

**WEST VIRGINIA HIGHER EDUCATION
POLICY COMMISSION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019



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**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
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YEARS ENDED JUNE 30, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

West Virginia Higher Education Policy Commission
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the West Virginia Higher Education Policy Commission (the Commission) (a component unit of the West Virginia Higher Education Fund) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audits. We did not audit the financial statements of West Virginia Regional Technology Park Corporation (the Corporation) for the years ended June 30, 2020 and 2019, which represent 33%, (37)%, and 17%, respectively, of total assets, total net position, and total revenues of the Commission in 2020 and 32%, (37)%, and 17%, respectively, of total assets, total net position, and total revenues of the Commission in 2019. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Corporation, is based solely on the report of such other auditors. We, and the auditors for the Corporation, 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Commission as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in conformity 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, the Schedule of Proportionate Share of TRS Net Pension Liability, Schedule of Employer Contributions, Schedule of Proportionate Share of Net OPEB Liability, and Schedule of Employer Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

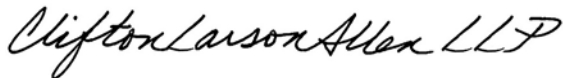
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the West Virginia Higher Education Policy Commission's financial statements. The combining schedule of net position and combining schedule of revenues, expenses, and changes in net position (the Supplementary Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic 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 14, 2020 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 14, 2020

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The Management's Discussion and Analysis is required supplementary information and has been prepared in accordance with the requirements of Governmental Accounting Standards Board (GASB) Standards.

The following discussion and analysis of the West Virginia Higher Education Policy Commission's (the Commission) financial statements provides an overview of its financial activities for the years ended June 30, 2020 and 2019 with a primary focus on the current year. Three years of comparative data are provided for discussion and analysis purposes. There are three financial statements presented: the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

Statement of Net Position

The statement of net position presents the assets, liabilities, deferred outflows, and deferred inflows of resources and net position of the Commission as of June 30, 2020 and 2019. The statement of net position is a point of time financial statement. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of the Commission. The statement of net position presents end-of-year data concerning Assets (current and noncurrent), Deferred Outflows, Liabilities (current and noncurrent), Deferred Inflows, and Net Position (assets and deferred outflows minus liabilities and deferred inflows).

From the data presented, readers of the statement of net position are able to determine the resources available to continue the operations of the Commission. They are also able to determine how much the Commission owes vendors, employees and lending institutions as well as the amount of deferred inflows and outflows. Finally, the statement of net position provides a picture of the net position (assets and deferred outflows minus liabilities and deferred inflows).

Net position is divided into three major categories. The first category, net investment in capital assets provides the Commission's equity in land, buildings, furniture, and equipment owned by the Commission. The next net position category is restricted, which is divided into two categories, nonexpendable and expendable. The nonexpendable restricted category is used for an endowment program where funds are invested and the earnings are available for expenditure but the original principal is not. The Commission does not use the nonexpendable category because it does not have an endowment program. The expendable restricted category reflects amounts that are available for expenditure by the Commission but have a specific purpose. The final category is unrestricted. The unrestricted category is used to record amounts that are available to be used for any lawful purpose of the Commission. The deficit is primarily attributable to the 2004, 2007, 2010, 2012 and the two 2017 bond issuances proceeds which were transferred to the Institutions for their capital projects without any assets being received by the Commission in return.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019**

Statement of Net Position (Continued)

Condensed Statements of Net Position
(in thousands of dollars)

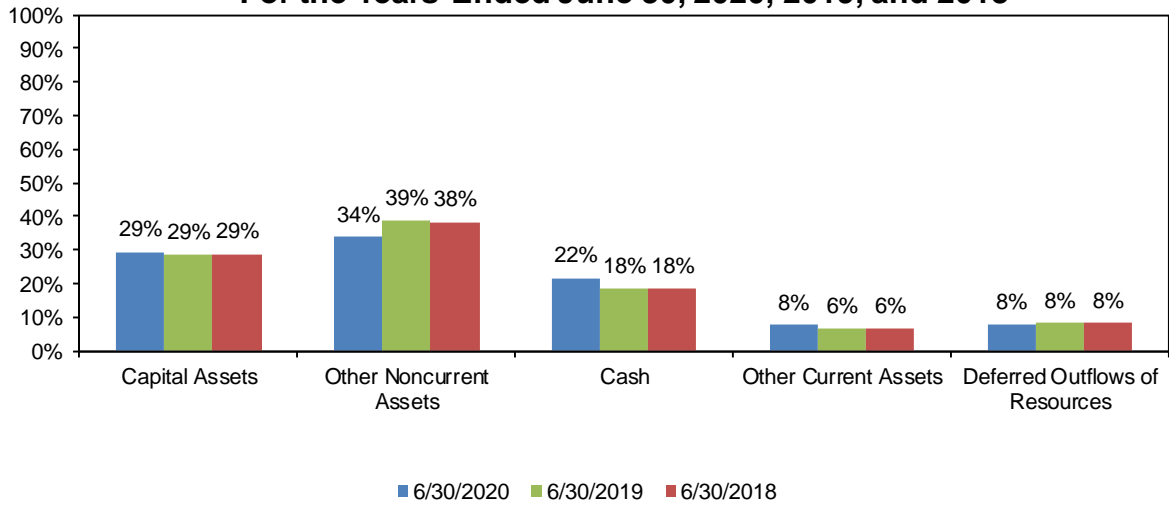
| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|-------------------|
| Assets | | | |
| Current Assets | \$ 58,371 | \$ 56,652 | \$ 52,418 |
| Other Noncurrent Assets | 67,354 | 75,634 | 81,368 |
| Capital Assets, Net | <u>58,634</u> | <u>59,239</u> | <u>61,020</u> |
| Total Assets | 184,359 | 191,525 | 194,806 |
| | | | |
| Deferred Outflows | <u>15,278</u> | <u>16,297</u> | <u>17,335</u> |
| | | | |
| Total Assets and Deferred Outflows | <u>\$ 199,637</u> | <u>\$ 207,822</u> | <u>\$ 212,141</u> |
| | | | |
| Liabilities | | | |
| Current Liabilities | \$ 28,470 | \$ 29,490 | \$ 27,929 |
| Noncurrent Liabilities | 321,743 | 339,810 | 357,526 |
| Total Liabilities | <u>350,213</u> | <u>369,300</u> | <u>385,455</u> |
| | | | |
| Deferred Inflows | 1,163 | 796 | 631 |
| | | | |
| Net Position | | | |
| Invested in Capital Assets | 58,069 | 58,520 | 60,154 |
| Restricted - Expendable | 40,913 | 38,391 | 39,298 |
| Unrestricted | <u>(250,721)</u> | <u>(259,185)</u> | <u>(273,397)</u> |
| Total Net Position | <u>(151,739)</u> | <u>(162,274)</u> | <u>(173,945)</u> |
| | | | |
| Total Liabilities, Deferred Inflows, and Net Position | <u>\$ 199,637</u> | <u>\$ 207,822</u> | <u>\$ 212,141</u> |

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019**

Statement of Net Position (Continued)

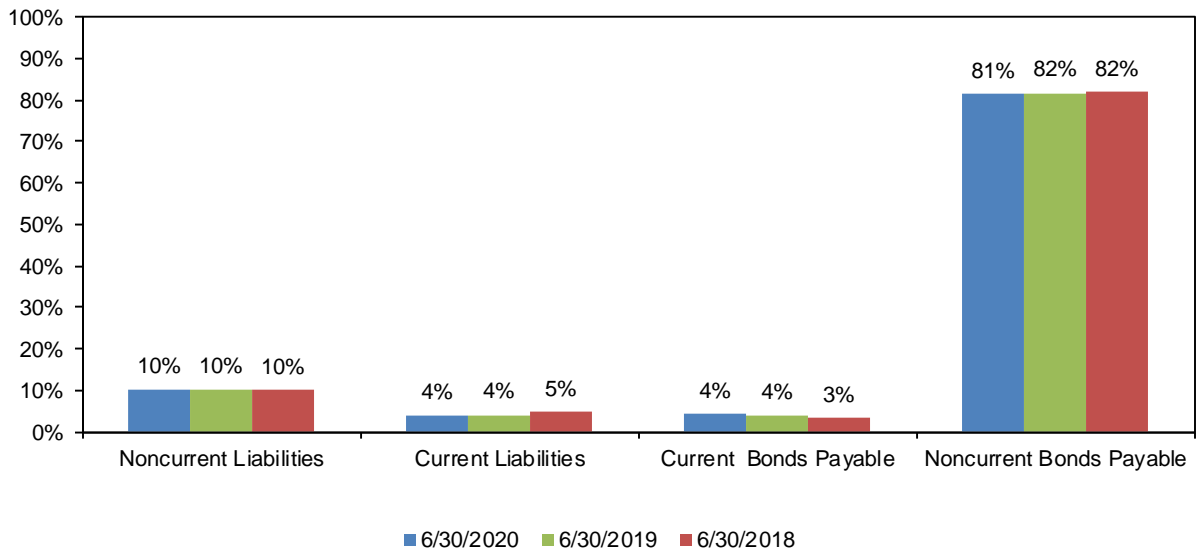
Assets and Deferred Outflows Composition

For the Years Ended June 30, 2020, 2019, and 2018



Liabilities Composition

For the Years Ended June 30, 2020, 2019, and 2018



**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019**

Statement of Net Position (Continued)

Major items of note in the statements of net position include:

- As of June 30, 2020, the Commission's financial statements reflect a receivable from the higher education institutions (an internal obligation) related to principal payments owed by the Commission on system-wide debt obligations that were issued on behalf of the University and College Systems before the 2004 issuance. Prior to fiscal year 2002, the system debt had been reflected solely as an obligation of the Commission and the requirement of the institutions to contribute funds to repay this debt was disclosed in a footnote. The internal assignment of this liability was shown as a transfer in the statement of revenue, expenses, and changes in net position during fiscal year 2002. On the statement of net position as of June 30, 2020 a receivable has been recorded for Institutional obligations totaling \$50.3 million out of the total amount due from Institutions of \$53.5 million as compared to \$87.5 million in debt including outstanding University System Bonds of \$40.1 million plus future interest payable of \$37.2 million, but not including bond premiums. As discussed later, the Commission debt for bonds issued in fiscal year 2005 (2004 Series B Bonds), fiscal year 2009 (2009 Series A Bonds), and fiscal year 2011 (2010 Series A, B, and C Bonds) and fiscal year 2012 (Series A and B Bonds) is not allocated to the Institutions as the funding will be forthcoming from excess Lottery Commission proceeds.
- As of June 30, 2020, total current assets of \$58.4 million exceeded total current liabilities of \$28.5 million. As of June 30, 2019, total current assets of \$56.7 million exceeded total current liabilities of \$29.5 million. As of June 30, 2018, total current assets of \$52.4 million exceeded total current liabilities of \$27.9 million. By the nature of the Commission, significant funds flow through the operations reported in these financial statements with further distribution to the West Virginia public institutions in subsequent years based on the decisions of the Commission.
 - Current cash balances at June 30, 2020 were \$43.3 million compared to cash balances as of June 30, 2019 and 2018 of \$42.2 million and \$38.8 million, respectively.
 - Current receivables from the Institutions totaled approximately \$6.9 million as of June 30, 2020, and \$6.5 million and \$6.6 million as of June 30, 2019 and 2018, respectively. These receivables primarily represent the Institutions' current obligations for principal payments to be paid on the University and College system-wide bond obligations.
 - Current liabilities total \$28.5 million, \$29.5 million, and \$27.9 million as of June 30, 2020, 2019, and 2018, respectively. In FY 2020, deposits decreased \$1.2 million because lottery revenues received for the Promise scholarships decreased. The current portion of bonds payable increased \$448,000 and accounts payable decreased by \$332,000. The amounts due to affiliates declined by \$366,000.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019**

Statement of Net Position (Continued)

- As of June 30, 2020, 2019, and 2018, noncurrent assets totaled \$126.0 million, \$134.9 million, and \$142.3 million, respectively.
 - Except for capital assets, the most significant portion of noncurrent assets are the receivables from the Institutions that are primarily related to the University and College system-wide bonds. These obligations totaled \$46.6 million as of June 30, 2020 compared to \$51.3 million at June 30, 2019 and \$57.9 million at June 30, 2018. The other amounts due from Institutions reflect the advances made to certain Institutions.
 - Noncurrent cash totaled \$18.4 million as of June 30, 2020, compared to \$22.1 million as of June 30, 2019 and \$21.2 million as of June 30, 2018. In FY 2008, the Legislature appropriated \$7.0 million for an energy savings program. During FY 2020, these loans exceeded loan repayments by \$1.5 million. During FY 2019, the amount of the repayments for these loans exceeded loans by \$667,000. The Commission expanded about \$1.4 million in cash for institutional capital projects during FY 2020 and about \$1.5 million in FY 2019. During FY 2019, the Commission received about \$7.2 million in proceeds from the issuance of the 2017 Series Community and technical College Capital Improvements Revenue Refunding Bonds. The amounts on deposit on June 30, 2020 and 2019, and payable on July 1, 2020 and 2019 for the 2018 bond principal payments were \$1.9 and \$1.8 million, respectively.
- The primary noncurrent liability represents the actual system-wide bonds outstanding, as further described in Note 8 to the financial statements. At June 30, 2020, 2019, and 2018 noncurrent bonds payable totaled \$285.9 million, \$302.4 million, and \$318.5 million, respectively, plus future interest payable on bonds of \$32.3 million as of June 30, 2020, \$33.7 million as of June 30, 2019, and \$34.7 million as of June 30, 2018. The future interest includes payments, which commenced in FY 2014 and are classified as a current liability. In FY 2020, FY 2019, and FY 2018, the related current liability is \$4.9 million, \$4.8 million, and \$4.6 million, respectively.
- Total net position of the Commission was a deficit of \$151.7 million, \$162.3 million, and \$173.9 million, as of June 30, 2020, 2019, and 2018, respectively.
 - Net investment in capital assets of \$58.1 million is primarily the capital assets of the West Virginia Regional Technology Park.
 - The major components of restricted net position as of June 30, 2020 are as follows:
 - ✓ Funds restricted for scholarship programs total \$11.5 million
 - ✓ Funds restricted for sponsored projects total \$7.9 million
 - ✓ Funds restricted for capital projects total \$11.4 million
 - ✓ Funds restricted for debt service total \$10.1 million
 - The unrestricted net deficit of \$250.7 million is primarily because of bonds outstanding where the funds were provided to the institutions for capital additions but the repayments will be made from excess Lottery funds, if available.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019**

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the statement of net position are based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of the statement is to present the revenues of the Commission, both operating and nonoperating, and the expenses of the Commission, operating and nonoperating, and any other revenues, expenses, gains and losses of the Commission.

Operating revenues are fees from the Institutions that the Commission by statute can assess them to support the Commission's operations and various initiatives. Additional operating revenue comes from the sale of various services to public and private higher education institutions, public and private K-12, and other state government agencies. Revenue is also received in the form of federal and state grants. Operating expenses are those expenses incurred in the form of staff salaries, benefits and various goods and services to carry out the mission of the Commission. Revenues for which goods and services are not provided are reported as nonoperating revenues. For example, state appropriations are nonoperating because they are provided by the Legislature to the Commission without the Legislature directly receiving commensurate goods and services for those revenues.

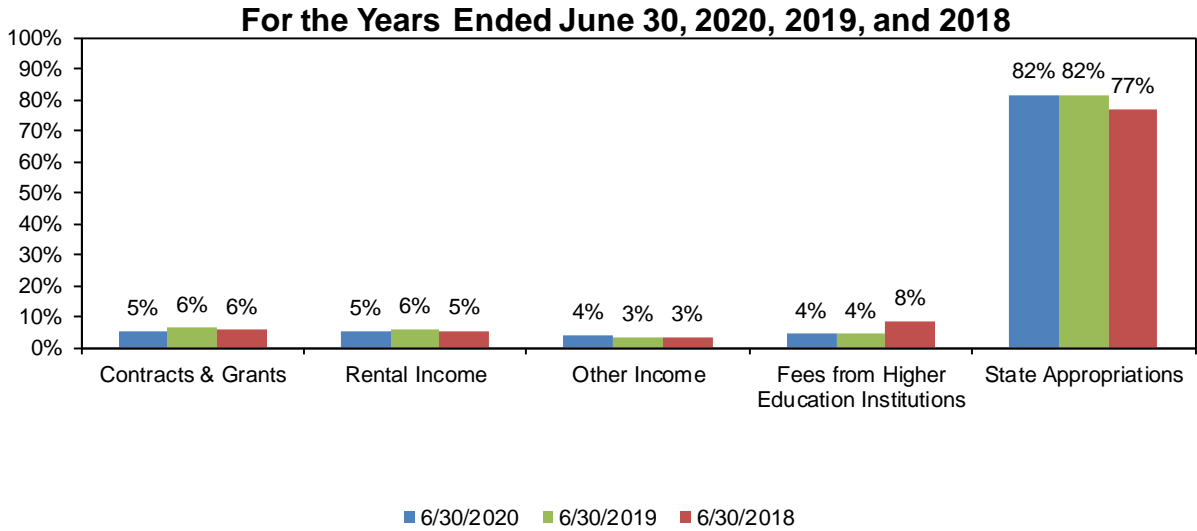
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(in thousands of dollars)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|---------------------|
| Operating Revenues | \$ 17,648 | \$ 19,137 | \$ 21,891 |
| Operating Expenses | <u>26,002</u> | <u>26,659</u> | <u>28,150</u> |
| Operating Loss | (8,354) | (7,522) | (6,259) |
| Net Nonoperating Revenues | <u>22,530</u> | <u>21,253</u> | <u>13,488</u> |
| Gain Before Other Revenues, Expenses, Gains, Losses, or Transfers | 14,176 | 13,731 | 7,229 |
| Capital Payments and Transfers to Institutions and Outside Entities | <u>(3,641)</u> | <u>(2,060)</u> | <u>(3,720)</u> |
| Increase in Net Position | 10,535 | 11,671 | 3,509 |
| Net Position - Beginning of Year | <u>(162,274)</u> | <u>(173,945)</u> | <u>(177,454)</u> |
| Net Position - End of Year | <u>\$ (151,739)</u> | <u>\$ (162,274)</u> | <u>\$ (173,945)</u> |

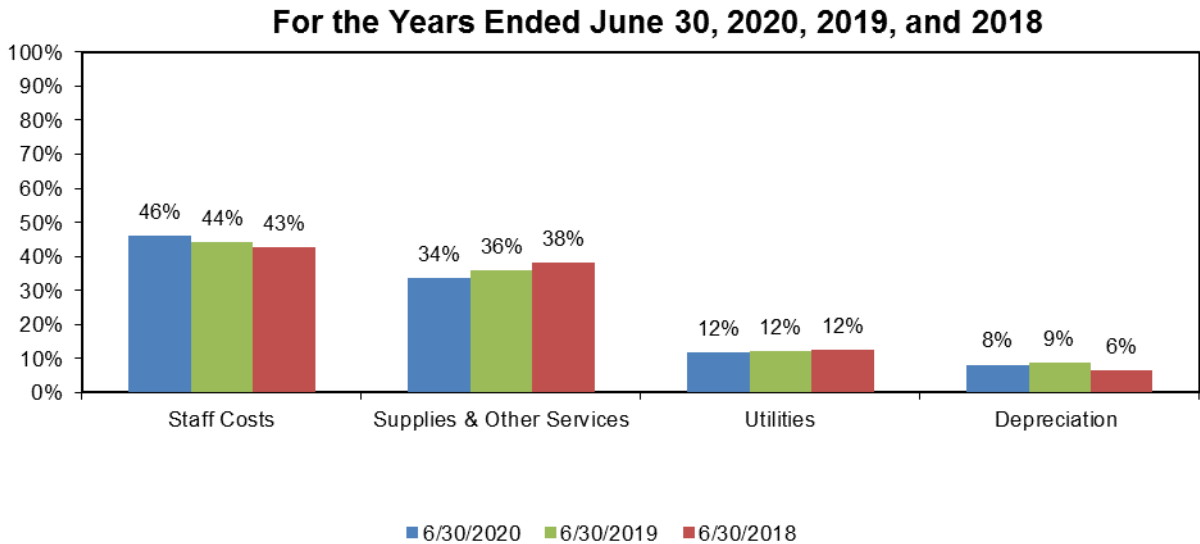
**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019**

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Total Revenues



Total Operating Expenses



**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019**

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Major items of note in the statements of revenue, expenses, and change in net position include:

- Operating revenues of the Commission totaled \$17.6 million in FY 2020 compared to \$19.1 million in FY 2019 and \$21.9 million in FY 2018.
 - The amount of fees collected from higher education institutions for the operations of the Commission totaled about \$4.1 million for FY 2020, \$4.2 million for FY 2019, and \$8.0 million for FY 2018. About \$4.5 million in fees previously collected by the Commission for the Higher Education Resource Assessment were instead financed by the state appropriations in FY 2020. Institutional collections by WVNET increased \$96 in FY2020 and \$794,000 in FY 2019.
 - Federal, State, and local grants totaled \$4.9 million in FY 2020 compared to \$6.0 million in FY 2019 and \$5.3 million in FY 2018.
 - Rental income was \$5.1 million, \$5.6 million, and \$5.2 million in FY 2020, FY 2019, and FY 2018, respectively, and is received from tenants occupying space within the West Virginia Regional Technology Park. Lease and service revenues are from four major tenants. The increase in rental income is due to additional space occupied by existing tenants and additional revenues received from new tenants.
- Operating expenses totaled \$26.0 million in FY 2020, \$26.7 million in FY 2019, and \$28.2 in FY 2018. During FY 2020, supplies and other services as well as utility expenses declined over previous years. Positions were not filled in response to state budget reductions.
- Net nonoperating revenue of \$22.5 million in FY 2020 compared to \$21.3 million in FY 2019 and \$13.5 million in FY 2018.
 - State general revenue and lottery appropriations were \$79.7 million in FY 2020 compared to \$79.0 million in FY 2019 and \$74.4 million in FY 2018. Appropriation totaling \$4.5 million replaced the Higher Education Resource Assessment previously collected from the institutions.
 - Expenditures for student financial aid and other payments to institutions totaled \$49.4 million in FY 2020 compared to \$49.2 million in FY 2019 and \$51.1 million in FY 2018.
 - Interest on indebtedness declined from \$17.4 million in FY 2019 to \$16.7 million in FY 2020.
 - Investment income decreased \$303,000 in FY 2020.

Statement of Cash Flows

The final statement presented by the Commission is the statement of cash flows. The statement of cash flows presents detailed information about the cash activity of the Commission during the year.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019**

Statement of Cash Flows (Continued)

The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash provided or used by the operating activities of the Commission. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth part reconciles the net cash used in operating activities to the operating income or loss reflected on the statements of revenues, expenses, and changes in net position.

Condensed Statements of Cash Flows
(in thousands of dollars)

| | 2020 | 2019 | 2018 |
|---|------------------|------------------|------------------|
| Cash Provided (Used) by: | | | |
| Operating Activities | \$ (7,683) | \$ (6,370) | \$ (593) |
| Noncapital Financing Activities | 31,398 | 30,485 | 27,500 |
| Capital Financing Activities | (23,530) | (21,746) | (25,429) |
| Investing Activities | 926 | 1,073 | 570 |
| Increase in Cash and Cash Equivalents | 1,111 | 3,442 | 2,048 |
| Cash and Cash Equivalents - Beginning of Year | 42,230 | 38,788 | 36,740 |
| Cash and Cash Equivalents - End of Year | <u>\$ 43,341</u> | <u>\$ 42,230</u> | <u>\$ 38,788</u> |

Major items of note in the cash flow statement include:

- Net cash used by operating activities in FY 2020, FY 2019, and FY 2018 was (\$7.7) million, (\$6.4) million, and (\$0.6) million, respectively. Major reconciling items in all fiscal years from the operating loss reported on the statements of revenue, expenses, and changes in net position include depreciation expense and fluctuations in accounts receivable, accounts payable, and accrued liabilities.
- Net cash provided by noncapital financing activities in FY 2020, FY 2019, and FY 2018 was \$31.4 million, \$30.5 million and 27.5 million, respectively. Noncapital financing sources and uses of funds include state appropriations, receipts for fiduciary governmental entities and disbursements to fiduciary governmental entities and payments to institutions.
- Net cash used in capital financing activities totaled \$23.5 million, \$21.7 million, and \$25.4 million, in FY 2020, FY 2019, and FY 2018, respectively. Capital payments to institutions, purchases of capital assets, disbursements of bond principal and interest payments were offset by the receipt of bond proceeds and capital grants.
- Net cash provided by investing activities totaled \$0.9 million in FY 2020, \$1.1 million in FY 2019, and \$0.57 million in FY 2018.
- Total cash increased by \$1.1 million, \$3.4 million, and \$2.0 million in FY 2020, FY 2019, and FY 2018, respectively, ending the years at \$43.3 million at June 30, 2020, \$42.2 million at June 30, 2019, and \$38.8 million at June 30, 2018.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019**

Long-Term Debt Activity

On November 7, 2017, the Commission issued Series 2017 West Virginia Higher Education Policy Commission Community and Technical Colleges Capital Improvement Revenue Refunding Bonds to advance refund the outstanding principal amount of the state of West Virginia Higher Education Policy Commission Community and Technical Colleges Capital Improvement Revenue Refunding Bonds, 2009 Series A and to provide funds to finance the acquisition, construction, equipping or improvement of community and technical college facilities located in the state of West Virginia. The bonds refunded \$66,340,000 in outstanding 2009 Series A bonds.

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

On June 26, 2012, the Commission issued \$132,165,000 of Series A Bonds and \$11,130,550 of Series B Bonds to refund \$124,585,000 of Series 2004B Revenue Bonds. The savings in annual payment and transfers from the Series 2004B Revenue Bonds construction fund netted approximately \$8 million for additional capital projects. The annual debt service for the 2012 bonds and the remaining 2004B Bonds is equal to that of the 2004B bonds before the refunding. On December 17, 2010, the Commission issued \$16,520,000 of Series A Bonds, \$50,265,000 of Series B Bonds, and \$10,080,000 of Series C Bonds. State Lottery proceeds of a maximum of \$20,000,000 per year are used to pay bond debt service. In addition to the Lottery revenues, registration and tuition fees and educational and general capital fees collected at the institutions (Universities and Colleges) from students are used for the Commission's bond indebtedness.

The Commission made all required debt service payments and repaid principal of \$14.4 million in FY 2020, \$12.3 million in FY 2019, and \$14.0 million in FY 2018, respectively. See Notes 7 and 8 to the financial statements for further detail of long-term debt.

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

The Commission in partnership with the West Virginia Community and Technical College System and the West Virginia Department of Education is sponsoring the West Virginia Climb campaign. The goal of the campaign is to have 60% of the state's workforce with a formal education credential beyond high school by the year 2030. Achievement of the goal would double the percentage of working age West Virginians with a high-quality postsecondary credential. It is estimated that 60% of working West Virginians will need a certificate or degree in order to meet future workforce demands.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019**

**Other Factors Impacting the Financial Position and Results of Operations of the Commission
(Continued)**

The achievement of the West Virginia Climb goal for the higher education system is dependent upon many factors, one of which is adequate resources to implement the strategies necessary to achieve the goals. At the present time, the Commission itself maintains a strong financial condition. Although the net position of the Commission is reported as a deficit of \$151.7 million, \$37.1 million of future interest payable on the 2000 Series A Bonds (repayment on these bonds began during FY 2014) and the \$103.1 million of debt on the 2012 Series A and B Bonds will be paid by Lottery Commission excess proceeds, if available. In addition, \$62.2 million of debt on 2017 Series Community and Technical College Capital Improvement Revenue Refunding Bonds will be paid by the Lottery Commission excess proceeds, if available, and \$50.3 million of debt on the 2010 Series A and B Facilities Bonds will also be paid by the Lottery Commission excess proceeds, if available. In the event that excess Lottery Commission proceeds are not available, the Institutions will be responsible for providing the moneys for repayment of the debt except on the 2017 Community and Technical College Capital Improvement Revenue Refunding Bonds Series A. The vast majority of the funding that is reported in the financial statements of the Commission is ultimately assigned to the public higher education institutions in the state for capital projects, grants, scholarships and special projects. This funding is critical to the success of the higher education system in meeting the compact goals.

The Commission entered into an agreement on February 25, 2011 with the Union Carbide Corporation (UCC) a wholly owned subsidiary of The Dow Chemical Company (Dow) for the donation of property known as Union Carbide Corporation's Technology Park in the City of South Charleston, County of Kanawha, and state of West Virginia. This property consists of 258 acres, several major buildings, and infrastructure. On December 15, 2011, the deed for the property transferred to the Commission. The Commission has opened the Tech Park to other business to enhance economic development opportunities. Kanawha Valley Community and Technical College has relocated their campus to the site with the renovation of one of the existing buildings and there and an Advanced Technology Center for community college technical training and education was completed. The net value of the capital gifts of equipment and buildings was \$21.0 million, which was recognized in FY 2012. During FY 2020, the West Virginia Regional Technology Park's operating revenues totaled \$6.9 million, including \$5.1 million in rental income. Total operating expenses for FY 2020 were \$7.3 million, including \$2.9 million for utilities. For FY 2019, total operating expenses were \$7.6 million including \$3.0 million for utilities.

Economic Outlook

For FY 2022, the Governor has asked state agencies, including public higher education, to submit appropriation requests equal to the fiscal year 2021 amounts. The FY 2021 state appropriations for higher education did not change significantly compared to the previous year.

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

| | 2020 | 2019 |
|--|----------------|----------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 43,341,607 | \$ 42,230,600 |
| Appropriations Due from Primary Government | 2,774,764 | 4,468,623 |
| Accounts Receivable - Net | 4,897,833 | 2,580,904 |
| Interest Receivable | 154,421 | 599,638 |
| Prepaid Expense | 259,815 | 226,315 |
| Receivable from Institutions - Current Portion | 6,943,043 | 6,545,667 |
| Total Current Assets | 58,371,483 | 56,651,747 |
| NONCURRENT ASSETS | | |
| Cash and Cash Equivalents | 18,365,859 | 22,126,050 |
| Accounts Receivable Noncurrent | 2,400,418 | 2,178,674 |
| Receivable from Institutions | 46,586,618 | 51,329,661 |
| Capital Assets - Net | 58,634,378 | 59,239,067 |
| Total Noncurrent Assets | 125,987,273 | 134,873,452 |
| Total Assets | 184,358,756 | 191,525,199 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Loss on Refunding | 14,720,352 | 15,821,295 |
| Deferred Outflows Related to OPEB | 432,807 | 345,406 |
| Deferred Outflows Related to Pensions | 124,998 | 129,789 |
| Total Deferred Outflows of Resources | 15,278,157 | 16,296,490 |
| Total Assets and Deferred Outflows of Resources | \$ 199,636,913 | \$ 207,821,689 |

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2020 AND 2019

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | 2020 | 2019 |
|---|----------------|----------------|
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 968,178 | \$ 1,302,402 |
| Amounts Due to Institutions and Affiliates | 1,209,705 | 1,575,719 |
| Accrued Liabilities | 922,472 | 834,461 |
| Deposits | 150,253 | 1,352,135 |
| Compensated Absences - Current Portion | 643,585 | 652,663 |
| Unearned Revenue - Services | 1,315 | - |
| Interest Payable | 9,160,334 | 9,203,148 |
| Notes Payable - Current Portion | 550,387 | 153,495 |
| Bonds Payable - Current Portion | 14,864,064 | 14,416,188 |
| Total Current Liabilities | 28,470,293 | 29,490,211 |
| NONCURRENT LIABILITIES | | |
| Compensated Absences | 223,530 | 208,890 |
| Future Interest Payable | 32,305,840 | 33,676,738 |
| Net Pension Liability | 427,354 | 410,140 |
| Other Postemployment Benefit Liability | 2,086,405 | 2,544,578 |
| Notes Payable | 798,174 | 565,082 |
| Bonds payable | 285,901,357 | 302,403,910 |
| Total Noncurrent Liabilities | 321,742,660 | 339,809,338 |
| Total Liabilities | 350,212,953 | 369,299,549 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Inflows Related to OPEB | 1,079,731 | 687,728 |
| Deferred Inflows Related to Pensions | 83,146 | 108,284 |
| Total Deferred Inflows of Resources | 1,162,877 | 796,012 |
| Total Liabilities and Deferred Inflows of Resources | 351,375,830 | 370,095,561 |
| NET POSITION | | |
| Net Investment in Capital Assets | 58,069,137 | 58,520,489 |
| Restricted for - Expendable: | | |
| Scholarships | 11,536,496 | 9,416,139 |
| Sponsored Projects | 7,914,835 | 7,294,591 |
| Capital Projects | 11,380,833 | 13,134,322 |
| Debt Service | 10,081,001 | 8,545,513 |
| Total Restricted Expendable | 40,913,165 | 38,390,565 |
| Unrestricted | (250,721,219) | (259,184,926) |
| Total Net Position | (151,738,917) | (162,273,872) |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 199,636,913 | \$ 207,821,689 |

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

| | 2020 | 2019 |
|--|------------------|------------------|
| OPERATING REVENUES | | |
| Institutional Collections | \$ 4,071,757 | \$ 4,166,888 |
| Contracts and Grants: | | |
| Federal | 4,379,663 | 4,613,008 |
| State | 410,667 | 1,153,850 |
| Private | 139,971 | 267,686 |
| Rental Income | 5,059,560 | 5,638,746 |
| Sales and Services of Educational Activities | 3,535,239 | 3,248,867 |
| Miscellaneous - Net | 51,277 | 48,196 |
| Total Operating Revenues | 17,648,134 | 19,137,241 |
| OPERATING EXPENSES | | |
| Salaries and Wages | 9,658,338 | 9,581,079 |
| Benefits | 2,360,298 | 2,221,484 |
| Supplies and Other Services | 8,766,620 | 9,561,435 |
| Utilities | 3,073,459 | 3,213,915 |
| Depreciation | 2,143,347 | 2,080,812 |
| Total Operating Expenses | 26,002,062 | 26,658,725 |
| OPERATING LOSS | (8,353,928) | (7,521,484) |
| NONOPERATING REVENUES (EXPENSES) | | |
| State Appropriations | 56,648,259 | 56,035,530 |
| State Lottery Appropriations | 23,016,244 | 23,011,748 |
| Investment Gain | 844,414 | 1,147,269 |
| Payments Made on Behalf of the Commission | 271,743 | 258,227 |
| Institutional Debt Service Payments from Institutions: | | |
| Interest | 6,745,375 | 6,795,124 |
| Other | 441,111 | 421,082 |
| Interest on Indebtedness | (16,654,919) | (17,462,848) |
| Student Financial Aid and Other Payments to Institutions | (49,438,834) | (49,234,396) |
| Other Nonoperating Revenues - Net | 656,701 | 280,816 |
| Net Nonoperating Revenues | 22,530,094 | 21,252,552 |
| INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, OR TRANSFERS | 14,176,166 | 13,731,068 |
| FEDERAL CAPITAL GRANTS | - | 165,103 |
| CAPITAL PAYMENTS AND TRANSFERS TO INSTITUTIONS AND OUTSIDE ENTITIES | (3,641,211) | (2,224,767) |
| INCREASE IN NET POSITION | 10,534,955 | 11,671,404 |
| Net Position - Beginning of Year | (162,273,872) | (173,945,276) |
| NET POSITION - END OF YEAR | \$ (151,738,917) | \$ (162,273,872) |

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

| | 2020 | 2019 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Institutional Collections | \$ 3,853,548 | \$ 3,811,033 |
| Contracts and Grants | 4,568,393 | 5,857,711 |
| Payments to and on Behalf of Employees | (12,070,532) | (12,207,752) |
| Payments to Suppliers | (8,937,960) | (9,595,078) |
| Payments to Utilities | (3,276,542) | (3,005,896) |
| Rental Income Receipts | 4,593,195 | 5,424,593 |
| Sales and Service of Educational Activities | 3,535,240 | 3,296,952 |
| Other | 51,277 | 48,196 |
| Net Cash Used by Operating Activities | (7,683,381) | (6,370,241) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| State Appropriations | 81,358,362 | 78,536,750 |
| Receipts for Fiduciary Governmental Entities | 42,397,667 | 47,665,523 |
| Disbursements to Fiduciary Governmental Entities | (43,554,177) | (48,166,764) |
| Payments to Institutions | (49,106,985) | (47,549,935) |
| Nonoperating Grants and Contributions | 303,300 | - |
| Net Cash Provided by Noncapital Financing Activities | 31,398,167 | 30,485,574 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | |
| Proceeds from Debt Issuances | 783,320 | - |
| Institutional Receipts for Debt Service | 12,982,674 | 12,967,270 |
| Purchases of Capital Assets | (3,220,236) | (2,201,679) |
| Principal Paid on Bonds | (14,416,188) | (12,301,064) |
| Interest Paid on Bonds | (18,046,712) | (18,448,845) |
| Principal Paid on Notes | (153,336) | (148,244) |
| Interest Paid on Notes | (22,250) | (27,341) |
| State Capital Grants Received | - | 165,103 |
| Capital Payments and Transfers to Institutions and Outside Entities | (3,746,748) | (1,770,387) |
| Capital Loans to Institutions | (2,400,000) | 903,979 |
| Capital Loan Repayments from Institutions | 949,479 | - |
| Deposits to Noncurrent Cash and Cash Equivalents | (24,404,788) | (27,392,625) |
| Withdrawals from Noncurrent Cash and Cash Equivalents | 28,164,979 | 26,507,692 |
| Net Cash Used by Capital Financing Activities | (23,529,806) | (21,746,141) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Receipts from Investment Income | 926,027 | 1,072,835 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 1,111,007 | 3,442,027 |
| Current Cash and Cash Equivalents - Beginning of Year | 42,230,600 | 38,788,573 |
| CURRENT CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 43,341,607 | \$ 42,230,600 |

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

| | 2020 | 2019 |
|---|-----------------------|-----------------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | | |
| Operating Loss | \$ (8,353,928) | \$ (7,521,484) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | | |
| Depreciation and Amortization Expense | 2,143,347 | 2,080,812 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivables - Net | (886,604) | (520,186) |
| Prepaid Expenses | (33,501) | 58,403 |
| Accounts Payable | (443,806) | 54,883 |
| Accrued Liabilities | 86,311 | (24,810) |
| Other Postemployment Benefit Related Amounts | (3,133) | (304,174) |
| Defined Benefit Pension Related Amounts | (153,571) | 29,166 |
| Compensated Absences | 5,562 | (103,664) |
| Deposits Held in Custody for Others | (45,372) | 48,411 |
| Unearned Revenue | 1,314 | (167,598) |
| | \$ (7,683,381) | \$ (6,370,241) |
| SIGNIFICANT NONCASH TRANSACTIONS | | |
| Capital Transfers to Institutions Included in Accounts Payable | \$ 318,428 | \$ 189,453 |
| Capital Asset Additions Included in Accounts Payable | \$ 3,843 | \$ 392,175 |
| Expenses Paid on Behalf of the Commission | \$ 271,743 | \$ 258,227 |

See accompanying Notes to Financial Statements.

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 ORGANIZATION

On March 19, 2000, the West Virginia Legislature enacted Senate Bill No. 653 (S.B. 653), which restructured public higher education in West Virginia.

S.B. 653 also created the West Virginia Higher Education Policy Commission (governing board) which is responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda except for those institutions covered by Senate Bill No. 448. The West Virginia Higher Education Policy Commission (entity) (the Commission) consists of two divisions. The first division encompasses the administrative functions and the second division accounts for the West Virginia Network for Educational Telecommuting (WVNET). Oversight of WVNET lies with the administrative division. WVNET was originally created in 1975 to provide central computing facilities and wide-area network communications services as a resource for the public colleges and universities in the state of West Virginia (the State).

On March 12, 2011, the West Virginia Legislature enacted Senate Bill 484, which allowed for the creation of a management organization for the oversight of day-to-day operations at the WV Regional Technology Park (Tech Park) which was created by the gift of the former Union Carbide Corporation Tech Center to the Commission. WV Regional Technology Park Corp. (the Corporation or WVRTC) was incorporated under the laws of the State as a nonprofit, nonstock corporation on April 13, 2011. The Commission transferred the Tech Park property to the Corporation on July 1, 2011. The Commission maintains title and is the owner to the land, buildings, and improvements that comprise the Tech Park. The Corporation is included in the financial statements as a blended component unit.

Each Institutional Governing Board (all institutions, the Commission, and the West Virginia Council for Community and Technical College Education (the Council) comprise the West Virginia Higher Education Fund, (the Fund) has certain powers and duties, including, but not limited to, the power to determine, control, supervise, and manage the financial, business, and educational policies and affairs of the institution(s) under its jurisdiction; the duty to develop a master plan for the institution; the power to prescribe the specific functions and institution's budget request; the duty to review, at least every five years, all academic programs offered at the institution; and the power to fix tuition and other fees for the different classes or categories of students enrolled at the institution(s).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

The Commission is a statutory entity and 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. The Commission is a separate entity, which along with all State institutions of higher education and the Council, forms the West Virginia Higher Education Fund of the State. The West Virginia 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 the Commission, including the Corporation, which is a statutory entity and a blended component unit of the Commission. The basic criteria for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the Commission's ability to significantly influence operations and accountability for fiscal matters of the Corporation.

Financial Statement Presentation

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

Net Investment in Capital Assets – This represents the Commission's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to capital assets, including those on individual institutions' financial statements. To the extent 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 in which the Commission is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

The West Virginia Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education*, of the West Virginia State Code (the Code). House Bill No. 101, passed in March 2004, simplified the tuition and fee restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the related institutions. These restrictions are subject to change by future actions of the West Virginia Legislature. The Commission does not have any such Code-restricted net position at June 30, 2020 and 2019.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

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. There was no nonexpendable net position as of June 30, 2020 and 2019.

Unrestricted Net Position – Unrestricted net position represents liabilities in excess of resources derived from student tuition and fees, State appropriations, and sales and services of educational activities. The deficit will be funded by future amounts to be received from the Lottery Commission if such excess funds are available, or are to be billed to institutions in future years.

Basis of Accounting

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

Cash and Cash Equivalents

For purposes of the statements of net position, the Commission 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 the Code, policies set by the BTI, provisions of bond indentures, and the trust agreements when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short Term Bond Pool and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the Commission may invest in. These pools have been structured as multi-participant variable net position 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.com>.

Appropriations Due from Primary Government

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

Allowance for Doubtful Accounts

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

Noncurrent Cash and Cash Equivalents

Cash and cash equivalents 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 for the Commission or any of its institutions, and (3) permanently restricted net position, are classified as noncurrent assets in the accompanying statements of net position. As of June 30, 2020 and 2019, there was no permanently restricted net position or cash and cash equivalents.

Capital Assets

Capital assets include buildings, software, intangibles, and furniture and equipment. Capital assets are stated at cost at the date of acquisition or construction, or acquisition value at the date of donation in the case of gifts. Depreciation or amortization is computed using the straight-line method over the estimated useful lives of the assets, generally 3 to 7 years for software and intangibles; 3 to 10 years for furniture and equipment; 15 years for land improvements, and 30 years for buildings. The Commission uses a capitalization policy of \$5,000.

In allocating the acquisition value of the donated assets of the buildings, below-market, in-place lease values were recorded based on the difference between the current in-place lease rent and a management estimate of current market rents. Below-market lease intangibles are recorded as unearned revenue leases and are amortized into rental revenue over the noncancelable periods of the respective leases. The aggregate value of in-place leases was measured by the excess of (i) the fair value of the building over (ii) the estimated fair value of the building as if vacant.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

Cash received for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue.

Compensated Absences and Other Postemployment Benefits

GASB provides standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for OPEB for the State. Effective July 1, 2007, the Commission was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan and the stand-alone financial statements can be obtained by contacting West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, West Virginia 25305-0710 or <http://www.wvpeia.com>.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable. The Commission'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. Full-time employees also earn one and one-half sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extends health insurance for one month of single coverage and three days extends health insurance for one month of family coverage. For employees hired after 1988 or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple employer cost-sharing plan approved by the State.

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.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (TRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported in the TRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Employer contributions are recognized when due and 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 TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ (Note 10).

Future Interest Payable

Interest on capital accretion bonds is recognized over the life of the related bonds on the interest method.

Bonds

Bond premiums or discounts are amortized over the life of the related bonds.

Deferred Outflows of Resources

Consumption of net position by the Commission that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statements of net position. As of June 30, 2020 and 2019, the Commission had a deferred loss on refunding of \$14,720,352 and \$15,821,295, respectively, and deferred outflows of resources related to pensions of \$124,998 and \$129,789 as of June 30, 2020 and 2019, respectively (Note 10). As of June 30, 2020 and 2019, the Commission had deferred outflows of resources related to OPEB of \$432,807 and \$345,406 respectively (Note 9).

Deferred Inflows of Resources

Acquisition of net position by the Commission that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statements of net position. As of June 30, 2020 and 2019, the deferred inflows related to pensions were \$83,146 and \$108,284, respectively (Note 10). As of June 30, 2020 and 2019, the Commission had deferred inflows of resources related to OPEB of \$1,079,731 and \$687,728, respectively (Note 9).

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management

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

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

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

Classification of Revenues

The Commission 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) fees from higher education institutions; (2) most federal, state, local, and nongovernmental grants and contracts; (3) federal appropriations for land grant institutions, and (4) revenue from leasing.

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 and federal appropriations, investment income/loss, and sale of capital assets (including natural resources).

Other Revenues – Other revenues consist primarily of capital appropriations, grants, and gifts.

Use of Restricted Net Position

The Commission has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Generally, the Commission attempts to utilize restricted funds first when practical.

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Institutional Collections

Institutional collections represent revenues earned from colleges and universities throughout the State for the use of central site (WVNET) computing services.

Government Grants and Contracts

Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The Commission 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.

Interest on Indebtedness

The Commission accounts for interest on debt as an expense of the period in which it is incurred.

Student Financial Aid and Other Payments to Institutions

The Commission records financial aid and other payments to institutions as an expense of the period in which it is disbursed to the institutions.

Income Taxes

The Commission 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 escrowed, restricted for noncurrent assets, or in funded reserves have not been 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, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB)

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Administrative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This Statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018.

Recent Statements Issued by the Governmental Accounting Standards Board

The GASB has also issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2019. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The Commission has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The GASB has also issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after June 15, 2021. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The Commission has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is effective for fiscal years beginning after December 15, 2020. The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify the accounting for certain interest costs. This statement also establishes accounting requirements for interest cost incurred before the end of a construction period. The Commission has not yet determined the effect that the adoption of GASB No. 89 may have on its financial statements.

The GASB has also issued Statement No. 91, *Conduit Debt Obligations*, which is effective for financial statements beginning after December 15, 2021. This statement defines conduit debt obligations for accounting and financial reporting purposes and establishes standards for recognition, measurement, and disclosure for issuers. The Commission has not yet determined the effect that the adoption of GASB No. 91 may have on its financial statements.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Recent Statements Issued by the Governmental Accounting Standards Board (GASB)
(Continued)**

The GASB also issued Statement No. 92, *Omnibus*, which is effective for financial statements beginning after June 15, 2021. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The Commission has not yet determined the effect that the adoption of GASB No. 92 may have on its financial statements.

The GABS also issued Statement No. 93, *Replacement of Interbank Offered Rates*. Which is effective for financial statements beginning after June 15, 2021. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The Commission has not yet determined the effect that the adoption of GASB No. 92 may have on its financial statements.

In March 2020, the GASB issued Statement No. 94, *Private Public and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*, which is effective for fiscal years beginning after June 15, 2022. This Statement establishes standards of accounting and financial reporting for PPPs and APAs for governments. The Commission has not yet determined the effect that the adoption of GASB No. 94 may have on its financial statements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is effective for fiscal years beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology agreements. The Commission has not yet determined the effect that the adoption of GASB No. 96 may have on its financial statements

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Statements Issued by the Governmental Accounting Standards Board (GASB) (Continued)

In June 2020, the GASB 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. 31*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6 – 9 of this Statement are effective for fiscal years beginning after June 15, 2021. The Commission has not yet determined the effect that the adoption of GASB No. 97 may have on its financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

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

| | <u>Current</u> | <u>Noncurrent</u> | <u>Total</u> |
|---------------------------|----------------------|----------------------|----------------------|
| State Treasurer | \$ 36,334,650 | \$ 3,000,000 | \$ 39,334,650 |
| Municipal Bond Commission | 1,772,090 | - | 1,772,090 |
| Bank | 5,234,867 | - | 5,234,867 |
| Trustee | - | 15,365,859 | 15,365,859 |
| Total | <u>\$ 43,341,607</u> | <u>\$ 18,365,859</u> | <u>\$ 61,707,466</u> |

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

| | <u>Current</u> | <u>Noncurrent</u> | <u>Total</u> |
|---------------------------|----------------------|----------------------|----------------------|
| State Treasurer | \$ 35,289,706 | \$ 8,820,705 | \$ 44,110,411 |
| Municipal Bond Commission | 1,800,812 | - | 1,800,812 |
| Bank | 5,140,082 | - | 5,140,082 |
| Trustee | - | 13,305,345 | 13,305,345 |
| Total | <u>\$ 42,230,600</u> | <u>\$ 22,126,050</u> | <u>\$ 64,356,650</u> |

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash held by the State Treasurer includes \$3,000,000 and \$8,820,705 at June 30, 2020 and 2019, respectively, of restricted cash for sponsored projects, loans, and other purposes.

Cash on deposit with trustee represents funds reserved for debt payments on the University Refunding Revenue Bonds, Series 2010 (the 2010 Bonds) and project expenditures, and debt payments on the University Revenue Bonds, Series 2012 (the 2012 Bonds) (Note 8).

The combined carrying amount of cash in bank at June 30, 2020 and 2019 was \$5,234,867 and \$5,140,082 as compared with the combined bank balance of \$5,234,867 and \$5,140,082, respectively. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Amounts with the State Treasurer as of June 30, 2020 and 2019 are comprised of \$1,909,632 and \$6,472,813, respectively, held by the State Treasury Fund and not invested, and three investment pools, the WV Money Market Pool, the WV Government Money Market Pool, and the WV Short Term Bond Pool.

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 (in Thousands) | S & P Rating | Carrying Value (in Thousands) | S & P Rating |
| WV Money Market Pool | \$ 34,807,694 | AAAm | \$ 35,008,195 | AAAm |
| WV Government Money Market Pool | 1,772,091 | AAAm | 1,800,812 | AAAm |
| WV Short-Term Bond Pool | 845,233 | Not Rated | 828,591 | 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 and the WV Government Money Market Pool:

| External Pool | 2020 | | 2019 | |
|---------------------------------|----------------------------------|---------------|----------------------------------|---------------|
| | Carrying Value (in Thousands) | WAM (Days) | Carrying Value (in Thousands) | WAM (Days) |
| WV Money Market Pool | \$ 34,807,694 | 44 | \$ 35,008,195 | 42 |
| WV Government Money Market Pool | 1,772,091 | 50 | 1,800,812 | 40 |

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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

| External Pool | 2020 | | 2019 | |
|-------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | Carrying Value (in Thousands) | Effective Duration (Days) | Carrying Value (in Thousands) | Effective Duration (Days) |
| WV Short-Term Bond Pool | \$ 845,233 | 620 | \$ 828,591 | 723 |

Cash in Bank with Trustee

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Cash in bank with trustee is governed by provisions of the bond agreement.

| Investment Type | Carrying Value | |
|-------------------|----------------|---------------|
| | 2020 | 2019 |
| Money Market Fund | \$ 15,365,859 | \$ 13,305,345 |

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Commission will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Commission does not have a formal custodial credit risk policy.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission's investment policy limits investment maturities from potential fair value losses due to increasing interest rates. No more than 5% of the money market fund's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. government and its agencies. The Commission does not have a formal interest rate risk policy.

NOTE 4 ACCOUNTS RECEIVABLE

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

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Student Loan Receivables - Net of Allowance for Doubtful Accounts of \$2,457,485 and \$2,078,923 | \$ 2,818,880 | \$ 2,498,510 |
| Grants and Contracts Receivable | 347,575 | 131,952 |
| Due from Higher Education Institutions | 2,181,042 | 1,061,499 |
| Rent Receivable - Net of Allowance for Doubtful Accounts of Rent Receivable of \$97,262 and \$48,714 | 884,066 | 463,072 |
| Employee Conversion Pay Receivable | 57,063 | 74,987 |
| Due from State and State Agencies | 1,009,625 | 529,558 |
| Total | <u>\$ 7,298,251</u> | <u>\$ 4,759,578</u> |

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2020 is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|---------------------|-------------|----------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 15,130,000 | \$ - | \$ - | \$ 15,130,000 |
| Construction in Progress | 12,717,912 | 249,420 | - | 12,967,332 |
| Total Capital Assets not being Depreciated | <u>\$ 27,847,912</u> | <u>\$ 249,420</u> | <u>\$ -</u> | <u>\$ 28,097,332</u> |
| Other Capital Assets: | | | | |
| Buildings and Building Improvements | \$ 32,957,093 | \$ 9,968 | \$ - | \$ 32,967,061 |
| Leasehold Improvements | 83,394 | - | - | 83,394 |
| Infrastructure | 4,292,092 | 54,272 | - | 4,346,364 |
| Intangible | 1,468,338 | - | - | 1,468,338 |
| Equipment | 14,449,540 | 1,224,998 | (237,478) | 15,437,060 |
| Total Other Capital Assets | 53,250,457 | 1,289,238 | (237,478) | 54,302,217 |
| Less Accumulated Depreciation and Amortization for: | | | | |
| Buildings and Building Improvements | 6,048,537 | 1,141,691 | - | 7,190,228 |
| Leasehold Improvements | 28,676 | 14,206 | - | 42,882 |
| Infrastructure | 1,521,932 | 135,141 | - | 1,657,073 |
| Intangible | 1,253,969 | - | - | 1,253,969 |
| Equipment | 13,006,188 | 852,309 | (237,478) | 13,621,019 |
| Total Accumulated Depreciation and Amortization | 21,859,302 | 2,143,347 | (237,478) | 23,765,171 |
| Other Capital Assets - Net | <u>\$ 31,391,155</u> | <u>\$ (854,109)</u> | <u>\$ -</u> | <u>\$ 30,537,046</u> |
| Capital Asset Summary: | | | | |
| Capital Assets Not Being Depreciated or Amortized | \$ 27,847,912 | \$ 249,420 | \$ - | \$ 28,097,332 |
| Other Capital Assets | 53,250,457 | 1,289,238 | (237,478) | 54,302,217 |
| Total Cost of Capital Assets | 81,098,369 | 1,538,658 | (237,478) | 82,399,549 |
| Less: Accumulated Depreciation and Amortization | 21,859,302 | 2,143,347 | (237,478) | 23,765,171 |
| Capital Assets - Net | <u>\$ 59,239,067</u> | <u>\$ (604,689)</u> | <u>\$ -</u> | <u>\$ 58,634,378</u> |

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 CAPITAL ASSETS (CONTINUED)

A summary of capital asset activity for the year ended June 30, 2019 is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|-----------------------|--------------------|----------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 15,130,000 | \$ - | \$ - | \$ 15,130,000 |
| Construction in Progress | 12,732,282 | - | (14,370) | 12,717,912 |
| Total Capital Assets not being Depreciated | <u>\$ 27,862,282</u> | <u>\$ -</u> | <u>\$ (14,370)</u> | <u>\$ 27,847,912</u> |
| Other Capital Assets: | | | | |
| Buildings and Building Improvements | \$ 32,957,093 | \$ - | \$ - | \$ 32,957,093 |
| Leasehold Improvements | 83,394 | - | - | 83,394 |
| Infrastructure | 4,260,938 | 31,154 | - | 4,292,092 |
| Intangible | 1,468,338 | - | - | 1,468,338 |
| Equipment | 14,294,142 | 282,731 | (127,333) | 14,449,540 |
| Total Other Capital Assets | <u>53,063,905</u> | <u>313,885</u> | <u>(127,333)</u> | <u>53,250,457</u> |
| Less Accumulated Depreciation and Amortization for: | | | | |
| Buildings and Building Improvements | 4,906,873 | 1,141,664 | - | 6,048,537 |
| Leasehold Improvements | 14,470 | 14,206 | - | 28,676 |
| Infrastructure | 1,231,552 | 290,380 | - | 1,521,932 |
| Intangible | 1,253,969 | - | - | 1,253,969 |
| Equipment | 12,498,959 | 634,562 | (127,333) | 13,006,188 |
| Total Accumulated Depreciation and Amortization | <u>19,905,823</u> | <u>2,080,812</u> | <u>(127,333)</u> | <u>21,859,302</u> |
| Other Capital Assets - Net | <u>\$ 33,158,082</u> | <u>\$ (1,766,927)</u> | <u>\$ -</u> | <u>\$ 31,391,155</u> |
| Capital Asset Summary: | | | | |
| Capital Assets not being Depreciated or Amortized | \$ 27,862,282 | \$ - | \$ (14,370) | \$ 27,847,912 |
| Other Capital Assets | 53,063,905 | 313,885 | (127,333) | 53,250,457 |
| Total Cost of Capital Assets | <u>80,926,187</u> | <u>313,885</u> | <u>(141,703)</u> | <u>81,098,369</u> |
| Less: Accumulated Depreciation and Amortization | <u>19,905,823</u> | <u>2,080,812</u> | <u>(127,333)</u> | <u>21,859,302</u> |
| Capital Assets - Net | <u>\$ 61,020,364</u> | <u>\$ (1,766,927)</u> | <u>\$ (14,370)</u> | <u>\$ 59,239,067</u> |

Title to certain real property at the institutions is held by the Commission by virtue of legislative assignment from prior system-wide governing boards. Title can be transferred from the Commission to the Institutional Governing Boards upon mutual agreement. Regardless of title, all real property at the institution is recorded in the institution's financial statements.

The Commission maintains certain collections of inexhaustible assets to which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art that are held for exhibition. These collections are neither disposed of for financial gain nor encumbered in any means.

At June 30, 2020 and 2019, the Commission had outstanding contractual commitments of approximately \$449,618 and \$645,781 for property, plant, and equipment expenditures, respectively.

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 LONG-TERM LIABILITIES

A summary of long-term obligation activity for the years ended June 30, 2020 and 2019 is as follows:

| | 2020 | | | | |
|---|-----------------------|-------------------|------------------------|-----------------------|--------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Bonds Payable | \$ 316,820,098 | \$ - | \$ (16,054,677) | \$ 300,765,421 | \$ 14,864,064 |
| Notes Payable | 718,577 | 783,320 | (153,336) | 1,348,561 | 550,387 |
| Other Long-Term Liabilities: | | | | | |
| Accrued Compensated Absences | 861,553 | 5,562 | - | 867,115 | 643,585 |
| Future Interest Payable | 38,430,550 | - | (1,238,775) | 37,191,775 | 4,885,935 * |
| Other Postemployment Benefit Liability | 2,544,578 | - | (458,173) | 2,086,405 | - |
| Net Pension Liability | 410,140 | 17,214 | - | 427,354 | - |
| Total Long-Term Liabilities | <u>\$ 359,785,496</u> | <u>\$ 806,096</u> | <u>\$ (17,904,961)</u> | <u>\$ 342,686,631</u> | |
| | | | | | |
| | 2019 | | | | |
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Bonds Payable | \$ 330,773,464 | \$ - | \$ (13,953,366) | \$ 316,820,098 | \$ 14,416,188 |
| Notes Payable | 866,821 | - | (148,244) | 718,577 | 153,495 |
| Other Long-Term Liabilities: | | | | | |
| Accrued Compensated Absences | 965,218 | - | (103,665) | 861,553 | 652,663 |
| Future Interest Payable | 39,342,292 | - | (911,742) | 38,430,550 | 4,753,812 * |
| Other Postemployment Benefit Liability | 2,849,608 | 160,748 | (465,778) | 2,544,578 | - |
| Net Pension Liability | 484,318 | 97,480 | (171,658) | 410,140 | - |
| Total Long-Term Liabilities | <u>\$ 375,281,721</u> | <u>\$ 258,228</u> | <u>\$ (15,754,453)</u> | <u>\$ 359,785,496</u> | |

* The current portion of deferred interest payable is included in interest payable on the statement of net position.

NOTE 7 NOTE PAYABLE

On November 7, 2013, the Commission executed a note payable to the West Virginia Economic Development Authority to finance a new boiler system for the property in the amount of \$1,485,253. The note payable bears interest at 3.42% per annum and is collateralized by lease and rental revenues. Payments are due monthly in installments of \$14,632. The note matures in November 2023.

On November 6, 2019, the Commission executed an interest free note payable to ePlus Group, Inc. to finance the purchase of information technology equipment with a fair value of \$1,174,980. Payments are due semi-annually in installments of \$195,830. The note matures in November 2022.

A summary of the annual aggregate payments for years subsequent to June 30, 2020 is as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| 2021 | \$ 391,660 |
| 2022 | 391,660 |
| Total | <u>\$ 783,320</u> |

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 BONDS PAYABLE

The State chartered the former University System of West Virginia and the former State College System of West Virginia with the responsibility to construct or renovate, finance, and maintain various academic and other facilities of the state's higher education institutions. Financing for these facilities was provided through revenue bonds issued by the former State Board of Regents, the former College and University System Boards, the Interim Governing Board, or the Commission. All bonds payable are administered by the Commission, as successor to the various former governing boards.

The Commission has the authority to assess each institution of the West Virginia Higher Education Fund for payment of debt service on these system bonds. The tuition and registration fees of the institutions are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by an institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. The bonds remain an obligation of the Commission.

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

| | Maximum Interest Rate | Original Range of Annual Principal Installment Due | Principal Amount Outstanding | |
|---|-----------------------|--|------------------------------|-----------------------|
| | | | 2020 | 2019 |
| 2017 Series Community and Technical College Capital Improvement Revenue Refunding Bonds | 5.00 % | \$30,000 to 4,760,000 | \$ 62,250,000 | \$ 64,045,000 |
| 2017 Series Revenue Refunding Bonds Higher Education Facilities | 5.00 | \$1,205,000 to 3,885,000 | 22,265,000 | 23,615,000 |
| 2012 Series A Revenue Refunding Bonds, Due through 2034 | 5.00 | \$1,425,000 to 42,100,000 | 97,330,000 | 102,105,000 |
| 2012 Series B Revenue Bonds, Due through 2034 | 5.00 | \$200,000 to 2,400,000 | 5,780,000 | 6,095,000 |
| 2010 Series A Revenue Bonds, Due through 2026 | 5.00 | \$235,000 to 12,750,000 | - | 1,735,000 |
| 2010 Series B Revenue Bonds, Due through 2040 | 7.65 | \$10,800,000 to 39,465,000 | 50,265,000 | 50,265,000 |
| Series 2000A University System Bonds, Due through 2031 | 6.26 | \$0 to 3,263,864 | 15,658,836 | 17,705,024 |
| Series 1998 University System Bonds, Due through 2028 | 5.25 | \$1,065,000 to 3,625,000 | 24,425,000 | 26,825,000 |
| Subtotal | | | <u>277,973,836</u> | <u>292,390,024</u> |
| Add Bond Premium | | | <u>22,791,585</u> | <u>24,430,074</u> |
| Total | | | <u>\$ 300,765,421</u> | <u>\$ 316,820,098</u> |

A summary of the annual aggregate payments for years subsequent to June 30, 2020 is as follows:

| Years Ended June 30, | Principal | Interest | Total |
|----------------------|-----------------------|-----------------------|-----------------------|
| 2021 | \$ 14,864,064 | \$ 18,823,905 | \$ 33,687,969 |
| 2022 | 15,402,104 | 18,292,615 | 33,694,719 |
| 2023 | 15,961,944 | 17,721,000 | 33,682,944 |
| 2024 | 16,573,176 | 17,108,493 | 33,681,669 |
| 2025 | 17,230,528 | 16,452,859 | 33,683,387 |
| 2026-2030 | 82,593,108 | 71,130,421 | 153,723,529 |
| 2031-2035 | 71,008,912 | 29,745,957 | 100,754,869 |
| 2036-2040 | 44,340,000 | 8,383,913 | 52,723,913 |
| Total | <u>\$ 277,973,836</u> | <u>\$ 197,659,163</u> | <u>\$ 475,632,999</u> |

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 8 BONDS PAYABLE (CONTINUED)

The higher education institutions' tuition, registration, and other specified fees generally are pledged as collateral for the Commission's bond indebtedness, as well as any monies held by the trustees.

The 2017 advance refunding's created irrevocable trust funds, the securities and earnings therein are considered sufficient to fully service the bonds until they are called or mature. For financial reporting purposes, the bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. At June 30, 2020, the amount of defeased bonds outstanding was \$15,765,000 related to the 2007 Series A Bonds and \$12,880,000 related to the 2010 Series A Revenue Bonds.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS

Employees of the Commission are enrolled in the West Virginia Other Postemployment Benefit Plan (the OPEB plan) which is administered by the West Virginia Public Employees Insurance Agency (PEIA) and the West Virginia Retiree Health Benefit Trust Fund (the RHBT).

Following is the Commission's other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, revenues, and other postemployment benefits expense and expenditures for the fiscal year ended June 30, 2020 (dollars in thousands):

| | 2020 | 2019 |
|----------------------------------|----------|----------|
| Net OPEB Liability | \$ 2,086 | \$ 2,544 |
| Deferred Outflows of Resources | 433 | 345 |
| Deferred Inflows of Resources | 1,080 | 688 |
| Revenues | 126 | 161 |
| OPEB Expense | 212 | 208 |
| Contributions Made by Commission | 236 | 261 |

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description

The OPEB plan is a cost-sharing, multiple employer, defined benefit other postemployment benefit plan that covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in West Virginia Code Section 5-16D-2 (the Code). Plan benefits are established and revised by PEIA and the RHBT with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years, and are eligible for reappointment. The State Department of Administration secretary serves as Chairman of the Board. Four members represent labor, education, public employees, and public retirees. Four remaining members represent the public-at-large.

Active employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement: is a participating employer under the Consolidated Public Retirement Board (CPRB) and, as of July 1, 2008 forward, is a participating employer with PEIA. Active employees who, as of July 1, 2008, have ten years or more of credited service in the CPRB and whose employer at the time of their retirement does participate with CPRB, but does not participate with PEIA will be eligible for PEIA retiree coverage provided: they otherwise meet all criteria under this heading and their employer agrees, in writing, upon a form prescribed by PEIA, that the employer will pay to PEIA the nonparticipating retiree premium on behalf of the retiree or retirees, or that the retiree agrees to pay the entire unsubsidized premium themselves. Employees who participate in non-State retirement systems but that are CPRB system affiliated, contracted, or approved (such as TIAA-CREF and Empower Retirement), or are approved, in writing, by the PEIA Director must, in the case of education employees, meet the minimum eligibility requirements of the State Teachers Retirement System (STRS), and in all other cases meet the minimum eligibility requirements of the Public Employees Retirement System to be eligible for PEIA benefits as a retiree.

The financial activities of the OPEB plan are accounted for in the RHBT, a fiduciary fund of the State of West Virginia. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov.

Benefits Provided

The OPEB plan provides the following benefits: medical and prescription drug insurance and life insurance. The medical and prescription drug insurance is provided through two options: the self-insured preferred provider benefit plan option, which is primarily for non-Medicare-eligible retirees and spouses; and the external managed care organization option, which is primarily for Medicare-eligible retirees and spouses.

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions

Pay as you go premiums (paygo) are established by the 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 active premiums subsidize the retirees' health care.

Members retired before July 1, 1997 pay retiree health care contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and 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 health care contributions with no sponsor provided implicit or explicit subsidy.

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

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

The conversion rate is two days of unused sick and vacation leave days per month for single health care coverage and three days of unused sick and vacation leave days per month for family health care coverage.

Employees hired on or after July 1, 2001 no longer receive sick and/or vacation leave credit toward the required retiree health care contribution when they retire. All retirees have the option to purchase continued coverage regardless of their eligibility for premium credits.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally, 3-1/3 years of teaching service extend health insurance coverage for one year of family coverage. Faculty hired after July 1, 2009 no longer receive years of service credit toward insurance premiums when they retire. Faculty hired on or after July 1, 2010 receive no health insurance premium subsidy when they retire. Two groups of employees hired after July 1, 2010 will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010 who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who had an original hire date prior to July 1, 2010 may return to active employment. In those cases, the original hire date may apply.

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions

The net OPEB liability for financial reporting purposes was determined by an actuarial valuation as of June 30, 2018 and 2017, respectively, 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 method.
- Amortization method and period: Level percentage of payroll over 20 years.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Projected salary increases: dependent on pension system ranging from 3.0% to 6.5%.
- Healthcare cost trend rates: Trend rate for pre-Medicare per capita costs of 8.5% for plan year 2020, decreasing by .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 2021, decreasing .5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year-end 2031.
- Inflation rate: 2.75%.
- Discount rate: 7.15%.
- Mortality rates: based on RP-2000 Mortality Tables.

The long-term investment 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 West Virginia Investment Management Board (IMB) and an expected short-term rate of return of 3.0% for assets invested with the WV Board of Treasury Investments (BTI).

Long-term pre-funding assets are invested with the IMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund, and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the BTI.

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

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

The actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

| Asset Class | Long-Term Expected Real Rate of Return | |
|-----------------------------|--|-------|
| | 2020 | 2019 |
| Large Cap Domestic | 17.0% | 17.0% |
| Non-Large Cap Domestic | 22.0% | 22.0% |
| International Qualified | 24.6% | 24.6% |
| International Non-Qualified | 24.3% | 24.3% |
| International Equity | 26.2% | 26.2% |
| Short-Term Fixed | 0.5% | 0.5% |
| Total Return Fixed Income | 6.7% | 6.7% |
| Core Fixed Income | 0.1% | 0.1% |
| Hedge Fund | 5.7% | 5.7% |
| Private Equity | 19.6% | 19.6% |
| Real Estate | 8.3% | 8.3% |
| Opportunistic Income | 4.8% | 4.8% |
| Cash | 0.0% | 0.0% |

Discount Rate – The discount rate used to measure the OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Based on those assumptions, 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the Commission’s proportionate share of the net OPEB liability as of June 30, 2020 and 2019, respectively, calculated using the discount rate of 7.15%, as well as what the Commission’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 (dollars in thousands):

| | 1% Decrease (6.15%) | Current Discount Rate (7.15%) | 1% Increase (8.15%) |
|-------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB Liability 2020 | \$ 2,490 | \$ 2,086 | \$ 1,749 |
| Net OPEB Liability 2019 | \$ 3,294 | \$ 2,544 | \$ 2,394 |

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates – The following presents the Commission’s proportionate share of the net OPEB liability as of June 30, 2020 and 2019, respectively, calculated using the current health care cost trend rates, as well as what the Commission’s net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates (dollars in thousands):

| | 1% Decrease (6.15%) | Health Care Rate Current Discount Rate (7.15%) | 1% Increase (8.15%) |
|-------------------------|------------------------|--|------------------------|
| Net OPEB Liability 2020 | \$ 1,682 | \$ 2,086 | \$ 2,577 |
| Net OPEB Liability 2019 | \$ 2,320 | \$ 2,544 | \$ 3,393 |

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – The net OPEB liability at 2020 and 2019 were measured as of June 30, 2019 and 2018, which are the measurement dates. The total OPEB liability at June 30, 2020 and 2019 were determined by actuarial valuations as of June 30, 2018 and 2017, respectively, and rolled forward to the measurement dates.

At June 30, 2020 and 2019, respectively, the amount recognized as the Commission’s proportionate share of the net OPEB liability was \$2,086,405 and \$2,544,578. At 2020 and 2019, respectively, the nonemployer contributing entity’s (State of West Virginia) portion of the collective net OPEB liability is \$426,971 and \$567,888, and the total net OPEB liability attributable to the Commission is \$2,513,376 and \$3,112,466.

The allocation percentage assigned to each contributing employer is based on the employer’s proportionate share of employer contributions to the RHBT for the fiscal years ended June 30, 2019 and 2018. Employer contributions are recognized when due. At June 30, 2019, the Commission’s proportion was 0.125753%, a decrease of 0.004908% from its proportion of 0.130661% calculated as of June 30, 2018. At June 30, 2018, the Commission’s proportion was 0.130661%, an increase of 0.005074% from its proportion of 0.125587% calculated as of June 30, 2017.

For the years ended June 30, 2020 and 2019, the Commission recognized OPEB expense of \$212,013 and \$208,364, respectively. Of this amount, \$85,522 and \$47,606, respectively, was recognized as the Commission’s proportionate share of the OPEB expense, and \$126,491 and \$160,748, respectively as the amount of OPEB expense attributed to special funding. The Commission also recognized revenue of \$126,491 and \$160,748, respectively, for support provided by the State.

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions | \$ 184,793 | \$ 322,755 |
| Net Difference between Projected and Actual Investment Earnings | - | - |
| Contributions After the Measurement Date | 11,862 | 34,369 |
| Net Difference between Actual and Expected Experience | 235,637 | - |
| Changes in Assumptions | - | 243,334 |
| Expected Experience | 515 | 56,314 |
| Changes in Assumptions | - | 423,139 |
| Total | <u>\$ 432,807</u> | <u>\$ 1,079,911</u> |

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions | \$ 84,438 | \$ 352,571 |
| Net Difference between Projected and Actual Investment Earnings | - | - |
| Contributions After the Measurement Date | - | 47,588 |
| Net Difference between Actual and Expected Experience | 260,968 | - |
| Changes in Assumptions | - | - |
| Expected Experience | - | 37,739 |
| Changes in Assumptions | - | 249,830 |
| Total | <u>\$ 345,406</u> | <u>\$ 687,728</u> |

The Commission will recognize the \$235,637 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 (dollars in thousands):

| <u>Year Ended June 30,</u> | <u>Amortization</u> |
|----------------------------|---------------------|
| 2021 | \$ (354,745) |
| 2022 | (315,226) |
| 2023 | (177,131) |
| 2024 | (35,639) |
| Total | <u>\$ (882,741)</u> |

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 RETIREMENT PLANS

Substantially all full-time employees of the Commission, other than those employed by the Corporation as no plan has yet been established for them, participate in either the TRS 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 TRS and TIAA-CREF. Effective July 1, 1991, the TRS was closed to new participants. Current participants in the TRS 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 the Commission's employees have not been significant to date.

Defined Contribution Benefit Plans

The TIAA-CREF and Empower Retirement 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. The Commission matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF and Empower Retirement, which are not matched by the Commission.

Total contributions to the TIAA-CREF for the years ended June 30, 2020, 2019, and 2018 were \$1,014,958, \$1,039,228, and \$1,045,442, respectively, which consisted of \$507,479, \$532,630, and \$522,721 from the Commission in 2020, 2019, and 2018, respectively, and \$507,479, \$532,630, and \$522,721 from covered employees in 2020, 2019, and 2018, respectively.

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 new Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan.

Total contributions to Educators Money for the years ended June 30, 2020, 2019, and 2018 were \$3,545, \$12,579, and \$12,758, respectively, which consisted of \$1,773, \$3,598, and \$6,739, from the Commission in 2020, 2019, and 2018, respectively, and \$1,773, \$3,598, and \$6,739 from covered employees in 2020, 2019, and 2018, respectively.

The Commission's total payroll for the years ended June 30, 2020 and 2019 was \$9,007,379 and \$9,560,576, respectively. Total covered employees' salaries in the TIAA-CREF and Educators Money were \$8,458,042 and \$29,543, respectively, for the year ended June 30, 2020, and \$8,825,151 and \$119,936, respectively, for the year ended June 30, 2019.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan

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

Following is the Commission's 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:

| | <u>2020</u> | <u>2019</u> |
|----------------------------------|-------------|-------------|
| Net Pension Liability | \$ 427,354 | \$ 410,140 |
| Deferred Outflows of Resources | 124,998 | 129,789 |
| Deferred Inflows of Resources | 83,146 | 108,284 |
| Revenues | 145,252 | 97,480 |
| Pension Expense | 155,840 | 140,250 |
| Contributions Made by Commission | 61,744 | 62,226 |

TRS

Plan Description

TRS 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 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. TRS closed membership to new hires effective July 1, 1991.

TRS is considered a component unit of the State for financial reporting purposes, and, as such, its financial report is also included in the State's Comprehensive Annual Financial Report. TRS 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 TRS website at <https://www.wvretirement.com/Publications.html#CAFR>.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

TRS (Continued)

Benefits Provided

TRS 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 5, 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 5 highest fiscal years of earnings during the last 15 fiscal years of earnings. Chapter 18, Article 7A of the 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 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: TRS 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:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll of members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by State residents, and
5. under West Virginia 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 TRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2019 and 2018, the Commission's proportionate share attributable to this special funding subsidy was \$145,252 and \$97,480, respectively.

The Commission's contributions to TRS for the years ended June 30, 2020, 2019, and 2018 were approximately \$61,744, \$62,226, and \$59,824, respectively.

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

TRS (Continued)

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2018 and 2017, respectively, 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, 1995 through fiscal year 2035
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses
- Projected salary increases: Teachers 3.00% - 6.00% and nonteachers 3.00% - 6.50%, based on age
- Inflation rate of 3.0%
- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables
- Withdrawal rates: Teachers 0.8% - 35% and nonteachers 1.3% - 24.7%
- Disability rates: 0% - 0.7%
- 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 State 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.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

TRS (Continued)

Assumptions (Continued)

Best estimates of the long-term arithmetic real rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2019 and 2018 are summarized below.

| <u>Asset Class</u> | 2020 | |
|----------------------|--|----------------------|
| | Long-Term Expected Real Rate of Return | Target Allocation |
| | Domestic Equity | 5.8 % |
| 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 |

| <u>Asset Class</u> | 2019 | |
|----------------------|--|----------------------|
| | Long-Term Expected Real Rate of Return | Target Allocation |
| | Domestic Equity | 4.5 % |
| 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 TRS 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, TRS' 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 TRS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

TRS (Continued)

Assumptions (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the Commission’s proportionate share of the TRS net pension liability as of June 30, 2020 and 2019 calculated using the discount rate of 7.50%, as well as what the Commission’s TRS 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 (dollars in thousands).

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|----------------------------|------------------------|-------------------------------------|------------------------|
| Net Pension Liability 2020 | \$ 583,298 | \$ 427,354 | \$ 293,960 |
| Net Pension Liability 2019 | \$ 553,614 | \$ 410,140 | \$ 287,480 |

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

The TRS net pension liability was measured as of June 30, 2019 and 2018, respectively. The total pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively, and rolled forward to the measurement dates.

At June 30, 2020 and 2019, the Commission’s proportionate share of the TRS net pension liability was \$1,592,681 and \$1,472,834, respectively. Of this amount, the Commission recognized approximately \$427,354 and \$410,140, respectively, as its proportionate share on the statements of net position. The remainder of \$1,165,327 and \$1,062,694, respectively, denotes the Commission’s proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and nonemployer contributing entity is based on their proportionate share of employer and nonemployer contributions to TRS for each of the fiscal years ended June 30, 2019 and 2018. Employer contributions are recognized when due. At June 30, 2019, the Commission’s proportion was 0.01436%, a decrease of 0.001224% from its proportion of 0.013136% calculated as of June 30, 2018.

For the years ended June 30, 2020 and 2019, the Commission recognized TRS pension expense of \$155,840 and \$140,250, respectively. Of this amount, \$10,588 and \$42,770, respectively, was recognized as the Commission’s proportionate share of the TRS expense, \$138,311 and \$93,797, respectively, as the amount of pension expense attributable to special funding from a nonemployer contributing entity and \$6,941 and \$3,683, respectively, as the amount of pension expense from a nonemployer contributing entity not attributable to a special funding situation. The Commission also recognized revenue of \$145,252 and \$97,480, respectively, for support provided by the State.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

TRS (Continued)

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

At June 30, 2020, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

| | 2020 | |
|--|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions | \$ 51,892 | \$ 56,917 |
| Net Difference between Projected and Actual Investment Earnings | - | 11,623 |
| Contributions After the Measurement Date | 61,744 | - |
| Net Difference between Actual and Expected Experience | 2,135 | 14,606 |
| Changes in Assumptions | 9,227 | - |
| Total | \$ 124,998 | \$ 83,146 |

At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

| | 2019 | |
|--|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions | \$ 51,870 | \$ 78,663 |
| Net Difference between Projected and Actual Investment Earnings | - | 21,352 |
| Contributions After the Measurement Date | 62,226 | - |
| Net Difference between Actual and Expected Experience | 2,949 | 8,269 |
| Changes in Assumptions | 12,744 | - |
| Total | \$ 129,789 | \$ 108,284 |

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

TRS (Continued)

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

The Commission will recognize the \$61,744 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows.

| <u>Year Ended June 30,</u> | <u>Amortization</u> |
|----------------------------|---------------------|
| 2021 | \$ 7,455 |
| 2022 | (22,779) |
| 2023 | (11,040) |
| 2024 | 3,988 |
| 2025 | 2,484 |
| Total | <u>\$ (19,892)</u> |

Payables to the Pension Plan

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

NOTE 11 OPERATING LEASES

During the fiscal years ended June 30, 2020 and 2019, the Corporation as lessor, leased its facilities under 24 and 27 separate lease and facilities services agreements, respectively. These agreements contain lease terms with termination dates ranging from the fiscal years 2020 through 2032. Rent and utilities fees income for the fiscal years ended June 30, 2020 and 2019 were \$5,059,560 and \$5,638,746, respectively.

The following is a schedule by years of minimum future rentals of the Tech Park, excluding renewal options, under the aforementioned lease agreements as of June 30, 2020:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|----------------------|
| 2021 | \$ 5,115,560 |
| 2022 | 4,236,201 |
| 2023 | 3,964,833 |
| 2024 | 2,944,946 |
| 2025 | 723,693 |
| Total | <u>\$ 16,985,233</u> |

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 OPERATING LEASES (CONTINUED)

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

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------|
| 2021 | \$ 18,651 |

Total rent expense for the years ended June 30, 2020 and 2019 was \$444,421 and \$442,292, respectively. The Commission has no noncancelable leases.

The primary operations of WVNET are conducted at property located on Chestnut Ridge Road in Morgantown. This property is owned by other units of the West Virginia Higher Education Fund and WVNET is not charged any rent for the use of the property. WVNET is responsible for all physical plant services, utilities, renovations, insurance, and other operating costs for this property. These operating costs are recorded in the Commission's statements of revenues, expenses, and changes in net position.

NOTE 12 CONTINGENCIES

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

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. The Commission's management believes disallowances, if any, will not have a significant impact on the Commission's financial position.

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements as of June 30, 2020 and 2019.

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 12 CONTINGENCIES (CONTINUED)

WVNET and the Corporation occupy buildings that are known to contain asbestos. Neither WVNET nor the Corporation are required by federal, state, or local law to remove the asbestos from the building. WVNET and the Corporation are required by Federal Environmental, Health, and Safety Regulations to manage the presence of asbestos in the building in a safe condition. WVNET and the Corporation address their responsibility to manage the presence of asbestos in the building on a case-by-case basis. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. WVNET and the Corporation also address the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operation with the asbestos in a safe condition.

NOTE 13 REIMBURSED EXPENDITURES

The Commission, through WVNET, acts as a purchasing agent for the public higher education institutions of the State and other State agencies to obtain bulk-pricing discounts for maintenance and equipment purchases. In addition, the Commission, through WVNET, provides purchasing services regarding computer equipment purchases. In fiscal years 2020 and 2019, approximately \$3,853,548 and \$3,500,916 was reimbursed by the schools and other State agencies to WVNET, respectively. The Commission treats these items as reimbursed expenditures so as not to distort total revenues and expenditures.

NOTE 14 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

| | Salaries and Wages | Benefits | Supplies and Other Services | Utilities | Depreciation and Amortization | Total |
|---|--------------------------|---------------------|-----------------------------------|---------------------|-------------------------------------|----------------------|
| General Institutional Support | \$ 8,416,863 | \$ 1,946,025 | \$ 7,457,215 | \$ - | \$ - | \$ 17,820,103 |
| Administration, Operations, and Maintenance of Plant | - | - | - | 150,137 | - | 150,137 |
| Administration of Leasing Activity | 1,241,475 | 414,273 | 1,311,436 | 2,923,322 | - | 5,890,506 |
| Depreciation and Amortization | - | - | - | - | 2,143,347 | 2,143,347 |
| Total | <u>\$ 9,658,338</u> | <u>\$ 2,360,298</u> | <u>\$ 8,768,651</u> | <u>\$ 3,073,459</u> | <u>\$ 2,143,347</u> | <u>\$ 26,004,093</u> |

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

| | Salaries and Wages | Benefits | Supplies and Other Services | Utilities | Depreciation and Amortization | Total |
|---|--------------------------|---------------------|-----------------------------------|---------------------|-------------------------------------|----------------------|
| General Institutional Support | \$ 8,351,111 | \$ 1,811,728 | \$ 8,072,022 | \$ - | \$ - | \$ 18,234,861 |
| Administration, Operations, and Maintenance of Plant | - | - | - | 164,870 | - | 164,870 |
| Administration of Leasing Activity | 1,229,968 | 409,756 | 1,489,413 | 3,049,045 | - | 6,178,182 |
| Depreciation and Amortization | - | - | - | - | 2,080,812 | 2,080,812 |
| Total | <u>\$ 9,581,079</u> | <u>\$ 2,221,484</u> | <u>\$ 9,561,435</u> | <u>\$ 3,213,915</u> | <u>\$ 2,080,812</u> | <u>\$ 26,658,725</u> |

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 15 CONDENSED COMPONENT UNIT INFORMATION

Condensed combining information for the Commission and WVRTP, the Commission's blended component unit, for the years ended June 30, 2020 and 2019 is as follows:

Condensed Combining Statements of Net Position
June 30, 2020

| | Commission | WVRTP | Eliminations | Combined |
|---------------------------------------|-------------------------|----------------------|---------------|-------------------------|
| ASSETS | | | | |
| Current Assets | \$ 52,155,333 | \$ 6,216,150 | \$ - | \$ 58,371,483 |
| Noncurrent Assets | 67,352,895 | - | - | 67,352,895 |
| Capital Assets, Net | 4,892,789 | 53,741,589 | - | 58,634,378 |
| Total Assets | <u>124,401,017</u> | <u>59,957,739</u> | <u>-</u> | <u>184,358,756</u> |
| DEFERRED OUTFLOWS OF RESOURCES | 15,278,157 | - | - | 15,278,157 |
| LIABILITIES | | | | |
| Current Liabilities | 27,983,744 | 486,549 | - | 28,470,293 |
| Long-Term Liabilities | 321,336,146 | 406,514 | - | 321,742,660 |
| Total Liabilities | <u>349,319,890</u> | <u>893,063</u> | <u>-</u> | <u>350,212,953</u> |
| DEFERRED INFLOWS OF RESOURCES | 1,162,877 | - | - | 1,162,877 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | (263,436,846) | 53,176,348 | 268,329,635 | 58,069,137 |
| Restricted - Expendable | 40,913,165 | - | - | 40,913,165 |
| Unrestricted | 11,720,088 | 5,888,328 | (268,329,635) | (250,721,219) |
| Total Net Position | <u>\$ (210,803,593)</u> | <u>\$ 59,064,676</u> | <u>\$ -</u> | <u>\$ (151,738,917)</u> |

Condensed Combining Statements of Net Position
June 30, 2019

| | Commission | WVRTP | Eliminations | Combined |
|---------------------------------------|-------------------------|----------------------|---------------|-------------------------|
| ASSETS | | | | |
| Current Assets | \$ 50,993,613 | \$ 5,658,134 | \$ - | \$ 56,651,747 |
| Noncurrent Assets | 75,634,385 | - | - | 75,634,385 |
| Capital Assets, Net | 4,401,727 | 54,837,340 | - | 59,239,067 |
| Total Assets | <u>131,029,725</u> | <u>60,495,474</u> | <u>-</u> | <u>191,525,199</u> |
| DEFERRED OUTFLOWS OF RESOURCES | 16,296,490 | - | - | 16,296,490 |
| LIABILITIES | | | | |
| Current Liabilities | 28,807,711 | 682,500 | - | 29,490,211 |
| Long-Term Liabilities | 339,244,256 | 565,082 | - | 339,809,338 |
| Total Liabilities | <u>368,051,967</u> | <u>1,247,582</u> | <u>-</u> | <u>369,299,549</u> |
| DEFERRED INFLOWS OF RESOURCES | 796,012 | - | - | 796,012 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | (270,879,817) | 54,118,762 | 275,281,544 | 58,520,489 |
| Restricted - Expendable | 38,390,565 | - | - | 38,390,565 |
| Unrestricted | 10,967,488 | 5,129,130 | (275,281,544) | (259,184,926) |
| Total Net Position | <u>\$ (221,521,764)</u> | <u>\$ 59,247,892</u> | <u>\$ -</u> | <u>\$ (162,273,872)</u> |

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 15 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

Condensed Combining Statements of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2020

| | <u>Commission</u> | <u>WVRTP</u> | <u>Eliminations</u> | <u>Combined</u> |
|---|--------------------------------|-----------------------------|---------------------|--------------------------------|
| OPERATING REVENUES | | | | |
| Contracts and Grants | \$ 4,930,301 | \$ 1,760,253 | \$ (1,760,253) | \$ 4,930,301 |
| Rental Income | - | 5,059,560 | - | 5,059,560 |
| Sales and Services of Educational Activities | 3,574,892 | - | (39,653) | 3,535,239 |
| Other Operating Revenues | <u>4,071,757</u> | <u>51,277</u> | <u>-</u> | <u>4,123,034</u> |
| Total Operating Revenues | 12,576,950 | 6,871,090 | (1,799,906) | 17,648,134 |
| OPERATING EXPENSES | | | | |
| Operations | 18,009,893 | 5,890,506 | (39,653) | 23,860,746 |
| Depreciation | 696,135 | 1,447,212 | - | 2,143,347 |
| Total Operating Expenses | <u>18,706,028</u> | <u>7,337,718</u> | <u>(39,653)</u> | <u>26,004,093</u> |
| OPERATING LOSS | (6,129,078) | (466,628) | (1,760,253) | (8,355,959) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Other Nonoperating Revenues | 22,248,713 | 281,381 | - | 22,530,094 |
| CAPITAL PAYMENTS AND TRANSFERS | <u>(5,401,464)</u> | <u>-</u> | <u>1,760,253</u> | <u>(3,641,211)</u> |
| INCREASE (DECREASE) IN NET POSITION | 10,718,171 | (185,247) | - | 10,532,924 |
| Net Position - Beginning of Year | <u>(221,521,764)</u> | <u>59,247,892</u> | <u>-</u> | <u>(162,273,872)</u> |
| NET POSITION - END OF YEAR | <u><u>\$ (210,803,593)</u></u> | <u><u>\$ 59,062,645</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (151,740,948)</u></u> |

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 15 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

Condensed Combining Statements of Revenues, Expenses, & Changes in Net Position
Year Ended June 30, 2019

| | Commission | WVRTP | Eliminations | Combined |
|--|-------------------------|----------------------|--------------------|-------------------------|
| OPERATING REVENUES | | | | |
| Contracts and Grants | \$ 5,909,439 | \$ 1,885,359 | \$ (1,760,254) | \$ 6,034,544 |
| Rental Income | - | 5,638,746 | - | 5,638,746 |
| Sales and Services of Educational Activities | 3,346,953 | - | (98,086) | 3,248,867 |
| Other Operating Revenues | 4,166,888 | 48,196 | - | 4,215,084 |
| Total Operating Revenues | <u>13,423,280</u> | <u>7,572,301</u> | <u>(1,858,340)</u> | <u>19,137,241</u> |
| OPERATING EXPENSES | | | | |
| Operations | 18,447,813 | 6,178,186 | (48,086) | 24,577,913 |
| Depreciation | 633,004 | 1,447,808 | - | 2,080,812 |
| Total Operating Expenses | <u>19,080,817</u> | <u>7,625,994</u> | <u>(48,086)</u> | <u>26,658,725</u> |
| OPERATING LOSS | (5,657,537) | (53,693) | (1,810,254) | (7,521,484) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Other Nonoperating Revenues (Expenses) | 21,279,547 | (26,995) | - | 21,252,552 |
| CAPITAL PAYMENTS AND TRANSFERS | (3,869,918) | - | 1,810,254 | (2,059,664) |
| INCREASE (DECREASE) IN NET POSITION | 11,752,092 | (80,688) | - | 11,671,404 |
| Net Position - Beginning of Year | <u>(233,273,856)</u> | <u>59,328,580</u> | <u>-</u> | <u>(173,945,276)</u> |
| NET POSITION - END OF YEAR | <u>\$ (221,521,764)</u> | <u>\$ 59,247,892</u> | <u>\$ -</u> | <u>\$ (162,273,872)</u> |

Condensed Combining Statement of Cash Flows
Year Ended June 30, 2020

| | Commission | WVRTP | Eliminations | Combined |
|---|----------------------|---------------------|----------------|----------------------|
| Net Cash Provided (Used) by: | | | | |
| Operating Activities | \$ (6,166,827) | \$ 243,699 | \$ (1,760,253) | \$ (7,683,381) |
| Noncapital Financing Activities | 29,334,614 | 303,300 | 1,760,253 | 31,398,167 |
| Capital Financing Activities | (23,077,592) | (452,214) | - | (23,529,806) |
| Investing Activities | 926,027 | - | - | 926,027 |
| Increase in Current Cash and Cash Equivalents | 1,016,222 | 94,785 | - | 1,111,007 |
| Current Cash and Cash Equivalents - Beginning of Year | <u>37,090,518</u> | <u>5,140,082</u> | <u>-</u> | <u>42,230,600</u> |
| Current Cash and Cash Equivalents - End of Year | <u>\$ 38,106,740</u> | <u>\$ 5,234,867</u> | <u>\$ -</u> | <u>\$ 43,341,607</u> |

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 15 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

**Condensed Combining Statement of Cash Flows
Year Ended June 30, 2019**

| | Commission | WVRTP | Eliminations | Combined |
|--|----------------------|---------------------|----------------|----------------------|
| Net Cash Provided (Used) by: | | | | |
| Operating Activities | \$ (5,749,366) | \$ 1,189,379 | \$ (1,810,254) | \$ (6,370,241) |
| Noncapital Financing Activities | 28,675,320 | - | 1,810,254 | 30,485,574 |
| Capital Financing Activities | (21,458,712) | (287,429) | - | (21,746,141) |
| Investing Activities | 1,072,835 | - | - | 1,072,835 |
| | | | | |
| Increase in Current Cash and Cash Equivalents | 2,540,077 | 901,950 | - | 3,442,027 |
| | | | | |
| Current Cash and Cash Equivalents - Beginning of Year | <u>34,550,442</u> | <u>4,238,131</u> | <u>-</u> | <u>38,788,573</u> |
| | | | | |
| Current Cash and Cash Equivalents - End of Year | <u>\$ 37,090,519</u> | <u>\$ 5,140,081</u> | <u>\$ -</u> | <u>\$ 42,230,600</u> |

NOTE 16 RISKS AND UNCERTAINTIES

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Commission, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, declines in state appropriations, loss of auxiliary revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the Commission is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION (RSI) (UNAUDITED)
JUNE 30, 2020 AND 2019**

Schedule of Proportionate Share of TRS Net Pension Liability

| Measurement Date | Commission's Proportionate Share as a Percentage of Net Pension Liability | Commission's Proportionate Share | State's Proportionate Share | Total Proportionate Share | Commission's Covered Employee Payroll | Commission's Proportionate Share as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total Pension Liability |
|-------------------------|--|---|------------------------------------|----------------------------------|--|--|---|
| June 30, 2014 | 0.014583% | \$ 503,133 | \$ 1,136,780 | \$ 1,639,913 | \$ 481,678 | 1.044542205 | 65.95% |
| June 30, 2015 | 0.015889% | 550,594 | 1,256,334 | 1,806,928 | 401,803 | 1.370308335 | 66.25% |
| June 30, 2016 | 0.015540% | 638,666 | 1,216,489 | 1,855,155 | 420,900 | 1.517381801 | 61.42% |
| June 30, 2017 | 0.014018% | 484,318 | 1,071,027 | 1,555,345 | 427,197 | 1.133711145 | 67.85% |
| June 30, 2018 | 0.013136% | 410,140 | 1,062,694 | 1,472,834 | 414,810 | 0.988741834 | 71.20% |
| June 30, 2019 | 0.014360% | 427,354 | 1,165,327 | 1,592,681 | 435,591 | 1.30489521 | 72.64% |

Schedule of Employer Contributions

| Measurement Date | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actuarial Contribution as a Percentage of Covered Payroll |
|-------------------------|--|----------------------------|---|------------------------|--|
| June 30, 2014 | \$ 67,161 | \$ 72,252 | \$ (5,091) | \$ 481,678 | 15.00% |
| June 30, 2015 | 72,251 | 60,246 | 12,005 | 401,803 | 17.98% |
| June 30, 2016 | 60,246 | 59,269 | 977 | 420,900 | 14.31% |
| June 30, 2017 | 58,031 | 59,824 | (1,793) | 427,197 | 14.59% |
| June 30, 2018 | 58,298 | 62,226 | (3,928) | 414,810 | 14.05% |
| June 30, 2019 | 62,226 | 61,744 | 482 | 435,591 | 14.29% |

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

There are no factors that affect trends in the amounts reported, such as change in benefit terms or assumptions. With only six years reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION (RSI) (UNAUDITED)
JUNE 30, 2020 AND 2019**

Schedule of Proportionate Share of Net OPEB Liability

| Measurement Date | Commission's Proportionate Share as a Percentage of Net OPEB Liability | Commission's Proportionate Share | State's Proportionate Share | Total Proportionate Share | Commission's Covered Employee Payroll | Commission's Proportionate Share as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total OPEB Liability |
|------------------|--|----------------------------------|-----------------------------|---------------------------|---------------------------------------|---|---|
| June 30, 2017 | 0.125587% | \$ 2,849,608 | \$ 585,312 | \$ 3,434,920 | \$ 10,511,110 | 27% | 25.10% |
| June 30, 2018 | 0.130661% | 2,544,578 | 567,888 | 3,112,466 | 8,294,347 | 31% | 30.98% |
| June 30, 2019 | 0.125753% | 2,086,405 | 401,023 | 2,487,428 | 8,300,063 | 25% | 39.69% |

Schedule of Employer Contributions

| Measurement Date | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actuarial Contribution as a Percentage of Covered Payroll |
|------------------|-------------------------------------|---------------------|----------------------------------|-----------------|---|
| June 30, 2017 | \$ 245,958 | \$ 245,958 | \$ - | \$ 10,511,110 | 2.34% |
| June 30, 2018 | 242,367 | 260,968 | (18,601) | 8,294,347 | 2.92% |
| June 30, 2019 | 243,341 | 246,164 | (2,823) | 8,300,063 | 2.93% |

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

There are no factors that affect trends in the amounts reported, such as change in benefit terms or assumptions. With only three years reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, can be obtained from the RHBT financial statements.

SUPPLEMENTARY INFORMATION

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2020**

| | Administrative Division | WVNET Division | Corporation | Eliminations | Combined |
|--|----------------------------|---------------------|----------------------|--------------|-----------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 33,213,488 | \$ 4,893,252 | \$ 5,234,867 | \$ - | \$ 43,341,607 |
| Appropriations Due from Primary Government | 2,774,764 | - | - | - | 2,774,764 |
| Accounts Receivable - Net | 2,185,550 | 1,828,217 | 884,066 | - | 4,897,833 |
| Interest Receivable | 151,936 | 2,485 | - | - | 154,421 |
| Prepaid Expense | - | 162,598 | 97,217 | - | 259,815 |
| Receivable from Institutions - Current Portion | 6,943,043 | - | - | - | 6,943,043 |
| Total Current Assets | <u>45,268,781</u> | <u>6,886,552</u> | <u>6,216,150</u> | <u>-</u> | <u>58,371,483</u> |
| NONCURRENT ASSETS | | | | | |
| Cash and Cash Equivalents | 18,365,859 | - | - | - | 18,365,859 |
| Accounts Receivable Noncurrent | 2,400,418 | - | - | - | 2,400,418 |
| Receivable from Institutions | 46,586,618 | - | - | - | 46,586,618 |
| Capital Assets - Net | 3,272,802 | 1,619,987 | 53,741,589 | - | 58,634,378 |
| Total Noncurrent Assets | <u>70,625,697</u> | <u>1,619,987</u> | <u>53,741,589</u> | <u>-</u> | <u>125,987,273</u> |
| Total Assets | 115,894,478 | 8,506,539 | 59,957,739 | - | 184,358,756 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred Loss on Refunding | 14,720,352 | - | - | - | 14,720,352 |
| Deferred Outflows Related to OPEB | 186,662 | 246,145 | - | - | 432,807 |
| Deferred Outflows Related to Pensions | 104,511 | 20,487 | - | - | 124,998 |
| Total Deferred Outflows of Resources | <u>15,011,525</u> | <u>266,632</u> | <u>-</u> | <u>-</u> | <u>15,278,157</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 130,906,003</u> | <u>\$ 8,773,171</u> | <u>\$ 59,957,739</u> | <u>\$ -</u> | <u>\$ 199,636,913</u> |

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
COMBINING SCHEDULE OF NET POSITION (CONTINUED)
JUNE 30, 2020**

| LIABILITIES, DEFERRED INFLOWS, AND NET POSITION (DEFICIT) | <u>Administrative Division</u> | <u>WVNET Division</u> | <u>Corporation</u> | <u>Eliminations</u> | <u>Combined</u> |
|---|------------------------------------|---------------------------|----------------------|---------------------|-----------------------|
| CURRENT LIABILITIES | | | | | |
| Accounts Payable | \$ 697,824 | \$ 97,196 | \$ 173,158 | \$ - | \$ 968,178 |
| Amounts Due to Institutions and Affiliates | 1,209,705 | - | - | - | 1,209,705 |
| Accrued Liabilities | 439,432 | 336,456 | 146,584 | - | 922,472 |
| Deposits | 142,173 | - | 8,080 | - | 150,253 |
| Compensated Absences - Current Portion | 354,352 | 289,233 | - | - | 643,585 |
| Unearned Revenue - Services | - | 1,315 | - | - | 1,315 |
| Interest Payable | 9,160,334 | - | - | - | 9,160,334 |
| Notes Payable - Current Portion | - | 391,660 | 158,727 | - | 550,387 |
| Bonds Payable - Current Portion | 14,864,064 | - | - | - | 14,864,064 |
| Total Current Liabilities | <u>26,867,884</u> | <u>1,115,860</u> | <u>486,549</u> | <u>-</u> | <u>28,470,293</u> |
| NONCURRENT LIABILITIES | | | | | |
| Compensated Absences | 167,005 | 56,525 | - | - | 223,530 |
| Deferred Interest Payable | 32,305,840 | - | - | - | 32,305,840 |
| Net Pension Liability | 329,917 | 97,437 | - | - | 427,354 |
| OPEB Liabilities | 1,118,683 | 967,722 | - | - | 2,086,405 |
| Notes Payable | - | 391,660 | 406,514 | - | 798,174 |
| Bonds Payable | 285,901,357 | - | - | - | 285,901,357 |
| Total Noncurrent Liabilities | <u>319,822,802</u> | <u>1,513,344</u> | <u>406,514</u> | <u>-</u> | <u>321,742,660</u> |
| Total Liabilities | 346,690,686 | 2,629,204 | 893,063 | - | 350,212,953 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred Inflows Related to OPEB | 596,617 | 483,114 | - | - | 1,079,731 |
| Deferred Inflows Related to Pensions | 57,230 | 25,916 | - | - | 83,146 |
| Total Deferred Outflows of Resources | <u>653,847</u> | <u>509,030</u> | <u>-</u> | <u>-</u> | <u>1,162,877</u> |
| Total Liabilities and Deferred Inflows of Resources | 347,344,533 | 3,138,234 | 893,063 | - | 351,375,830 |
| NET POSITION | | | | | |
| Net Investment in Capital Assets | (264,273,512) | 836,666 | 53,176,348 | 268,329,635 (A) | 58,069,137 |
| Restricted for - Expendable: | | | | | |
| Scholarships | 11,536,496 | - | - | - | 11,536,496 |
| Sponsored Projects | 7,914,835 | - | - | - | 7,914,835 |
| Capital Projects | 11,380,833 | - | - | - | 11,380,833 |
| Debt Service | 10,081,001 | - | - | - | 10,081,001 |
| Total Restricted Expendable | <u>40,913,165</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>40,913,165</u> |
| Unrestricted | 6,921,817 | 4,798,271 | 5,888,328 | (268,329,635) (A) | (250,721,219) |
| Total Net Position | <u>(216,438,530)</u> | <u>5,634,937</u> | <u>59,064,676</u> | <u>-</u> | <u>(151,738,917)</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position (Deficit) | <u>\$ 130,906,003</u> | <u>\$ 8,773,171</u> | <u>\$ 59,957,739</u> | <u>\$ -</u> | <u>\$ 199,636,913</u> |

(A) To reclass negative net assets invested in capital assets net of related debt to unrestricted net position.

WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020

| | Administrative Division | WVNET Division | Corporation | Eliminations | Combined |
|---|----------------------------|---------------------|----------------------|--------------------|-------------------------|
| OPERATING REVENUES | | | | | |
| Institutional Collections | \$ - | \$ 4,071,757 | \$ - | \$ - | \$ 4,071,757 |
| Contracts and Grants: | | | | | |
| Federal | 4,379,663 | - | - | - | 4,379,663 |
| State | 410,667 | - | 1,760,253 | (1,760,253) (B) | 410,667 |
| Private | 139,971 | - | - | - | 139,971 |
| Rental Income | - | - | 5,059,560 | - | 5,059,560 |
| Sales and Services of Educational Activities | - | 3,574,892 | - | (39,653) (B) | 3,535,239 |
| Miscellaneous - Net | - | - | 51,277 | - | 51,277 |
| Total Operating Revenues | <u>4,930,301</u> | <u>7,646,649</u> | <u>6,871,090</u> | <u>(1,799,906)</u> | <u>17,648,134</u> |
| OPERATING EXPENSES | | | | | |
| Salaries and Wages | 4,559,343 | 3,857,520 | 1,241,475 | - | 9,658,338 |
| Benefits | 1,165,997 | 780,028 | 414,273 | - | 2,360,298 |
| Supplies and Other Services | 3,918,886 | 3,577,982 | 1,309,405 | (39,653) (B) | 8,766,620 |
| Utilities | - | 150,137 | 2,923,322 | - | 3,073,459 |
| Depreciation and Amortization | 243,173 | 452,962 | 1,447,212 | - | 2,143,347 |
| Total Operating Expenses | <u>9,887,399</u> | <u>8,818,629</u> | <u>7,335,687</u> | <u>(39,653)</u> | <u>26,002,062</u> |
| OPERATING LOSS | (4,957,098) | (1,171,980) | (464,597) | (1,760,253) | (8,353,928) |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| State Appropriations | 54,900,433 | 1,747,826 | - | - | 56,648,259 |
| State Lottery Appropriations | 23,016,244 | - | - | - | 23,016,244 |
| Investment Income | 794,317 | 50,097 | - | - | 844,414 |
| Payments Made on Behalf of the Commission | 179,956 | 91,787 | - | - | 271,743 |
| Institutional Debt Service | | | | | |
| Payments from Institutions: | | | | | |
| Interest | 6,745,375 | - | - | - | 6,745,375 |
| Other | 441,111 | - | - | - | 441,111 |
| Interest on Indebtedness | (16,633,000) | - | (21,919) | - | (16,654,919) |
| Student Financial Aid and Other | | | | | |
| Payments to Institutions | (49,438,834) | - | - | - | (49,438,834) |
| Other Nonoperating Revenues - Net | 353,401 | - | 303,300 | - | 656,701 |
| Net Nonoperating Revenues | <u>20,359,003</u> | <u>1,889,710</u> | <u>281,381</u> | <u>-</u> | <u>22,530,094</u> |
| INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, OR TRANSFERS | 15,401,905 | 717,730 | (183,216) | (1,760,253) | 14,176,166 |
| FEDERAL CAPITAL GRANTS | - | - | - | - | - |
| PAYMENTS AND TRANSFERS TO INSTITUTIONS AND OUTSIDE ENTITIES | (5,401,464) | - | - | 1,760,253 | (3,641,211) |
| INCREASE (DECREASE) IN NET POSITION | 10,000,441 | 717,730 | (183,216) | - | 10,534,955 |
| Net Position - Beginning of Year | (226,438,971) | 4,917,207 | 59,247,892 | - | (162,273,872) |
| NET POSITION - END OF YEAR | <u>\$ (216,438,530)</u> | <u>\$ 5,634,937</u> | <u>\$ 59,064,676</u> | <u>\$ -</u> | <u>\$ (151,738,917)</u> |

(B) To eliminate inter-entity revenue/expense.

See accompanying Notes to Financial Statements.



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

West Virginia Higher Education Policy Commission
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Higher Education Policy Commission (the Commission) as of and for the year ended June 30, 2020, and the related notes to the financial statements and have issued our report thereon dated October 14, 2020. Our report includes a reference to other auditors who audited the financial statements of the West Virginia Regional Technology Park Corporation, as described in our report on the Commission's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by the auditors of the West Virginia Regional Technology Park Corporation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of 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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 14, 2020

