                        |
| Depreciation expense   | 1,743,526             | 1,763,753              |
| Pension expense — special funding situation  | 16,135                | 11,869                 |
| OPEB expense — special funding situation   | 138,367               | 187,929                |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:     |                       |                        |
| Receivables — net  | (69,457)              | (223,729)              |
| Inventories  | -                     | 15,815                 |
| Deferred outflows of resources   | 104,079               | (123,403)              |
| Accounts payable   | 123,472               | (42,978)               |
| Retainages payable   | 4,010                 | -                      |
| Accrued liabilities — payroll  | 125,620               | 72,458                 |
| Compensated absences   | (67,935)              | 45,216                 |
| Other postemployment benefits liability  | (692,554)             | (275,834)              |
| Net pension liability  | 3,535                 | (10,712)               |
| Deferred inflows of resources  | 306,782               | 209,183                |
| Unearned revenue and deposits  | <u>560,530</u>        | <u>(569,745)</u>       |
| NET CASH USED IN OPERATING ACTIVITIES  | <u>\$ (8,467,507)</u> | <u>\$ (10,417,890)</u> |
| NONCASH TRANSACTIONS:  |                       |                        |
| Property additions in retainages payable   | <u>\$ 4,010</u>       | <u>\$ -</u>            |
| Payments made and expenses incurred by the Commission on behalf of Pierpont                            | <u>\$ 40,872</u>      | <u>\$ 174,391</u>      |
| Transfer to Fairmont State (exclusive of \$16,315 and \$15,637 of cash in 2020 and 2019, respectively) | <u>\$ (242,504)</u>   | <u>\$ (373,362)</u>    |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:                         |                       |                        |
| Cash and cash equivalents classified at current  | \$ 7,647,562          | \$ 6,633,882           |
| Cash and cash equivalents classified at noncurrent   | <u>431</u>            | <u>743</u>             |
|  | <u>\$ 7,647,993</u>   | <u>\$ 6,634,625</u>    |

The Accompanying Notes Are An Integral Part Of These Financial Statements

(Concluded)



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

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## 1. ORGANIZATION

Pierpont Community & Technical College (Pierpont) is governed by the Pierpont Community & Technical College Board of Governors (the Board). The Board was established by House Bill 3215, which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges.

Powers and duties of the Board include, but are not limited to, the power to determine, control, supervise, and manage the financial, business, and educational policies and affairs of Pierpont under its jurisdiction; the duty to develop a master plan for Pierpont; the power to prescribe the specific functions and Pierpont's budget request; the duty to review, at least every five years, all academic programs offered at Pierpont; and the power to fix tuition and other fees for the different classes or categories of students enrolled at Pierpont.

Senate Bill 448 gives the West Virginia Council for Community and Technical College Education (the Council) the responsibility of developing, overseeing, and advancing the State of West Virginia (the State) public policy agenda as it relates to community and technical college education.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Reporting Entity** - Pierpont is a blended component unit of the West Virginia Higher Education Fund and represents separate funds of the State that are not included in the State's general fund. Pierpont is a separate entity, which, along with all State institutions of higher education, the Council, and the West Virginia Higher Education Policy Commission (the Commission, which includes the West Virginia Network for Educational Telecomputing), forms the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report.

The accompanying financial statements present all funds under the authority of Pierpont. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from Pierpont's ability to significantly influence operations and accountability for fiscal matters of related entities. Fairmont State Foundation, Inc., which also acts as the fiscal agent for the Pierpont Foundation (the Foundation) is not part of Pierpont's reporting entity and is not included in the accompanying financial statements since Pierpont has no ability to designate management, cannot significantly influence operations, and is not accountable for the fiscal matters of the Foundation under GASB.

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

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*Net investment in capital assets* - This represents Pierpont's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent that debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted net position - expendable* - This includes resources for which Pierpont is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Restricted net position - nonexpendable* - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. Pierpont does not have any restricted nonexpendable net position at June 30, 2020 and 2019.

*Unrestricted net position* - Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of Pierpont, and may be used at the discretion of the Board to meet current expenses for any purpose.

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

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

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures, and trust agreements when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the West Virginia State Legislature and is subject to oversight by the West Virginia State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short Term Bond Pool and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

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

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which Pierpont may invest in. These pools have been structured as multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual audited financial report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd. East, Room E-122, Charleston, West Virginia 25305 or <http://www.wvbt.org>.

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

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

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

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

**Capital Assets** - Capital assets include plant and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or at fair value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 15 years for land improvements, 3 to 10 years for furniture and equipment, and 3 years for computer software.

**Unearned Revenue and Deposits** - Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue. Financial aid and other deposits are classified as deposits.

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

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Compensated Absences and Other Postemployment Benefits** - GASB provides standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Pierpont is required to participate in this multiple-employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), 601 57<sup>th</sup> Street SE, Charleston, WV 25304 or <https://peia.wv.gov>.

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See note 8 for further discussion.

The estimated expense and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense on the statements of revenues, expenses, and changes in net position.

**Net Pension Liability** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (STRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the STRS fiduciary net position have been determined on the same basis as they are reported in the STRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of STRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and when the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the STRS financial statements. Management of STRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ. See note 12 for further discussion.

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

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

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

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

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

**Use of Restricted Net Position** - Pierpont has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Generally, Pierpont attempts to utilize restricted net position first when practicable.

**Federal Financial Assistance Programs** - Pierpont makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest-subsidized and non-subsidized loans directly to students, through schools like Pierpont. Direct student loan receivables are not included in Pierpont's statements of net position as the loans are repayable directly to the U.S. Department of Education. In 2020 and 2019, Pierpont received and disbursed approximately \$4.1 million and \$4.5 million, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense in the statements of revenues, expenses, and changes in net position.

Pierpont also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2020 and 2019, Pierpont was awarded approximately \$2.9 million and \$3.1 million, respectively, under these federal student aid programs.

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

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Scholarship Allowances** - Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by Pierpont and the amount that is paid by students and/or third parties making payments on the student's behalf.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers. Certain aid, such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowance, which reduces revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

**Government Grants and Contracts** - Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. Pierpont recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to five years.

**Income Taxes** - Pierpont is exempt from income taxes, except for unrelated business income, as a nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service.

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

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Risk and Uncertainties** - Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain securities, it is reasonably possible that changes in risk and values will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

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

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

GASB has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. Pierpont has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2020. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. Pierpont has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

GASB has also issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. Pierpont has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

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

GASB has also issued Statement No. 93, *Replacement of Interbank Offered Rates*. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. Pierpont has not yet determined the effect that the adoption of GASB Statement No. 93 may have on its financial statements.



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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

GASB has also issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. The portion of GASB Statement No. 97 that was implemented during the current fiscal year had no impact on the June 30, 2020 financial statements. Pierpont has not yet determined the effect that the adoption of the remaining portions of GASB Statement No. 97 may have on its financial statements.

**3. CASH AND CASH EQUIVALENTS**

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

|                 | 2020                |               |                     |
|-----------------|---------------------|---------------|---------------------|
|                 | Current             | Noncurrent    | Total               |
| State Treasurer | \$ 7,574,465        | \$ -          | \$ 7,574,465        |
| Trustee         | -                   | 431           | 431                 |
| In bank         | 71,897              | -             | 71,897              |
| On hand         | <u>1,200</u>        | <u>-</u>      | <u>1,200</u>        |
|                 | <u>\$ 7,647,562</u> | <u>\$ 431</u> | <u>\$ 7,647,993</u> |

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

3. CASH AND CASH EQUIVALENTS (CONTINUED)

|                 | 2019                |               |                     |
|-----------------|---------------------|---------------|---------------------|
|                 | Current             | Noncurrent    | Total               |
| State Treasurer | \$ 6,632,682        | \$ -          | \$ 6,632,682        |
| Trustee         | -                   | 743           | 743                 |
| On hand         | <u>1,200</u>        | <u>-</u>      | <u>1,200</u>        |
|                 | <u>\$ 6,633,882</u> | <u>\$ 743</u> | <u>\$ 6,634,625</u> |

Cash held by the Treasurer includes no restricted cash at June 30, 2020 and 2019.

The combined carrying amount of cash in the bank at June 30, 2020 and 2019 was \$71,897 and \$0, respectively, as compared with the combined bank balance of \$319,495 and \$0, respectively. Any differences are primarily caused by outstanding checks and items in transit. The Federal Deposit Insurance Corporation (FDIC) coverage is \$250,000 for interest and non-interest bearing deposits. From time to time, Pierpont may carry deposit balances in individual financial institutions exceeding this limit.

Amounts with the State Treasurer were \$7,574,465 and \$6,632,682 as of June 30, 2020 and 2019, respectively. Of these amounts, \$6,835,704 and \$6,008,605 were invested in the WV Money Market Pool and the WV Short Term Bond Pool as of June 30, 2020 and 2019, respectively. The remainder of the cash held with the State Treasurer was not invested as of June 30, 2020 and 2019.

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

| External Pool           | 2020           |              | 2019           |              |
|-------------------------|----------------|--------------|----------------|--------------|
|                         | Carrying Value | S & P Rating | Carrying Value | S & P Rating |
| WV Money Market Pool    | \$ 6,673,648   | AAAm         | \$ 5,869,679   | AAAm         |
| WV Short Term Bond Pool | 162,056        | Not Rated    | 138,926        | Not Rated    |

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

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

| External Pool        | 2020           |            | 2019           |            |
|----------------------|----------------|------------|----------------|------------|
|                      | Carrying Value | WAM (Days) | Carrying Value | WAM (Days) |
| WV Money Market Pool | \$ 6,673,648   | 44         | \$ 5,869,679   | 42         |

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

### 3. CASH AND CASH EQUIVALENTS (CONTINUED)

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

| External Pool           | 2020           |                           | 2019           |                           |
|-------------------------|----------------|---------------------------|----------------|---------------------------|
|                         | Carrying Value | Effective Duration (Days) | Carrying Value | Effective Duration (Days) |
| WV Short Term Bond Pool | \$ 162,056     | 620                       | \$ 138,926     | 723                       |

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

*Custodial Credit Risk* - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, Pierpont will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

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

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

### 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 and 2019, are as follows:

|  | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| Student tuition and fees — net of allowance for doubtful accounts of \$3,174,041 and \$2,096,083, respectively | \$ 378,415        | \$ 465,527        |
| Due from Council   | 60,368            | 58,776            |
| Due from Commission  | 9,227             | 8,990             |
| Due from other State agencies  | 63,499            | 72,326            |
| Grants and contracts receivable  | 33,641            | 3,955             |
| Other accounts receivable  | <u>33,412</u>     | <u>13,046</u>     |
|  | <u>\$ 578,562</u> | <u>\$ 622,620</u> |

During the year ended June 30, 2020, Pierpont recognized additional student receivables of \$671,974 relating to charges for housing and meal plans that previously had to be remitted to Fairmont State. These additional receivables were fully allowed for at June 30, 2020.

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

5. CAPITAL ASSETS

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

|  | 2020                 |                     |                     |                    | Ending<br>Balance   |
|--|----------------------|---------------------|---------------------|--------------------|---------------------|
|  | Beginning<br>Balance | Transfers           | Additions           | Reductions         |                     |
| Capital assets not being depreciated:      |                      |                     |                     |                    |                     |
| Land                                       | \$ 376,000           | \$ -                | \$ -                | \$ -               | \$ 376,000          |
| Construction in progress                   | <u>86,776</u>        | <u>(807)</u>        | <u>183,749</u>      | <u>(50,466)</u>    | <u>219,252</u>      |
| Total capital assets not being depreciated | <u>\$ 462,776</u>    | <u>\$ (807)</u>     | <u>\$ 183,749</u>   | <u>\$ (50,466)</u> | <u>\$ 595,252</u>   |
| Other capital assets:                      |                      |                     |                     |                    |                     |
| Land improvements                          | \$ 1,096,062         | \$ (11,236)         | \$ -                | \$ -               | \$ 1,084,826        |
| Infrastructure                             | 4,997,547            | (58,423)            | -                   | -                  | 4,939,124           |
| Buildings                                  | 50,080,422           | (353,687)           | 247,550             | -                  | 49,974,285          |
| Equipment                                  | 4,863,202            | (4,198)             | 781,467             | (14,803)           | 5,625,668           |
| Library books                              | -                    | -                   | -                   | -                  | -                   |
| Computer software                          | <u>-</u>             | <u>-</u>            | <u>11,995</u>       | <u>-</u>           | <u>11,995</u>       |
| Total other capital assets                 | <u>61,037,233</u>    | <u>(427,544)</u>    | <u>1,041,012</u>    | <u>(14,803)</u>    | <u>61,635,898</u>   |
| Less accumulated depreciation for:         |                      |                     |                     |                    |                     |
| Land improvements                          | 496,765              | (5,702)             | 70,820              | -                  | 561,883             |
| Infrastructure                             | 4,351,815            | (50,875)            | 280,696             | -                  | 4,581,636           |
| Buildings                                  | 12,075,861           | (127,507)           | 958,828             | -                  | 12,907,182          |
| Equipment                                  | 2,918,387            | (3,128)             | 430,850             | (14,803)           | 3,331,306           |
| Library books                              | -                    | -                   | -                   | -                  | -                   |
| Computer software                          | <u>-</u>             | <u>-</u>            | <u>2,332</u>        | <u>-</u>           | <u>2,332</u>        |
| Total accumulated depreciation             | <u>19,842,828</u>    | <u>(187,212)</u>    | <u>1,743,526</u>    | <u>(14,803)</u>    | <u>21,384,339</u>   |
| Other capital assets — net                 | <u>\$ 41,194,405</u> | <u>\$ (240,332)</u> | <u>\$ (702,514)</u> | <u>\$ -</u>        | <u>\$40,251,559</u> |
| Capital asset summary:                     |                      |                     |                     |                    |                     |
| Capital assets not being depreciated       | \$ 462,776           | \$ (807)            | \$ 183,749          | \$ (50,466)        | \$ 595,252          |
| Other capital assets                       | <u>61,037,233</u>    | <u>(427,544)</u>    | <u>1,041,012</u>    | <u>(14,803)</u>    | <u>61,635,898</u>   |
| Total cost of capital assets               | 61,500,009           | (428,351)           | 1,224,761           | (65,269)           | 62,231,150          |
| Less accumulated depreciation              | <u>19,842,828</u>    | <u>(187,212)</u>    | <u>1,743,526</u>    | <u>(14,803)</u>    | <u>21,384,339</u>   |
| Capital assets — net                       | <u>\$ 41,657,181</u> | <u>\$ (241,139)</u> | <u>\$ (518,765)</u> | <u>\$ (50,466)</u> | <u>\$40,846,811</u> |

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

5. CAPITAL ASSETS (CONTINUED)

|  | 2019                 |                     |                     |                     | Ending<br>Balance    |
|--|----------------------|---------------------|---------------------|---------------------|----------------------|
|  | Beginning<br>Balance | Transfers           | Additions           | Reductions          |                      |
| Capital assets not being depreciated:      |                      |                     |                     |                     |                      |
| Land                                       | \$ 376,000           | \$ -                | \$ -                | \$ -                | \$ 376,000           |
| Construction in progress                   | <u>57,842</u>        | <u>(917)</u>        | <u>255,071</u>      | <u>(225,220)</u>    | <u>86,776</u>        |
| Total capital assets not being depreciated | <u>\$ 433,842</u>    | <u>\$ (917)</u>     | <u>\$ 255,071</u>   | <u>\$ (225,220)</u> | <u>\$ 462,776</u>    |
| Other capital assets:                      |                      |                     |                     |                     |                      |
| Land improvements                          | \$ 1,111,550         | \$ (15,488)         | \$ -                | \$ -                | \$ 1,096,062         |
| Infrastructure                             | 5,030,443            | (79,774)            | 46,878              | -                   | 4,997,547            |
| Buildings                                  | 50,230,013           | (484,643)           | 335,052             | -                   | 50,080,422           |
| Equipment                                  | 4,408,881            | (46,889)            | 501,210             | -                   | 4,863,202            |
| Library books                              | 1,178,928            | (1,178,928)         | -                   | -                   | -                    |
| Computer software                          | <u>-</u>             | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>             |
| Total other capital assets                 | <u>61,959,815</u>    | <u>(1,805,722)</u>  | <u>883,140</u>      | <u>-</u>            | <u>61,037,233</u>    |
| Less accumulated depreciation for:         |                      |                     |                     |                     |                      |
| Land improvements                          | 432,065              | (6,852)             | 71,552              | -                   | 496,765              |
| Infrastructure                             | 4,134,140            | (65,560)            | 283,235             | -                   | 4,351,815            |
| Buildings                                  | 11,280,298           | (166,589)           | 962,152             | -                   | 12,075,861           |
| Equipment                                  | 2,476,194            | (4,621)             | 446,814             | -                   | 2,918,387            |
| Library books                              | 1,161,847            | (1,161,847)         | -                   | -                   | -                    |
| Computer software                          | <u>-</u>             | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>             |
| Total accumulated depreciation             | <u>19,484,544</u>    | <u>(1,405,469)</u>  | <u>1,763,753</u>    | <u>-</u>            | <u>19,842,828</u>    |
| Other capital assets — net                 | <u>\$ 42,475,271</u> | <u>\$ (400,253)</u> | <u>\$ (880,613)</u> | <u>\$ -</u>         | <u>\$ 41,194,405</u> |
| Capital asset summary:                     |                      |                     |                     |                     |                      |
| Capital assets not being depreciated       | \$ 433,842           | \$ (917)            | \$ 255,071          | \$ (225,220)        | \$ 462,776           |
| Other capital assets                       | <u>61,959,815</u>    | <u>(1,805,722)</u>  | <u>883,140</u>      | <u>-</u>            | <u>61,037,233</u>    |
| Total cost of capital assets               | 62,393,657           | (1,806,639)         | 1,138,211           | (225,220)           | 61,500,009           |
| Less accumulated depreciation              | <u>19,484,544</u>    | <u>(1,405,469)</u>  | <u>1,763,753</u>    | <u>-</u>            | <u>19,842,828</u>    |
| Capital assets — net                       | <u>\$ 42,909,113</u> | <u>\$ (401,170)</u> | <u>\$ (625,542)</u> | <u>\$ (225,220)</u> | <u>\$ 41,657,181</u> |

Pierpont maintains certain collections of inexhaustible assets for which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art, historical treasures, and literature that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means.

Pierpont has construction commitments of \$37,082 as of June 30, 2020.

Title for certain assets recorded above remains with Fairmont State.

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

6. LONG-TERM LIABILITIES

Long-term obligation activities for the years ended June 30, 2020 and 2019 are as follows:

|   | 2020                |                    |                   |                       |                     |                   |
|---|---------------------|--------------------|-------------------|-----------------------|---------------------|-------------------|
|   | Beginning Balance   | Transfers*         | Additions         | Reductions            | Ending Balance      | Current Portion   |
| Net other postemployment benefits liability | \$ 2,974,842        | \$ -               | \$ 140,779        | \$ (833,333)          | \$ 2,282,288        | \$ -              |
| Due to Fairmont State                       | 180,067             | -                  | 23,202            | (163,633)             | 39,636              | 39,636            |
| Compensated absences                        | 483,236             | -                  | 335,891           | (403,826)             | 415,301             | 280,658           |
| Debt obligation due to Commission           | 561,067             | (5,866)            | -                 | (59,253)              | 495,948             | 61,055            |
| Debt obligation due to Fairmont State       | 2,566,329           | (8,489)            | -                 | (263,575)             | 2,294,265           | 248,124           |
| Net pension liability                       | <u>51,892</u>       | <u>-</u>           | <u>13,876</u>     | <u>(10,341)</u>       | <u>55,427</u>       | <u>-</u>          |
| Total long-term liabilities                 | <u>\$ 6,817,433</u> | <u>\$ (14,355)</u> | <u>\$ 513,748</u> | <u>\$ (1,733,961)</u> | <u>\$ 5,582,865</u> | <u>\$ 629,473</u> |

\*Transfers represent the ownership change from FY19 to FY20.

|   | 2019                |                    |                   |                       |                     |                   |
|---|---------------------|--------------------|-------------------|-----------------------|---------------------|-------------------|
|   | Beginning Balance   | Transfers*         | Additions         | Reductions            | Ending Balance      | Current Portion   |
| Net other postemployment benefits liability | \$ 3,250,676        | \$ -               | \$ 337,766        | \$ (613,600)          | \$ 2,974,842        | \$ -              |
| Due to Fairmont State                       | 257,979             | -                  | 149,801           | (227,713)             | 180,067             | 163,633           |
| Compensated absences                        | 438,020             | -                  | 264,027           | (218,811)             | 483,236             | 333,560           |
| Debt obligation due to Commission           | 627,772             | (9,040)            | -                 | (57,665)              | 561,067             | 59,253            |
| Debt obligation due to Fairmont State       | 2,850,533           | (13,088)           | -                 | (271,116)             | 2,566,329           | 246,925           |
| Net pension liability                       | <u>62,604</u>       | <u>-</u>           | <u>4,272</u>      | <u>(14,984)</u>       | <u>51,892</u>       | <u>-</u>          |
| Total long-term liabilities                 | <u>\$ 7,487,584</u> | <u>\$ (22,128)</u> | <u>\$ 755,866</u> | <u>\$ (1,403,889)</u> | <u>\$ 6,817,433</u> | <u>\$ 803,371</u> |

\*Transfers represent the ownership change from FY18 to FY19.

7. LEASES

**Operating Leases** - Pierpont leases office and storage spaces and various equipment. These obligations are accounted for as operating leases.

Future annual minimum lease payments on operating leases for years subsequent to June 30, 2020, are as follows:

| Years Ending<br>June 30, |                   |
|--------------------------|-------------------|
| 2021                     | \$ 46,215         |
| 2022                     | 38,475            |
| 2023                     | 38,295            |
| 2024                     | <u>9,986</u>      |
| Total                    | <u>\$ 132,971</u> |

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

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## 7. LEASES (CONTINUED)

Total lease expense for the years ended June 30, 2020 and 2019 was \$36,229 and \$7,290, respectively. Pierpont does not have any noncancelable leases.

**Capital Leases** - Pierpont currently has no leases classified as capital leases.

## 8. OTHER POSTEMPLOYMENT BENEFITS

As related to the implementation of GASB 75, following are Pierpont's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal years ended June 30, 2020 and 2019:

|                                | 2020         | 2019         |
|--------------------------------|--------------|--------------|
| Net OPEB liability             | \$ 2,282,288 | \$ 2,974,842 |
| Deferred outflows of resources | 268,117      | 374,072      |
| Deferred inflows of resources  | 1,052,379    | 743,183      |
| Revenues                       | 138,367      | 187,929      |
| OPEB expense                   | (9,598)      | 273,149      |
| Contributions made by Pierpont | 177,168      | 249,410      |

### *Plan Description*

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

The Plan's fiduciary net position has been determined on the same basis used by the Plan. The RHBT is accounted for as a fiduciary fund, and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP for fiduciary funds as prescribed or permitted by the GASB. The primary sources of revenue are plan members and employer contributions. Members' contributions are recognized in the period in which the contributions are due. Employer contributions and related receivables to the trust are recognized pursuant to a formal commitment from the employer or statutory or contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable.



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

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**8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

RHBT is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. RHBT issues publicly available financial statements and required supplementary information for the OPEB plan. Details regarding this plan and a copy of the RHBT financial report may be obtained by contacting PEIA at 601 57<sup>th</sup> Street SE, Suite 2, Charleston, West Virginia 25304-2345, or by calling (888) 680-7342.

***Benefits Provided***

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

***Contributions***

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

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2019 and 2018 were:

|               | 2019   | 2018   |
|---------------|--------|--------|
| Paygo premium | \$ 183 | \$ 177 |

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

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

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## 8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

Pierpont's contributions to the OPEB plan for the years ended June 30, 2020, 2019, and 2018, were \$177,168, \$249,410, and \$247,742, respectively.

### ***Assumptions***

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

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

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

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

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**8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

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

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

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

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

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

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

8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

|                         | 1% Decrease<br>(6.15%) | Current Discount Rate<br>(7.15%) | 1% Increase<br>(8.15%) |
|-------------------------|------------------------|----------------------------------|------------------------|
| Net OPEB liability 2020 | \$ 2,723,845           | \$ 2,282,288                     | \$ 1,912,782           |
| Net OPEB liability 2019 | 3,496,336              | 2,974,842                        | 2,540,123              |

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate.** The following presents Pierpont's proportionate share of the net OPEB liability as of June 30, 2020 and 2019 calculated using the healthcare cost trend rate, as well as what Pierpont's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

|                         | 1% Decrease  | Current Healthcare<br>Cost Trend Rate | 1% Increase  |
|-------------------------|--------------|---------------------------------------|--------------|
| Net OPEB liability 2020 | \$ 1,840,337 | \$ 2,282,288                          | \$ 2,818,599 |
| Net OPEB liability 2019 | 2,461,522    | 2,974,842                             | 3,600,307    |

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

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**8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

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

At June 30, 2020, Pierpont's proportionate share of the net OPEB liability was \$2,749,346. Of this amount, Pierpont recognized \$2,282,288 as its proportionate share on the statement of net position. The remainder of \$467,058 denotes Pierpont's proportionate share of net OPEB liability attributable to the special funding.

At June 30, 2019, Pierpont's proportionate share of the net OPEB liability was \$3,589,663. Of this amount, Pierpont recognized \$2,974,842 as its proportionate share on the statement of net position. The remainder of \$614,821 denotes Pierpont's proportionate share of net OPEB liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2019 and 2018. Employer contributions are recognized when due. At the June 30, 2019 measurement date, Pierpont's proportion was 0.137559207%, a decrease of 0.001099936% from its proportion of 0.138659143% calculated as of June 30, 2018. At the June 30, 2018 measurement date, Pierpont's proportion was 0.138659143%, an increase of 0.006463531% from its proportion of 0.132195612% calculated as of June 30, 2017.

For the year ended June 30, 2020, Pierpont recognized OPEB expense of \$(9,598). Of this amount, \$(147,965) was recognized as Pierpont's proportionate share of OPEB expense and \$138,367 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. Pierpont also recognized revenue of \$138,367 for support provided by the State.

For the year ended June 30, 2019, Pierpont recognized OPEB expense of \$273,149. Of this amount, \$85,220 was recognized as Pierpont's proportionate share of OPEB expense and \$187,929 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. Pierpont also recognized revenue of \$187,929 for support provided by the State.

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

**8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

| <u>June 30, 2020</u>   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|--|---|--|
| Differences between expected and actual non-investment experience  | \$ -                                      | \$ 266,180                               |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 90,386                                    | 237,308                                  |
| Net difference between projected and actual investment earnings  | -   | 24,621                                   |
| Changes in assumptions   | -   | 462,867                                  |
| Reallocation of opt-out employer change in proportionate share   | 563                                       | 61,403                                   |
| Contributions after the measurement date   | <u>177,168</u>                            | <u>-</u>                                 |
| Total  | <u>\$ 268,117</u>                         | <u>\$ 1,052,379</u>                      |
| <br>   |   |  |
| <u>June 30, 2019</u>   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
| Differences between expected and actual non-investment experience  | \$ -                                      | \$ 44,004                                |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 124,662                                   | 347,081                                  |
| Net difference between projected and actual investment earnings  | -   | 55,064                                   |
| Changes in assumptions   | -   | 297,034                                  |
| Contributions after the measurement date   | <u>249,410</u>                            | <u>-</u>                                 |
| Total  | <u>\$ 374,072</u>                         | <u>\$ 743,183</u>                        |

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

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**8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

Pierpont will recognize the \$177,168 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Fiscal Year Ended June 30,</u> | <u>Amortization</u> |
|-----------------------------------|---------------------|
| 2021                              | \$ (370,161)        |
| 2022                              | (369,340)           |
| 2023                              | (225,236)           |
| 2024                              | <u>3,307</u>        |
|                                   | <u>\$ (961,430)</u> |

***Payables to the OPEB Plan***

Pierpont did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2020 and 2019.

**9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS**

Pierpont is a State institution of higher education, and Pierpont receives a State appropriation to finance its operations. In addition, it is subject to the legislative and administrative mandates of the State government. Those mandates affect all aspects of Pierpont's operations, its tuition and fee structure, its personnel policies, and its administrative practices.

The State has chartered the Commission with the responsibility to construct or renovate, finance, and maintain various academic and other facilities of the State's universities and colleges, including certain facilities of Pierpont. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of Pierpont and College Systems (the Boards). These obligations administered by the Municipal Bond Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Municipal Bond Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. During 2020 and 2019, Pierpont reduced its debt to the Commission against the debt obligation by \$65,119 and \$66,705, respectively. The amount due to Commission at June 30, 2020 and 2019 is \$495,948 and \$561,067, respectively.

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

**10. FAIRMONT STATE UNIVERSITY INDEBTEDNESS**

Due to HB 3215, which mandated a separation between Fairmont State and Pierpont, an agreement was made with regards to outstanding bond debt that was issued to Fairmont State while the two institutions were still as one. It was agreed that Fairmont State and Pierpont would share the outstanding bond debt proportionately based on a 10-year average of enrollments, due to the fact that the two institutions maintain a shared campus where the shared facilities funded by the bonds are located. On June 12, 2012, Fairmont State, in conjunction with Pierpont, issued Revenue Refunding Bonds, Series 2012A in the principal amount of \$20,165,000 and Revenue Refunding Bonds, Series 2012B in the principal amount of \$30,160,000. Pierpont Board of Governors signed the bond indenture to evidence its agreement to certain covenants contained in the indenture, which are applicable to Pierpont, and to the pledge of fees imposed by it. Although the bonds remain as a capital obligation of Fairmont State, an estimate of the obligation of Pierpont is reported as a long-term payable to Fairmont State on Pierpont's financial statements and as a receivable on Fairmont State's financial statements. During 2020 and 2019, Pierpont's liability was reduced by \$272,064 and \$284,204, respectively. The amount due to Fairmont State at June 30, 2020 and 2019 is \$2,294,265 and \$2,566,329, respectively.

**11. NET POSITION**

Pierpont's net position at June 30, 2020 and 2019 includes certain designated net position, as follows:

|                                  | <b>2020</b>                                       |                           |                               |
|----------------------------------|---|---------------------------|-------------------------------|
|                                  | <b>Net Position<br/>Before OPEB<br/>Liability</b> | <b>OPEB<br/>Liability</b> | <b>Total<br/>Net Position</b> |
| Net investment in capital assets | \$ 38,052,588                                     | \$ -                      | \$ 38,052,588                 |
| Restricted for — expendable:     |   |                           |                               |
| Capital projects                 | 2,246,978   | -                         | 2,246,978                     |
| Debt service                     | <u>16,060</u>                                     | <u>-</u>                  | <u>16,060</u>                 |
| Total restricted                 | <u>2,263,038</u>                                  | <u>-</u>                  | <u>2,263,038</u>              |
| Unrestricted:                    |   |                           |                               |
| Designated for auxiliaries       | 40,952  | -                         | 40,952                        |
| Designated for fund managers     | 1,013,520   | -                         | 1,013,520                     |
| Undesignated                     | <u>1,250,395</u>                                  | <u>2,282,288</u>          | <u>(1,031,893)</u>            |
| Total unrestricted               | <u>2,304,867</u>                                  | <u>2,282,288</u>          | <u>22,579</u>                 |
| Total net position               | <u>\$ 42,620,493</u>                              | <u>\$ 2,282,288</u>       | <u>\$ 40,338,205</u>          |



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

11. NET POSITION (CONTINUED)

|                                  | <b>2019</b>                                       |                           |                               |
|----------------------------------|---|---------------------------|-------------------------------|
|                                  | <b>Net Position<br/>Before OPEB<br/>Liability</b> | <b>OPEB<br/>Liability</b> | <b>Total<br/>Net Position</b> |
| Net investment in capital assets | <u>\$ 38,529,785</u>                              | <u>\$ -</u>               | <u>\$ 38,529,785</u>          |
| Restricted for — expendable:     |   |                           |                               |
| Scholarships                     | 28,037  | -                         | 28,037                        |
| Capital projects                 | 2,471,968   | -                         | 2,471,968                     |
| Debt service                     | <u>743</u>  | <u>-</u>                  | <u>743</u>                    |
| Total restricted                 | <u>2,500,748</u>                                  | <u>-</u>                  | <u>2,500,748</u>              |
| Unrestricted:                    |   |                           |                               |
| Designated for auxiliaries       | 41,432  | -                         | 41,432                        |
| Designated for fund managers     | 1,272,663   | -                         | 1,272,663                     |
| Undesignated                     | <u>826,320</u>                                    | <u>2,974,842</u>          | <u>(2,148,522)</u>            |
| Total unrestricted               | <u>2,140,415</u>                                  | <u>2,974,842</u>          | <u>(834,427)</u>              |
| Total net position               | <u>\$ 43,170,948</u>                              | <u>\$ 2,974,842</u>       | <u>\$ 40,196,106</u>          |

12. RETIREMENT PLANS

Substantially all full-time employees of Pierpont participate in either the West Virginia Teachers' Retirement System (STRS) or the Teachers' Insurance and Annuities Association - College Retirement Equities Fund (TIAA-CREF). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants. Current participants in the STRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan. Contributions to and participation in the West Virginia Teachers' Defined Contribution Plan by Pierpont employees have not been significant to date.

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

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

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## 12. RETIREMENT PLANS (CONTINUED)

### DEFINED BENEFIT PENSION PLAN

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

As related to the implementation of GASB 68, following are Pierpont's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal years ended June 30, 2020 and 2019:

| STRS                           | 2020      | 2019      |
|--------------------------------|-----------|-----------|
| Net pension liability          | \$ 55,427 | \$ 51,892 |
| Deferred outflows of resources | 18,305    | 16,429    |
| Deferred inflows of resources  | 8,410     | 10,824    |
| Revenues                       | 16,135    | 11,869    |
| Pension expense                | 23,880    | 16,072    |
| Contributions made by Pierpont | 7,587     | 8,069     |

#### *Plan Description*

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

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

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

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## 12. RETIREMENT PLANS (CONTINUED)

### *Benefits Provided*

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

### *Contributions*

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

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

**Employer Contributions:** Employers make the following contributions:

The State (including institutions of higher education) contributes:

- 15% of gross salary of their State-employed members hired prior to July 1, 1991;
- 7.5% of the gross salary of their TRS covered employees hired for the first time after July 1, 2005 and for those TDCRS members who elected to transfer to TRS effective July 1, 2008;
- a certain percentage of fire insurance premiums paid by State residents; and
- under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the STRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2020 and 2019, Pierpont's proportionate share attributable to this special funding subsidy was \$16,135 and \$11,869, respectively.

Pierpont's contributions to STRS for the years ended June 30, 2020, 2019, and 2018, were \$7,587, \$8,069, and \$7,656, respectively.

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

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## 12. RETIREMENT PLANS (CONTINUED)

### *Assumptions*

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

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

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

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

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

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

12. RETIREMENT PLANS (CONTINUED)

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

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

**Sensitivity of the net pension liability to changes in the discount rate.** The following presents Pierpont's proportionate share of the STRS net pension liability as of June 30, 2020 and 2019 calculated using the discount rate of 7.50%, as well as what Pierpont's STRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

|                            | 1% Decrease<br>(6.50%) | Current Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|----------------------------|------------------------|----------------------------------|------------------------|
| Net pension liability 2020 | \$ 75,653              | \$ 55,427                        | \$ 38,126              |
| Net pension liability 2019 | 70,045                 | 51,892                           | 36,373                 |

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

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

At June 30, 2020, Pierpont's proportionate share of the STRS net pension liability was \$189,213. Of this amount, Pierpont recognized \$55,427 as its proportionate share on the statement of net position. The remainder of \$133,786 denotes Pierpont's proportionate share of net pension liability attributable to the special funding.

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

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## 12. RETIREMENT PLANS (CONTINUED)

At June 30, 2019, Pierpont's proportionate share of the STRS net pension liability was \$186,365. Of this amount, Pierpont recognized \$51,892 as its proportionate share on the statement of net position. The remainder of \$134,473 denotes Pierpont's proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to STRS for each of the fiscal years ended June 30, 2019 and 2018. Employer contributions are recognized when due. At the June 30, 2019 measurement date, Pierpont's proportion was 0.001863%, an increase of 0.000201% from its proportion of 0.001662% calculated as of June 30, 2018. At the June 30, 2018 measurement date, Pierpont's proportion was 0.001662%, a decrease of 0.000150% from its proportion of 0.001812% calculated as of June 30, 2017.

For the year ended June 30, 2020, Pierpont recognized STRS pension expense of \$23,880. Of this amount, \$7,745 was recognized as Pierpont's proportionate share of the STRS expense and \$16,135 as the amount of pension expense attributable to special funding from a non-employer contributing entity. Pierpont also recognized revenue of \$16,135 for support provided by the State.

For the year ended June 30, 2019, Pierpont recognized STRS pension expense of \$16,072. Of this amount, \$4,203 was recognized as Pierpont's proportionate share of the STRS expense and \$11,869 as the amount of pension expense attributable to special funding from a non-employer contributing entity. Pierpont also recognized revenue of \$11,869 for support provided by the State.

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

| <u>June 30, 2020</u>  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience              | \$ 277  | \$ 1,894                                     |
| Changes in proportion and differences in pension contributions  | 9,244   | 5,009  |
| Net difference between projected and actual investment earnings | -   | 1,507  |
| Changes in assumptions  | 1,197   | -  |
| Contributions after the measurement date                        | <u>7,587</u>                                  | <u>-</u>                                     |
| Total   | <u>\$ 18,305</u>                              | <u>\$ 8,410</u>                              |

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

12. RETIREMENT PLANS (CONTINUED)

| <u>June 30, 2019</u>  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience              | \$ 373  | \$ 1,046                                     |
| Changes in proportion and differences in pension contributions  | 6,375   | 7,076  |
| Net difference between projected and actual investment earnings | -   | 2,702  |
| Changes in assumptions  | 1,612   | -  |
| Contributions after the measurement date                        | <u>8,069</u>                                  | <u>-</u>                                     |
| Total   | <u>\$ 16,429</u>                              | <u>\$ 10,824</u>                             |

Pierpont will recognize the \$7,587 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the STRS net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in STRS pension expense as follows:

| <u>Fiscal Year Ended June 30,</u> | <u>Amortization</u> |
|-----------------------------------|---------------------|
| 2021                              | \$ 2,542            |
| 2022                              | (164)               |
| 2023                              | (607)               |
| 2024                              | <u>537</u>          |
|                                   | <u>\$ 2,308</u>     |

***Payables to the Pension Plan***

Pierpont did not report any amounts payable for normal contributions to the STRS as of June 30, 2020 and 2019.

**DEFINED CONTRIBUTION BENEFIT PLANS**

The TIAA-CREF and Educators Money are defined contribution benefit plans in which benefits are based solely upon amounts contributed, plus investment earnings. Employees who elect to participate in these plans are required to make a contribution equal to 6% of total annual compensation for the years ended June 30, 2020, 2019, and 2018. Pierpont matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF and Educators Money, which are not matched by Pierpont.

Total contributions to the TIAA-CREF for the years ended June 30, 2020, 2019, and 2018, were \$619,796, \$702,488, and \$628,350, respectively, which consisted of equal contributions from Pierpont and covered employees of \$309,898, \$351,244, and \$314,175, respectively.

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

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**12. RETIREMENT PLANS (CONTINUED)**

Total contributions to Educators Money for the years ended June 30, 2020, 2019, and 2018, were \$21,440, \$48,482, and \$45,144, respectively, which consisted of \$10,720, \$24,241, and \$22,572, from both Pierpont and from covered employees, respectively.

Pierpont's total payroll for the year ended June 30, 2020, was \$7,508,238, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were \$50,578, \$5,164,970, and \$178,660, respectively.

Pierpont's total payroll for the year ended June 30, 2019, was \$7,333,255, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were \$52,687, \$5,854,061, and \$404,015, respectively.

Pierpont's total payroll for the year ended June 30, 2018, was \$6,547,605, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were \$51,126, \$5,236,247, and \$376,197, respectively.

**13. FAIRMONT STATE FOUNDATION, INC.**

The Fairmont State Foundation, Inc. (the Foundation) is a separate nonprofit organization incorporated in the State whose purpose is to benefit the work and services of Fairmont State and Pierpont and their affiliated nonprofit organizations. The Foundation has a board of directors authorized to have 40 members selected by its Board members. At present, there are 26 members. In carrying out its responsibilities, the board of directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. The economic resources of the Foundation do not entirely benefit Pierpont. Since Pierpont was part of Fairmont State for many years, the Foundation has obtained resources designated for Pierpont's programs and/or students. The Foundation currently supports both Fairmont State and Pierpont, and there is no specific allocation plan at this time. Endowments designated to benefit Pierpont are under the control and management of the Foundation. Accordingly, the financial statements of the Foundation are not included in the accompanying financial statements because it is not entirely or almost entirely for the benefit of Pierpont.

The Foundation's assets totaled \$35,036,874 and \$33,477,946 at June 30, 2020 and 2019, with net assets of \$34,952,448 and \$33,458,532, respectively. Gifts, grants, and bequests to the Foundation totaled \$3,039,136 and \$3,741,595 in fiscal years 2020 and 2019, respectively.

Total funds expended by the Foundation in support of Pierpont activities totaled \$161,046 and \$300,892 during 2020 and 2019, respectively.



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

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**14. AFFILIATED ORGANIZATIONS AND OTHER STATE AGENCIES**

Pierpont receives funding or grants from and provides services to other state agencies, and utilizes services, supplies, and equipment provided by other state agencies. Amounts due from and due to other state agencies at June 30, are as follows:

|  | <u>2020</u>      | <u>2019</u>      |
|--|------------------|------------------|
| Due from:                                |                  |                  |
| Department of Commerce                   | \$ 7,046         | \$ 58,161        |
| Department of Education                  | -                | 14,165           |
| Department of Health and Human Resources | 56,203           | -                |
| Marshall University                      | 250              | -                |
|  | <u>\$ 63,499</u> | <u>\$ 72,326</u> |
| Due to:                                  |                  |                  |
| WVNET                                    | \$ 24,003        | \$ 4,208         |
| State Treasurer's Office                 | 1,137            | 5,809            |
|  | <u>\$ 25,140</u> | <u>\$ 10,017</u> |

**15. RELATED-PARTY TRANSACTIONS**

During fiscal year 2020, Pierpont and Fairmont State entered into a fee for service agreement that establishes the amount Pierpont will pay Fairmont State toward the costs of operation for shared ownership campuses. These costs are primary facility-related, including insurance costs, physical plant support areas, custodial services, and utilities for shared use campuses. Beyond the facility-related services, the only services provided by Fairmont State for fiscal year 2020 were copier services, mail services, and limited network services to the Locust Avenue Campus. In addition to the fee for service agreement, Pierpont will transfer to Fairmont State auxiliary and capital fee revenues collected from students with programs based on campuses shared with Fairmont State and the programs subject to the 2014 Arbitration Settlement. These transfers, except for capital fees, are primarily pledged revenues to bond funds and are required by bond covenants. Currently, certain fee for service terms for fiscal year 2021 are being reviewed, but have yet to be finalized. For fiscal year 2021, it is expected that Fairmont State will continue to provide facility-related services, mail services, and limited network services to the Locust Avenue Campus.

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

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### 15. RELATED-PARTY TRANSACTIONS (CONTINUED)

During fiscal year 2019, Pierpont and Fairmont State had a chargeback agreement in place for shared services between the institutions. Fiscal year 2019 transactions associated with the chargeback agreement and the fiscal year 2020 transfers of auxiliary and capital fee revenues are as follows:

|   | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| Revenues:   |             |             |
| Faculty services revenue                          | \$ -        | \$ 21,084   |
| E&G capital and debt service support revenue      | 382,089     | 628,635     |
| Expenses:   |             |             |
| Assessment for student activity costs             | -           | 22,362      |
| Assessment for auxiliary fees and debt service    | 429,868     | 591,456     |
| Assessment for faculty services                   | -           | 9,955       |
| Assessment for operating costs                    | -           | 1,500,375   |
| Assessment for support services                   | -           | 1,412,262   |
| Assessment for E&G capital and debt service costs | 334,516     | 541,836     |

Pierpont does not show any revenue for auxiliary support services due to Fairmont State's ownership of the auxiliaries.

During fiscal year 2020, Pierpont, having established independent operations, established an independent instance of Banner, the enterprise resource planning software commonly used by higher education institutions for financial reporting, human resources, financial aid, and other tracking and reporting, which has historically been shared with Fairmont State. Related to the launch of its own instance of Banner, effective July 1, 2019, Pierpont has completely independent student services, financial aid, and business office operations. The contract services referred to as chargeback services for teaching, administration, academic support, and student services ceased to exist beginning with fiscal year 2020, as Pierpont employees provide these functions directly. As long as Pierpont continues to share campuses with Fairmont State, there will be a need for physical plant and other services, which will be addressed through a service agreement.

### 16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT

House Bill 3215, effective July 1, 2008, provided for a separate governing board for Pierpont Community & Technical College. This legislation defined a statewide network of independently-accredited community and technical colleges and required the newly established Pierpont Board of Governors and Fairmont State University Board of Governors to jointly agree on a division of assets and liabilities. This agreement was executed on December 15, 2009, and was effective retroactively to July 1, 2009. The legislation requires a separate financial statement audit for Pierpont effective for fiscal year 2010 and all years thereafter.

Students have benefited and will continue to benefit from the relationship between Fairmont State University (FSU) and Pierpont Community and Technical College (PCTC). Those benefits include a lower cost of attendance realized from shared institutional infrastructure and reduced duplication of facilities.

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

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**16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)**

The Separation of Assets and Liabilities Agreement was executed to comply with the guidelines established through West Virginia Legislation as stated in the agreement as follows:

*“WHEREAS, West Virginia Code - §18B-2A-7a(e)(2008 supp.) states “For purposes of generating audited financial statements for inclusion in the higher education fund and state single audits, the division of all assets and liabilities shall be effective retroactively to the first day of July, two thousand nine.”*

*and*

*WHEREAS, West Virginia Code - §18B-2A-7a(2008 supp.) states as follows:*

- (g) Each former sponsoring institution and community and technical college shall enter into a comprehensive agreement to address the division of assets and liabilities and the allocation of revenues and expenditures between former sponsoring institutions and newly independent community and technical colleges.*
- (h) Absent manifest injustice as determined jointly by the Council and Commission, the following general principles apply to the division of assets and liabilities and allocation of revenues and expenditures between former sponsoring institutions and the newly independent community and technical colleges:
  - (1) For accounting purposes, the institution that assumes responsibility for any asset also shall assume responsibility for any associated liabilities.*
  - (2) Although one institution may assume responsibility for an asset and associated liabilities for accounting purposes, both institutions shall agree on their respective responsibilities for reducing and ultimately eliminating the liability over time if the asset was originally acquired and/or is being used for the benefit of both institutions.
    - (A) Any agreement to allocate system and institutional educational and general and auxiliary debt service payments shall be consistent with the provisions of all applicable bond covenants.*
    - (B) Absent a controlling bond covenant or other agreement, debt service payments associated with bond indebtedness presumptively shall be allocated based on the relative full-time equivalent student enrollment of the two institutions either as a whole or on the campus where the asset is located and may be adjusted annually to reflect enrollment changes at the two institutions.**
  - (3) The institutions shall agree to allocate educational and auxiliary capital fees in excess of those needed to cover bonded indebtedness to ensure that assets of both institutions are maintained in proper repair and that the institutions assume responsibility for a reasonable share of the total costs of maintaining the facilities.**

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

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**16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)**

*(4) The institutions shall develop a plan that ensures the financial stability of auxiliary enterprises, including but not limited to, student housing, student centers, dining services, parking, and athletics through fiscal year two thousand twelve.*

*(A) If community and technical college students pay a mandatory athletics fee for the benefit of a sponsoring institution, but receive no direct benefit from that fee, the community and technical college may phase out that fee over a five-year period.*

*(B) If certain community and technical college students were required to live in institution housing consistent with rules or policies in effect on the effective date of this section, the former sponsoring institution may continue to require these students to live in institution housing for at least one year."*

The Agreement also provides specific language in relation to outstanding bond indebtedness.

On June 12, 2012, Fairmont State, in conjunction with Pierpont, issued Revenue Refunding Bonds, Series 2012A in the principal amount of \$20,165,000 and Revenue Refunding Bonds, Series 2012B in the principal amount of \$30,160,000. Pierpont Board of Governors signed the Bond Indenture to evidence its agreement to certain covenants contained in the Indenture, which are applicable to Pierpont and to the pledge of fees imposed by it. The Official Statement for the bonds states, "*Pierpont is obligated to pay a portion of the debt service on the Series 2012 Bonds pursuant to a Separation of Assets and Liabilities Agreement, dated December 15, 2009, by and between the Issuer and Pierpont.*"

The Official Statement provides information to further explain the Separation of Assets Agreement and the application of it to all existing and future bond covenants.

Therefore, the Agreement pertains to the following current outstanding bond indebtedness:

*(A) Revenue Refunding Bonds 2012, Series A and Revenue Refunding Bonds 2012, Series B — On June 12, 2012, Fairmont State, in conjunction with Pierpont, issued Revenue Refunding Bonds Series A and Revenue Refunding Bonds Series B (the 2012 Bonds) amounting to \$20,165,000 and \$30,160,000, respectively. The 2012A Bonds were issued to (1) currently refund in full the outstanding 2002A and 2002B Bonds, and (2) pay the costs of issuance of the Series 2012A Bonds and related costs. The 2012 Bonds were issued to (1) advance refund in full the outstanding 2003A and 2003B Bonds, and (2) pay the costs of issuance of the Series 2012B Bonds and related costs.*

*(B) Fairmont State Board of Governors Subordinate Facilities Improvement Revenue Bonds, Series 2006 (the Series 2006 Bonds; the Series 2002A Bonds, the Series 2002B Bonds, the Series 2003A Bonds, the Series 2003B Bonds, and the Series 2006 Bonds are hereinafter referred to together as the Bonds), issued in the principal amount of \$8,500,000 pursuant to a Bond Authorizing Resolution adopted on May 3, 2006 (as supplemented and amended, the 2006 Resolution; the 2002A Indenture, the 2002B Indenture, the 2003A Indenture, the 2003B Indenture, and the 2006 Resolution, together with the other documents authorizing, securing, or otherwise relating to the Bonds, are hereinafter referred to together as the Bond Documents), and outstanding in the principal amount of \$3,173,444 and \$3,671,015 as of June 30, 2020 and 2019, respectively.*

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

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**16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)**

The Agreement further states the following in regard to bond indebtedness:

*“WHEREAS, in addition to the statutory requirements described above, the Bond Documents define Pierpont or University to include any successor thereto and, as such, bind both FSU and PCTC, and both FSU and PCTC have copies of the Bond Documents.*

*and*

*“WHEREAS, the Bond Documents set forth controlling bond covenants and require pledged revenues, and the intent of this document is to adhere to all existing and future bond covenants.”*

The Boards of Governors of Pierpont and Fairmont State agreed to the following terms for Separation of Assets and Liabilities to comply with the above stated West Virginia State Code and bond covenants:

*“Education and General Equipment Assets:*

- 1. Equipment assets regardless of whether they are charged back, whether they be presently owned or purchased in the future by either the FSU or the PCTC will be owned by the institution that the equipment was intended for and reflected on the appropriate institution’s equipment schedule.*

*Education and General Buildings and Infrastructure:*

- 1. All capital and infrastructure fees assessed to both FSU and PCTC students for the purpose of paying E&G building and infrastructure bonds, and provide for repair and renovation of same, continue to be collected under the terms outlined in the bond covenants.*
- 2. All E&G Capital Fee Revenue and Infrastructure Capital Fee Revenue in excess of bond payments will be used for repair and renovation projects. When sufficient E&G and Infrastructure Capital excess revenues are available to bond for additional new capital project improvements, the E&G, and Infrastructure Capital Fees will be utilized and/or retained for that specific purpose. Both the FSU and the PCTC assume a shared responsibility proportionate to the full-time equivalent (FTE) enrollment of each institution for the total cost of maintaining the facilities.*
- 3. Joint ownership of the E&G and Infrastructure Capital Assets and Liabilities shall be reflected on each Institution’s Financial Statements at the end of each year. The percentage of ownership of assets and liabilities will be assigned and based on the average fall term census date credit hour enrollments (FTE) over the most recent ten (10) years.*
- 4. All land assets will be owned by FSU and land deeds will stay in the name of FSU Board of Governors.*
- 5. Should either institution, after paying off all E&G and Auxiliary bond debt, upon proper acknowledgement of its ongoing obligations under existing bond covenants, decide to build and move its own campus, that institution agrees to sell its ownership rights to the E&G building assets to the other institution at an agreed upon price.*

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

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**16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)**

6. *All new capital projects that are provided to FSU and PCTC through state appropriations, bonding and/or student capital fee initiatives, that add to the joint ownership of assets and liabilities on a shared campus, will be assigned proportionately based on the average fall term census date credit hour enrollments (FTE) over the most recent ten (10) years. Any capital project designated to only FSU or only to PCTC and not located on a shared campus will be added to the assets and liabilities of the institution to which the capital project is specified.*

*Auxiliary Enterprises:*

1. *Assets and related liabilities of the Auxiliary Enterprises (Athletics, Bookstore, Conference Center, Convenience Store, Copy Center, Facilities [Parking & Security], Housing, and Recreation Center) are owned by FSU and all students of both FSU and PCTC who attend class on the main campus and/or pay user fees will have access to these facilities and activities.*
2. *All auxiliary-related student fees approved by the FSU BOG and the PCTC BOG and the Higher Education Policy Commission and the Community and Technical College Council, for the operation, debt service, and repair and maintenance of auxiliary enterprise facilities will be dedicated and provided to those specific Auxiliary Funds for appropriate indicated purposes. All Auxiliary net revenues annually are designated to support future costs of the auxiliary enterprise fund(s) and are managed by FSU for the benefit of each auxiliary enterprise.*
3. *Auxiliary Enterprise Bond Covenant obligations of FSU and PCTC will be met by continuing to honor the requirements stipulated in those covenants, and both FSU and PCTC students will be required to pay the fees stipulated in all Bond Document covenants.*
4. *FSU is responsible for managing the operation of the Auxiliary Enterprises, and maintaining the Auxiliary facilities in good repair.*
5. *All capital projects for the Auxiliary Enterprises will be approved by the FSU BOG.*
6. *Scholarship dollars provided from the non-athletic auxiliary enterprise funds will be allocated proportionately to FSU and PCTC students based on the percentage (%) of student fee contributions made to these funds from the respective FSU and PCTC students."*

The Agreement further specifies the methodology for the assignment of bond debt as follows:

*"The Bond Debt assigned to each institution's balance sheet for E&G facilities is allocated based on the average of the past ten (10) years of credit hour enrollments. This average allocated 65.66% of the debt to FSU and 34.34% to the PCTC as of July 1, 2009. The assignment of debt for the Auxiliary facilities will be with the FSU since the FSU will own the assets. However, the PCTC students will continue to pay all Auxiliary fees based on the requirements of those bonds. The allocation of Bond Debt by this Agreement does not affect the obligation of both FSU and PCTC to the bondholders to pay the principal of and interest on the Bonds as the same come due."*

As of June 30, 2020, the average allocated 31.28% of the debt to Pierpont and 68.72% of the debt to Fairmont State. As of June 30, 2019, the average allocated 31.65% of the debt to Pierpont and 68.35% of the debt to Fairmont State.

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

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**16. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT (CONTINUED)**

The Series 2012 A and Series 2012 B Continuing Disclosure Agreement provides for disclosure of Annual Financial Information to the Trustee and bond rating agencies. This information includes the Audited Financial Statements of Fairmont State and the Audited Financial Statements of Pierpont. The fees imposed by Pierpont do not secure the 2015A Bonds issued by Fairmont State.

The financial statements have been prepared to comply with the Separation of Assets and Liabilities Agreement.

**17. CONTINGENCIES**

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

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

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

PIERPONT COMMUNITY & TECHNICAL COLLEGE

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

18. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

| Function                          | 2020                |                     |                     |                   |                     |                     |                                       |  |                                 |                                |                                 |                    |                                 |             | Function Total       |
|-----------------------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------------------------|--|---------------------------------|--------------------------------|---------------------------------|--------------------|---------------------------------|-------------|----------------------|
|                                   | Salaries and Wages  | Benefits            | Supplies and Others | Utilities         | Scholarships        | Depreciation        | Assessment for Student Activity Costs | Assessment for Auxiliary Fees and Debt Service | Assessment for Faculty Services | Assessment for Operating Costs | Assessment for Support Services | Loan Cancellations | Fees Assessed by the Commission |             |                      |
| Auxiliary enterprises             | \$ -                | \$ -                | \$ -                | \$ -              | \$ -                | \$ -                | \$ -                                  | \$ 429,868                                     | \$ -                            | \$ -                           | \$ -                            | \$ -               | \$ -                            | \$ -        | \$ 429,868           |
| Instruction                       | 5,068,646           | 986,178             | 1,036,980           | 67,453            | 15,302              | -                   | -                                     | -  | -                               | -                              | -                               | -                  | -                               | -           | 7,174,559            |
| Public service                    | 1,094               | -                   | -                   | -                 | -                   | -                   | -                                     | -  | -                               | -                              | -                               | -                  | -                               | -           | 1,094                |
| Academic support                  | 79,466              | -                   | 60,103              | -                 | 8,500               | -                   | -                                     | -  | -                               | -                              | -                               | -                  | -                               | -           | 148,069              |
| Student services                  | 904,332             | 249,027             | 194,618             | 5,452             | 9,500               | -                   | -                                     | -  | -                               | -                              | -                               | -                  | -                               | -           | 1,362,929            |
| General institutional support     | 1,527,650           | 198,789             | 2,777,944           | 95,453            | 191,781             | -                   | -                                     | -  | -                               | -                              | -                               | -                  | 108,490                         | -           | 4,900,107            |
| Operation and maintenance         | -                   | -                   | 91,033              | -                 | -                   | -                   | -                                     | -  | -                               | -                              | -                               | -                  | -                               | -           | 91,033               |
| Student financial aid             | 41,275              | 123                 | 23,319              | 790               | 2,108,616           | -                   | -                                     | -  | -                               | -                              | -                               | -                  | -                               | -           | 2,174,123            |
| Depreciation                      | -                   | -                   | -                   | -                 | -                   | 1,743,526           | -                                     | -  | -                               | -                              | -                               | -                  | -                               | -           | 1,743,526            |
| Loan cancellations and write-offs | -                   | -                   | -                   | -                 | -                   | -                   | -                                     | -  | -                               | -                              | -                               | 469,133            | -                               | -           | 469,133              |
| <b>TOTAL</b>                      | <b>\$ 7,622,463</b> | <b>\$ 1,434,117</b> | <b>\$ 4,183,997</b> | <b>\$ 169,148</b> | <b>\$ 2,333,699</b> | <b>\$ 1,743,526</b> | <b>\$ -</b>                           | <b>\$ 429,868</b>                              | <b>\$ -</b>                     | <b>\$ -</b>                    | <b>\$ -</b>                     | <b>\$ 469,133</b>  | <b>\$ 108,490</b>               | <b>\$ -</b> | <b>\$ 18,494,441</b> |

| Function                          | 2019                |                     |                     |                   |                     |                     |                                       |  |                                 |                                |                                 |                    |                                 |             | Function Total       |
|-----------------------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------------------------|--|---------------------------------|--------------------------------|---------------------------------|--------------------|---------------------------------|-------------|----------------------|
|                                   | Salaries and Wages  | Benefits            | Supplies and Others | Utilities         | Scholarships        | Depreciation        | Assessment for Student Activity Costs | Assessment for Auxiliary Fees and Debt Service | Assessment for Faculty Services | Assessment for Operating Costs | Assessment for Support Services | Loan Cancellations | Fees Assessed by the Commission |             |                      |
| Auxiliary enterprises             | \$ -                | \$ -                | \$ -                | \$ -              | \$ -                | \$ -                | \$ -                                  | \$ 591,456                                     | \$ -                            | \$ -                           | \$ -                            | \$ -               | \$ -                            | \$ -        | \$ 591,456           |
| Instruction                       | 4,908,795           | 949,540             | 1,263,339           | 94,824            | 6,638               | -                   | -                                     | -  | 9,955                           | -                              | -                               | -                  | -                               | -           | 7,233,091            |
| Public service                    | 36,869              | -                   | 20,486              | 12                | 5,460               | -                   | -                                     | -  | -                               | -                              | -                               | -                  | -                               | -           | 62,827               |
| Academic support                  | 113,742             | 163,479             | 111,855             | -                 | 7,475               | -                   | -                                     | -  | -                               | 187,201                        | 173,001                         | -                  | -                               | -           | 756,753              |
| Student services                  | 748,186             | 78,914              | 239,207             | -                 | 4,000               | -                   | 22,362                                | -  | -                               | 11,648                         | 131,701                         | -                  | -                               | -           | 1,236,018            |
| General institutional support     | 1,464,522           | 402,898             | 1,062,930           | 66,193            | 10,091              | -                   | -                                     | -  | -                               | 477,083                        | 665,874                         | -                  | 100,232                         | -           | 4,249,823            |
| Operation and maintenance         | -                   | 9,728               | 79,905              | -                 | -                   | -                   | -                                     | -  | -                               | 824,443                        | 441,686                         | -                  | -                               | -           | 1,355,762            |
| Student financial aid             | 57,053              | 6,555               | -                   | -                 | 1,429,391           | -                   | -                                     | -  | -                               | -                              | -                               | -                  | -                               | -           | 1,492,999            |
| Depreciation                      | -                   | -                   | -                   | -                 | -                   | 1,763,753           | -                                     | -  | -                               | -                              | -                               | -                  | -                               | -           | 1,763,753            |
| Loan cancellations and write-offs | -                   | -                   | -                   | -                 | -                   | -                   | -                                     | -  | -                               | -                              | -                               | 155,929            | -                               | -           | 155,929              |
| <b>TOTAL</b>                      | <b>\$ 7,329,167</b> | <b>\$ 1,611,114</b> | <b>\$ 2,777,722</b> | <b>\$ 161,029</b> | <b>\$ 1,463,055</b> | <b>\$ 1,763,753</b> | <b>\$ 22,362</b>                      | <b>\$ 591,456</b>                              | <b>\$ 9,955</b>                 | <b>\$ 1,500,375</b>            | <b>\$ 1,412,262</b>             | <b>\$ 155,929</b>  | <b>\$ 100,232</b>               | <b>\$ -</b> | <b>\$ 18,898,411</b> |



**ADDITIONAL INFORMATION**

**SCHEDULE OF NET POSITION INFORMATION**  
**YEAR ENDED JUNE 30, 2020**

| All Funds   | Board of<br>Governors<br>Support Fund | Unrestricted,<br>Restricted, and<br>Other Funds | Internal<br>Fund<br>Eliminations | Total<br>Institution |
|---|---------------------------------------|---|----------------------------------|----------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS</b>                     |                                       |   |                                  |                      |
| <b>CURRENT ASSETS:</b>                                  |                                       |   |                                  |                      |
| Cash and cash equivalents                               | \$ 2,007,407                          | \$ 5,640,155                                    | \$ -                             | \$ 7,647,562         |
| Accounts receivable — net                               | 8,157                                 | 570,405   | -                                | 578,562              |
| Total current assets                                    | <u>2,015,564</u>                      | <u>6,210,560</u>                                | <u>-</u>                         | <u>8,226,124</u>     |
| <b>NONCURRENT ASSETS:</b>                               |                                       |   |                                  |                      |
| Cash and cash equivalents                               | 431                                   | -   | -                                | 431                  |
| Other noncurrent assets                                 | -                                     | 46,052  | -                                | 46,052               |
| Capital assets — net                                    | 19,647,484                            | 21,199,327                                      | -                                | 40,846,811           |
| Total noncurrent assets                                 | <u>19,647,915</u>                     | <u>21,245,379</u>                               | <u>-</u>                         | <u>40,893,294</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                  |                                       |   |                                  |                      |
| Deferred outflows relating to the net pension liability | -                                     | 18,305  | -                                | 18,305               |
| Deferred outflows relating to the net OPEB liability    | -                                     | 268,117   | -                                | 268,117              |
| Total deferred outflows of resources                    | <u>-</u>                              | <u>286,422</u>                                  | <u>-</u>                         | <u>286,422</u>       |
| <b>TOTAL</b>  | <u>\$ 21,663,479</u>                  | <u>\$ 27,742,361</u>                            | <u>\$ -</u>                      | <u>\$ 49,405,840</u> |
| <b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>  |                                       |   |                                  |                      |
| <b>CURRENT LIABILITIES:</b>                             |                                       |   |                                  |                      |
| Accounts payable  | \$ 3,420                              | \$ 236,447                                      | \$ -                             | \$ 239,867           |
| Due to Commission                                       | -                                     | -   | -                                | -                    |
| Due to Fairmont State — current portion                 | 7,126                                 | 32,510  | -                                | 39,636               |
| Accrued liabilities — payroll                           | -                                     | 1,091,652                                       | -                                | 1,091,652            |
| Retainages payable                                      | 4,010                                 | -   | -                                | 4,010                |
| Unearned revenue and deposits                           | -                                     | 1,088,452                                       | -                                | 1,088,452            |
| Compensated absences — current portion                  | -                                     | 280,658   | -                                | 280,658              |
| Debt obligation due to Commission — current portion     | 61,055                                | -   | -                                | 61,055               |
| Debt obligation due to Fairmont State — current portion | 248,124                               | -   | -                                | 248,124              |
| Total current liabilities                               | <u>323,735</u>                        | <u>2,729,719</u>                                | <u>-</u>                         | <u>3,053,454</u>     |
| <b>NONCURRENT LIABILITIES:</b>                          |                                       |   |                                  |                      |
| Net other postemployment benefits liability             | -                                     | 2,282,288                                       | -                                | 2,282,288            |
| Due to Fairmont State                                   | -                                     | -   | -                                | -                    |
| Compensated absences                                    | -                                     | 134,643   | -                                | 134,643              |
| Debt obligation due to Commission                       | 434,893                               | -   | -                                | 434,893              |
| Debt obligation due to Fairmont State                   | 2,046,141                             | -   | -                                | 2,046,141            |
| Net pension liability                                   | -                                     | 55,427  | -                                | 55,427               |
| Total noncurrent liabilities                            | <u>2,481,034</u>                      | <u>2,472,358</u>                                | <u>-</u>                         | <u>4,953,392</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                   |                                       |   |                                  |                      |
| Deferred inflows relating to the net pension liability  | -                                     | 8,410   | -                                | 8,410                |
| Deferred inflows relating to the net OPEB liability     | -                                     | 1,052,379                                       | -                                | 1,052,379            |
| Total deferred inflows of resources                     | <u>-</u>                              | <u>1,060,789</u>                                | <u>-</u>                         | <u>1,060,789</u>     |
| <b>NET POSITION:</b>                                    |                                       |   |                                  |                      |
| Net investment in capital assets                        | <u>16,853,261</u>                     | <u>21,199,327</u>                               | <u>-</u>                         | <u>38,052,588</u>    |
| Restricted for — expendable:                            |                                       |   |                                  |                      |
| Scholarships  | -                                     | -   | -                                | -                    |
| Capital projects  | 1,989,389                             | 257,589   | -                                | 2,246,978            |
| Debt service  | 16,060                                | -   | -                                | 16,060               |
| Total restricted  | <u>2,005,449</u>                      | <u>257,589</u>                                  | <u>-</u>                         | <u>2,263,038</u>     |
| Unrestricted E&G Plant and President's Control          | -                                     | (1,031,893)                                     | -                                | (1,031,893)          |
| Unrestricted Auxiliary and Fund Manager Funds           | -                                     | 1,054,472                                       | -                                | 1,054,472            |
| Total unrestricted                                      | <u>-</u>                              | <u>22,579</u>                                   | <u>-</u>                         | <u>22,579</u>        |
| Total net position                                      | <u>18,858,710</u>                     | <u>21,479,495</u>                               | <u>-</u>                         | <u>40,338,205</u>    |
| <b>TOTAL</b>  | <u>\$ 21,663,479</u>                  | <u>\$ 27,742,361</u>                            | <u>\$ -</u>                      | <u>\$ 49,405,840</u> |

See note to schedules.

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INFORMATION**  
**YEAR ENDED JUNE 30, 2020**

| All Funds   | Board of<br>Governors<br>Support Fund | Unrestricted,<br>Restricted, and<br>Other Funds | Internal<br>Fund<br>Eliminations | Total<br>Institution |
|---|---------------------------------------|---|----------------------------------|----------------------|
| <b>OPERATING REVENUES:</b>  |                                       |   |                                  |                      |
| Student tuition and fees — net  | \$ -                                  | \$ 3,602,393                                    | \$ -                             | \$ 3,602,393         |
| Auxiliary enterprise revenue  | -                                     | 548,825   | -                                | 548,825              |
| Contracts and grants:   |                                       |   |                                  |                      |
| Federal   | -                                     | 889,240   | -                                | 889,240              |
| State/local   | -                                     | 2,215,384                                       | -                                | 2,215,384            |
| Private   | -                                     | 151,035   | -                                | 151,035              |
| Faculty services revenue  | -                                     | -   | -                                | -                    |
| Miscellaneous — net   | 357                                   | 323,590   | -                                | 323,947              |
| Total operating revenues  | <u>357</u>                            | <u>7,730,467</u>                                | <u>-</u>                         | <u>7,730,824</u>     |
| <b>OPERATING EXPENSES:</b>  |                                       |   |                                  |                      |
| Salaries and wages  | -                                     | 7,622,463                                       | -                                | 7,622,463            |
| Benefits  | -                                     | 1,434,117                                       | -                                | 1,434,117            |
| Supplies and other services   | 49,881                                | 4,134,116                                       | -                                | 4,183,997            |
| Utilities   | -                                     | 169,148   | -                                | 169,148              |
| Student financial aid — scholarships and fellowships  | -                                     | 2,333,699                                       | -                                | 2,333,699            |
| Depreciation  | 922,382                               | 821,144   | -                                | 1,743,526            |
| Assessment for student activity costs   | -                                     | -   | -                                | -                    |
| Assessment for auxiliary fees and debt service  | -                                     | 429,868   | -                                | 429,868              |
| Assessment for faculty services   | -                                     | -   | -                                | -                    |
| Assessment for operating costs  | -                                     | -   | -                                | -                    |
| Assessment for support services   | -                                     | -   | -                                | -                    |
| Loan cancellations and write-offs   | -                                     | 469,133   | -                                | 469,133              |
| Fees assessed by the Commission for operations  | 7,083                                 | 101,407   | -                                | 108,490              |
| Total operating expenses  | <u>979,346</u>                        | <u>17,515,095</u>                               | <u>-</u>                         | <u>18,494,441</u>    |
| <b>OPERATING LOSS</b>   | <u>(978,989)</u>                      | <u>(9,784,628)</u>                              | <u>-</u>                         | <u>(10,763,617)</u>  |
| <b>NONOPERATING REVENUES (EXPENSES):</b>  |                                       |   |                                  |                      |
| State appropriations  | -                                     | 7,820,129                                       | -                                | 7,820,129            |
| Federal Pell grant revenue  | -                                     | 2,775,001                                       | -                                | 2,775,001            |
| Federal CARES Act revenue   | -                                     | 298,400   | -                                | 298,400              |
| Gifts   | -                                     | 9,409   | -                                | 9,409                |
| E&G capital and debt service support revenue  | 533,614                               | -   | (151,525)                        | 382,089              |
| Investment income   | 31,253                                | 57,506  | -                                | 88,759               |
| Assessment for E&G capital and debt service costs   | -                                     | (486,041)                                       | 151,525                          | (334,516)            |
| Fees assessed by the Commission for debt service  | (25,040)                              | (1,174)   | -                                | (26,214)             |
| Fees assessed by Fairmont State for debt service  | (67,257)                              | -   | -                                | (67,257)             |
| Net nonoperating revenues   | <u>472,570</u>                        | <u>10,473,230</u>                               | <u>-</u>                         | <u>10,945,800</u>    |
| <b>INCREASE (DECREASE) IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES, AND TRANSFER</b> | <b>(506,419)</b>                      | <b>688,602</b>                                  | <b>-</b>                         | <b>182,183</b>       |
| <b>PAYMENTS MADE AND EXPENSES INCURRED BY THE COMMISSION ON BEHALF OF PIERPONT</b>                        | <b>17,982</b>                         | <b>22,890</b>                                   | <b>-</b>                         | <b>40,872</b>        |
| <b>PAYMENTS MADE AND EXPENSES INCURRED BY THE STATE ON BEHALF OF PIERPONT</b>                             | <b>-</b>                              | <b>154,502</b>                                  | <b>-</b>                         | <b>154,502</b>       |
| <b>CAPITAL PROJECTS PROCEEDS FROM THE STATE</b>   | <b>7,046</b>                          | <b>-</b>  | <b>-</b>                         | <b>7,046</b>         |
| <b>INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFER</b>  | <b>(481,391)</b>                      | <b>865,994</b>                                  | <b>-</b>                         | <b>384,603</b>       |
| <b>TRANSFER OF NET POSITION TO FAIRMONT STATE</b>   | <b>(224,824)</b>                      | <b>(17,680)</b>                                 | <b>-</b>                         | <b>(242,504)</b>     |
| <b>NET INCREASE (DECREASE) IN NET POSITION</b>  | <b>(706,215)</b>                      | <b>848,314</b>                                  | <b>-</b>                         | <b>142,099</b>       |
| <b>NET POSITION — Beginning of year</b>   | <b>19,564,925</b>                     | <b>20,631,181</b>                               | <b>-</b>                         | <b>40,196,106</b>    |
| <b>NET POSITION — End of year</b>   | <b>\$ 18,858,710</b>                  | <b>\$ 21,479,495</b>                            | <b>\$ -</b>                      | <b>\$ 40,338,205</b> |

See note to schedules.

**SCHEDULE OF CASH FLOW INFORMATION**  
**YEAR ENDED JUNE 30, 2020**

|   | Board of<br>Governors<br>Support Fund | Unrestricted,<br>Restricted, and<br>Other Funds | Internal<br>Fund<br>Eliminations | Total<br>Institution |
|---|---------------------------------------|---|----------------------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                |                                       |   |                                  |                      |
| Student tuition and fees                                    | \$ -                                  | \$ 7,361,990                                    | \$ -                             | \$ 7,361,990         |
| Contracts and grants  | -                                     | 3,719,147                                       | -                                | 3,719,147            |
| Payments to and on behalf of employees                      | -                                     | (9,235,672)                                     | -                                | (9,235,672)          |
| Payments to suppliers                                       | 9,615                                 | (4,012,536)                                     | -                                | (4,002,921)          |
| Payments to utilities                                       | -                                     | (169,148)                                       | -                                | (169,148)            |
| Payments for scholarships and fellowships                   | -                                     | (6,475,317)                                     | -                                | (6,475,317)          |
| Auxiliary enterprise charges                                | -                                     | 548,825   | -                                | 548,825              |
| Fees assessed by the Commission                             | (7,083)                               | (101,407)                                       | -                                | (108,490)            |
| Other receipts — net  | 357                                   | 323,590   | -                                | 323,947              |
| Assessment for support services                             | -                                     | -   | -                                | -                    |
| Assessment for student activity costs                       | -                                     | -   | -                                | -                    |
| Assessment for auxiliary fees and debt service              | -                                     | (429,868)                                       | -                                | (429,868)            |
| Faculty services revenue                                    | -                                     | -   | -                                | -                    |
| Assessment for faculty services                             | -                                     | -   | -                                | -                    |
| Assessment for operating cost                               | -                                     | -   | -                                | -                    |
|   | <u>2,889</u>                          | <u>(8,470,396)</u>                              | <u>-</u>                         | <u>(8,467,507)</u>   |
| <b>Net cash provided by (used in) operating activities</b>  |                                       |   |                                  |                      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>     |                                       |   |                                  |                      |
| State appropriations  | -                                     | 7,820,129                                       | -                                | 7,820,129            |
| Federal Pell grant revenues                                 | -                                     | 2,775,001                                       | -                                | 2,775,001            |
| Federal CARES Act revenues                                  | -                                     | 298,400   | -                                | 298,400              |
| Gift receipts   | -                                     | 9,409   | -                                | 9,409                |
| William D. Ford direct lending receipts                     | -                                     | 4,141,618                                       | -                                | 4,141,618            |
| William D. Ford direct lending payments                     | -                                     | (4,141,618)                                     | -                                | (4,141,618)          |
| Transfers to Fairmont State                                 | (23,521)                              | -   | -                                | (23,521)             |
| Transfers from Fairmont State                               | 39,836                                | -   | -                                | 39,836               |
|   | <u>16,315</u>                         | <u>10,902,939</u>                               | <u>-</u>                         | <u>10,919,254</u>    |
| <b>Net cash provided by noncapital financing activities</b> |                                       |   |                                  |                      |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>        |                                       |   |                                  |                      |
| Capital bond proceeds from State                            | 7,046                                 | -   | -                                | 7,046                |
| E&G capital and debt service support revenue                | 533,614                               | -   | (151,525)                        | 382,089              |
| Fees assessed by the Commission                             | (25,040)                              | (1,174)   | -                                | (26,214)             |
| Purchases of capital assets                                 | (165,767)                             | (985,336)                                       | -                                | (1,151,103)          |
| Assessment for E&G capital and debt service costs           | -                                     | (486,041)                                       | 151,525                          | (334,516)            |
| Payments to the Commission on debt obligation               | (65,119)                              | -   | -                                | (65,119)             |
| Payments to Fairmont State on debt obligation               | (272,064)                             | -   | -                                | (272,064)            |
| Fees assessed by Fairmont State                             | (67,257)                              | -   | -                                | (67,257)             |
|   | <u>(54,587)</u>                       | <u>(1,472,551)</u>                              | <u>-</u>                         | <u>(1,527,138)</u>   |
| <b>Net cash used in capital financing activities</b>        |                                       |   |                                  |                      |
| CASH FLOW FROM INVESTING ACTIVITY — Investment income       | <u>31,253</u>                         | <u>57,506</u>                                   | <u>-</u>                         | <u>88,759</u>        |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS            | (4,130)                               | 1,017,498                                       | -                                | 1,013,368            |
| CASH AND CASH EQUIVALENTS — Beginning of year               | <u>2,011,968</u>                      | <u>4,622,657</u>                                | <u>-</u>                         | <u>6,634,625</u>     |
| CASH AND CASH EQUIVALENTS — End of year                     | <u>\$ 2,007,838</u>                   | <u>\$ 5,640,155</u>                             | <u>\$ -</u>                      | <u>\$ 7,647,993</u>  |

(Continued)

**SCHEDULE OF CASH FLOW INFORMATION**  
**YEAR ENDED JUNE 30, 2020**

|  | Board of<br>Governors<br>Support Fund | Unrestricted,<br>Restricted, and<br>Other Funds | Internal<br>Fund<br>Eliminations | Total<br>Institution  |
|--|---------------------------------------|---|----------------------------------|-----------------------|
| RECONCILIATION OF NET OPERATING LOSS TO  |                                       |   |                                  |                       |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:   |                                       |   |                                  |                       |
| Operating loss   | \$ (978,989)                          | \$ (9,784,628)                                  | \$ -                             | \$ (10,763,617)       |
| Adjustments to reconcile net operating loss to net cash used in operating activities:              |                                       |   |                                  |                       |
| Depreciation expense   | 922,382                               | 821,144   | -                                | 1,743,526             |
| Pension expense — special funding situation  | -                                     | 16,135  | -                                | 16,135                |
| OPEB expense — special funding situation   | -                                     | 138,367   | -                                | 138,367               |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: |                                       |   |                                  |                       |
| Receivables — net  | 53,918                                | (123,375)                                       | -                                | (69,457)              |
| Inventories  | -                                     | -   | -                                | -                     |
| Deferred outflows of resources   | -                                     | 104,079   | -                                | 104,079               |
| Accounts payable   | 1,892                                 | 121,580   | -                                | 123,472               |
| Retainages payable   | 4,010                                 | -   | -                                | 4,010                 |
| Accrued liabilities — payroll  | -                                     | 125,620   | -                                | 125,620               |
| Compensated absences   | -                                     | (67,935)  | -                                | (67,935)              |
| Other postemployment benefits liability  | -                                     | (692,554)                                       | -                                | (692,554)             |
| Net pension liability  | -                                     | 3,535   | -                                | 3,535                 |
| Deferred inflows of resources  | -                                     | 306,782   | -                                | 306,782               |
| Unearned revenue and deposits  | (324)                                 | 560,854   | -                                | 560,530               |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES  | <u>\$ 2,889</u>                       | <u>\$ (8,470,396)</u>                           | <u>\$ -</u>                      | <u>\$ (8,467,507)</u> |
| NONCASH TRANSACTIONS:  |                                       |   |                                  |                       |
| Property additions in retainages payable   | <u>\$ 4,010</u>                       | <u>\$ -</u>                                     | <u>\$ -</u>                      | <u>\$ 4,010</u>       |
| Payments made and expenses incurred by the Commission on behalf of Pierpont                        | <u>\$ 17,982</u>                      | <u>\$ 22,890</u>                                | <u>\$ -</u>                      | <u>\$ 40,872</u>      |
| Transfer to Fairmont State (exclusive of \$16,315 of cash)   | <u>\$ (224,824)</u>                   | <u>\$ (17,680)</u>                              | <u>\$ -</u>                      | <u>\$ (242,504)</u>   |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:                      |                                       |   |                                  |                       |
| Cash and cash equivalents classified as current  |                                       |   |                                  | \$ 7,647,562          |
| Cash and cash equivalents classified as noncurrent   |                                       |   |                                  | <u>431</u>            |
|  |                                       |   |                                  | <u>\$ 7,647,993</u>   |
| See note to schedules.   |                                       |   |                                  | (Concluded)           |

PIERPONT COMMUNITY & TECHNICAL COLLEGE

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION  
 YEAR ENDED JUNE 30, 2020

| INTERNAL FUND: BOG SUPPORT        |                       |             |                        |             |              |                   |                       |  |                   |
|-----------------------------------|-----------------------|-------------|------------------------|-------------|--------------|-------------------|-----------------------|--|-------------------|
| Function                          | Salaries<br>and Wages | Benefits    | Supplies<br>and Others | Utilities   | Scholarships | Depreciation      | Loan<br>Cancellations | Fees<br>Assessed<br>by the<br>Commission | Function<br>Total |
| Auxiliary enterprises             | \$ -                  | \$ -        | \$ -                   | \$ -        | \$ -         | \$ -              | \$ -                  | \$ -                                     | \$ -              |
| Instruction                       | -                     | -           | -                      | -           | -            | -                 | -                     | -  | -                 |
| Public service                    | -                     | -           | -                      | -           | -            | -                 | -                     | -  | -                 |
| Academic support                  | -                     | -           | -                      | -           | -            | -                 | -                     | -  | -                 |
| Student services                  | -                     | -           | -                      | -           | -            | -                 | -                     | -  | -                 |
| General institutional support     | -                     | -           | -                      | -           | -            | -                 | -                     | 7,083                                    | 7,083             |
| Operation and maintenance         | -                     | -           | 49,881                 | -           | -            | -                 | -                     | -  | 49,881            |
| Student financial aid             | -                     | -           | -                      | -           | -            | -                 | -                     | -  | -                 |
| Depreciation                      | -                     | -           | -                      | -           | -            | 922,382           | -                     | -  | 922,382           |
| Loan cancellations and write-offs | -                     | -           | -                      | -           | -            | -                 | -                     | -  | -                 |
| <b>TOTAL</b>                      | <u>\$ -</u>           | <u>\$ -</u> | <u>\$ 49,881</u>       | <u>\$ -</u> | <u>\$ -</u>  | <u>\$ 922,382</u> | <u>\$ -</u>           | <u>\$ 7,083</u>                          | <u>\$ 979,346</u> |

PIERPONT COMMUNITY & TECHNICAL COLLEGE

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION  
 YEAR ENDED JUNE 30, 2020

INTERNAL FUND: UNRESTRICTED, RESTRICTED, AND OTHER FUNDS

| Function                             | Salaries<br>and Wages | Benefits            | Supplies<br>and Others | Utilities         | Scholarships        | Depreciation      | Assessment<br>for Student<br>Activity<br>Costs | Assessment<br>for Auxiliary<br>Fees and<br>Debt Service | Assessment<br>for Faculty<br>Services | Assessment<br>for Operating<br>Costs | Assessment<br>for Support<br>Services | Loan<br>Cancellations | Fees<br>Assessed<br>by the<br>Commission | Function<br>Total    |
|--------------------------------------|-----------------------|---------------------|------------------------|-------------------|---------------------|-------------------|--|---|---------------------------------------|--------------------------------------|---------------------------------------|-----------------------|--|----------------------|
| Auxiliary enterprises                | \$ -                  | \$ -                | \$ -                   | \$ -              | \$ -                | \$ -              | \$ -   | \$ 429,868  | \$ -                                  | \$ -                                 | \$ -                                  | \$ -                  | \$ -                                     | \$ 429,868           |
| Instruction                          | 5,068,646             | 986,178             | 1,036,980              | 67,453            | 15,302              | -                 | -  | -   | -                                     | -                                    | -                                     | -                     | -  | 7,174,559            |
| Public service                       | 1,094                 | -                   | -                      | -                 | -                   | -                 | -  | -   | -                                     | -                                    | -                                     | -                     | -  | 1,094                |
| Academic support                     | 79,466                | -                   | 60,103                 | -                 | 8,500               | -                 | -  | -   | -                                     | -                                    | -                                     | -                     | -  | 148,069              |
| Student services                     | 904,332               | 249,027             | 194,618                | 5,452             | 9,500               | -                 | -  | -   | -                                     | -                                    | -                                     | -                     | -  | 1,362,929            |
| General institutional<br>support     | 1,527,650             | 198,789             | 2,777,944              | 95,453            | 191,781             | -                 | -  | -   | -                                     | -                                    | -                                     | -                     | 101,407                                  | 4,893,024            |
| Operation and<br>maintenance         | -                     | -                   | 41,152                 | -                 | -                   | -                 | -  | -   | -                                     | -                                    | -                                     | -                     | -  | 41,152               |
| Student financial aid                | 41,275                | 123                 | 23,319                 | 790               | 2,108,616           | -                 | -  | -   | -                                     | -                                    | -                                     | -                     | -  | 2,174,123            |
| Depreciation                         | -                     | -                   | -                      | -                 | -                   | 821,144           | -  | -   | -                                     | -                                    | -                                     | -                     | -  | 821,144              |
| Loan cancellations<br>and write-offs | -                     | -                   | -                      | -                 | -                   | -                 | -  | -   | -                                     | -                                    | -                                     | 469,133               | -  | 469,133              |
| <b>TOTAL</b>                         | <u>\$ 7,622,463</u>   | <u>\$ 1,434,117</u> | <u>\$ 4,134,116</u>    | <u>\$ 169,148</u> | <u>\$ 2,333,699</u> | <u>\$ 821,144</u> | <u>\$ -</u>                                    | <u>\$ 429,868</u>                                       | <u>\$ -</u>                           | <u>\$ -</u>                          | <u>\$ -</u>                           | <u>\$ 469,133</u>     | <u>\$ 101,407</u>                        | <u>\$ 17,515,095</u> |

**PIERPONT COMMUNITY & TECHNICAL COLLEGE****NOTE TO SCHEDULES  
YEAR ENDED JUNE 30, 2020**

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**1. INTERNAL FUND FINANCIAL DATA**

The additional information schedules are included to comply with the requirements of the Council to provide financial information for all internal funds of Pierpont. This presentation provides financial information for Pierpont and BOG Support. The BOG Support fund comprises Pierpont's ownership based on the Separation of Assets and Liabilities Agreement, which was 31.28% as of June 30, 2020. The BOG Support fund consists of capital funds for all E&G shared bonding and plant repairs and replacements, plant and other capitalized assets, and grants in support of capital projects.

**Financial Schedules** - The BOG Support information in the supplemental schedules was produced from the financial reporting system maintained by Fairmont State. Pierpont has an independent financial reporting system and the Unrestricted, Restricted, and Other Funds financial information was produced from Pierpont's financial database.

The following represents additional footnotes regarding auxiliary and capital fees and clarification on fiscal year 2020 changes from the previous chargeback agreement.

- a. *Revenues* — Pierpont has established independent finance operations, and all revenues are managed through Pierpont's independent database. Auxiliary and capital fee collections subject to sharing with Fairmont State are transferred by Pierpont to Fairmont State. Most of these transferred fees are pledged on revenue bonds and must be transferred to maintain compliance with bond covenants. Housing and meal plan collections are paid to Fairmont State based on student occupancy and participation.
- b. *Expenses* — During fiscal year 2020, Pierpont and Fairmont State entered into a fee for service agreement and discontinued the annual chargeback agreement including faculty services, support services, and operating expenses. The costs incurred under the fee for service agreement are included in supplies and other services on the financial statements. As of June 30, 2020, the net OPEB liability is the only accrual entry that was associated with Fairmont State and was applied based on the calculated ownership rate since Pierpont's portion of the liability was still included with Fairmont State's liability in the RHBT audited allocation schedules for the year ended June 30, 2019.



**REQUIRED SUPPLEMENTARY INFORMATION**

**PIERPONT COMMUNITY & TECHNICAL COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
JUNE 30, 2020**

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

|  | <u>2020</u>       | <u>2019</u>       | <u>2018</u>       | <u>2017</u>       | <u>2016</u>       | <u>2015</u>       | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------|-------------|-------------|-------------|
| Pierpont's proportion of the net pension liability (asset) (percentage)                                    | 0.001863%         | 0.001662%         | 0.001812%         | 0.001903%         | 0.001644%         | 0.001606%         |             |             |             |             |
| Pierpont's proportionate share of the net pension liability (asset)  | \$ 55,427         | \$ 51,892         | \$ 62,604         | \$ 78,224         | \$ 56,969         | \$ 55,395         |             |             |             |             |
| State's proportionate share of the net pension liability (asset)   | <u>133,786</u>    | <u>134,473</u>    | <u>138,439</u>    | <u>148,997</u>    | <u>130,012</u>    | <u>125,169</u>    |             |             |             |             |
| Total proportionate share of the net pension liability (asset)   | <u>\$ 189,213</u> | <u>\$ 186,365</u> | <u>\$ 201,043</u> | <u>\$ 227,221</u> | <u>\$ 186,981</u> | <u>\$ 180,564</u> |             |             |             |             |
| Pierpont's covered payroll   | \$ 52,687         | \$ 51,126         | \$ 50,008         | \$ 49,195         | \$ 49,845         | \$ 49,311         |             |             |             |             |
| Pierpont's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 105.20%           | 101.50%           | 125.19%           | 159.01%           | 114.29%           | 112.34%           |             |             |             |             |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 72.64%            | 71.20%            | 67.85%            | 61.42%            | 66.25%            | 65.95%            |             |             |             |             |

\* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date).

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

**PIERPONT COMMUNITY & TECHNICAL COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS  
JUNE 30, 2020**

**State Teachers' Retirement System**

Last 10 Fiscal Years

|  | <u>2020</u>    | <u>2019</u>    | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|-------------|-------------|-------------|-------------|
| Contractually required contribution                                  | \$ 7,587       | \$ 8,069       | \$ 7,656       | \$ 7,501       | \$ 7,379       | \$ 7,477       |             |             |             |             |
| Contributions in relation to the contractually required contribution | <u>(7,587)</u> | <u>(8,069)</u> | <u>(7,656)</u> | <u>(7,501)</u> | <u>(7,379)</u> | <u>(7,477)</u> |             |             |             |             |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |             |             |             |             |
| Pierpont's covered payroll   | \$ 50,578      | \$ 52,687      | \$ 51,126      | \$ 50,008      | \$ 49,195      | \$ 49,845      |             |             |             |             |
| Contributions as a percentage of covered payroll                     | 15.00%         | 15.31%         | 14.97%         | 15.00%         | 15.00%         | 15.00%         |             |             |             |             |

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

**PIERPONT COMMUNITY & TECHNICAL COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
JUNE 30, 2020**

Last 10 Fiscal Years\*

|  | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|---------------------|---------------------|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Pierpont's proportion of the net OPEB liability (asset) (percentage)   | 0.137559207%        | 0.138659143%        | 0.132195612%        |             |             |             |             |             |             |             |
| Pierpont's proportionate share of the net OPEB liability (asset)   | \$ 2,282,288        | \$ 2,974,842        | \$ 3,250,676        |             |             |             |             |             |             |             |
| State's proportionate share of the net OPEB liability (asset)  | <u>467,058</u>      | <u>614,821</u>      | <u>667,693</u>      |             |             |             |             |             |             |             |
| Total proportionate share of the net OPEB liability (asset)  | <u>\$ 2,749,346</u> | <u>\$ 3,589,663</u> | <u>\$ 3,918,369</u> |             |             |             |             |             |             |             |
| Pierpont's covered-employee payroll  | \$ 5,235,890        | \$ 4,830,737        | \$ 4,600,880        |             |             |             |             |             |             |             |
| Pierpont's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 43.59%              | 61.58%              | 70.65%              |             |             |             |             |             |             |             |
| Plan fiduciary net position as a percentage of the total OPEB liability  | 39.69%              | 30.98%              | 25.10%              |             |             |             |             |             |             |             |

\* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date).

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

**PIERPONT COMMUNITY & TECHNICAL COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OPEB CONTRIBUTIONS  
JUNE 30, 2020**

Last 10 Fiscal Years

|  | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|------------------|------------------|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Statutorily required contribution                                  | \$ 177,168       | \$ 249,410       | \$ 247,742       |             |             |             |             |             |             |             |
| Contributions in relation to the statutorily required contribution | <u>(177,168)</u> | <u>(249,410)</u> | <u>(247,742)</u> |             |             |             |             |             |             |             |
| Contribution deficiency (excess)                                   | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |             |             |             |             |             |             |             |
| Pierpont's covered-employee payroll                                | \$ 5,189,805     | \$ 5,235,890     | \$ 4,830,737     |             |             |             |             |             |             |             |
| Contributions as a percentage of covered-employee payroll          | 3.41%            | 4.76%            | 5.13%            |             |             |             |             |             |             |             |

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

**PIERPONT COMMUNITY TECHNICAL COLLEGE  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION  
YEARS ENDED JUNE 30, 2020 AND 2019**

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

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

**PIERPONT COMMUNITY TECHNICAL COLLEGE  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION  
YEARS ENDED JUNE 30, 2020 AND 2019**

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

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

**PIERPONT COMMUNITY TECHNICAL COLLEGE  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
YEARS ENDED JUNE 30, 2020 AND 2019**

Actuarial Changes Other Postemployment Benefits Plan

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

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





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

Board of Governors  
Pierpont Community & Technical College  
Fairmont, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Pierpont Community & Technical College (Pierpont), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Pierpont's financial statements, and have issued our report thereon dated October 1, 2020.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pierpont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pierpont's internal control. Accordingly, we do not express an opinion on the effectiveness of Pierpont's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pierpont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

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

Charleston, West Virginia

October 1, 2020