

**WEST VIRGINIA HIGHER EDUCATION  
POLICY COMMISSION**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2021 AND 2020**



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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, 2021 and 2020, 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, 2021 and 2020, which represent 33%, (45)%, and 5%, respectively, of total assets, total net position, and total revenues of the Commission in 2021 and 33%, (39)%, and 5%, respectively, of total assets, total net position, and total revenues of the Commission in 2020. 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, 2021 and 2020, 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.

### ***Emphasis of Matter***

During fiscal year ended June 30, 2021, the Commission adopted Government Accounting Standards Board Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the Commission reported a restatement for the change in accounting principle (see Note 17). Our auditors' opinion was not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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, based on our audit and the reports of other auditors, 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 15, 2021 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 15, 2021

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)  
YEARS ENDED JUNE 30, 2021 AND 2020**

**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, 2021 and 2020 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, 2021 and 2020. 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, net of any related debt. 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, 2021 AND 2020**

**Statement of Net Position (Continued)**

**Condensed Statements of Net Position**  
**(in thousands of dollars)**

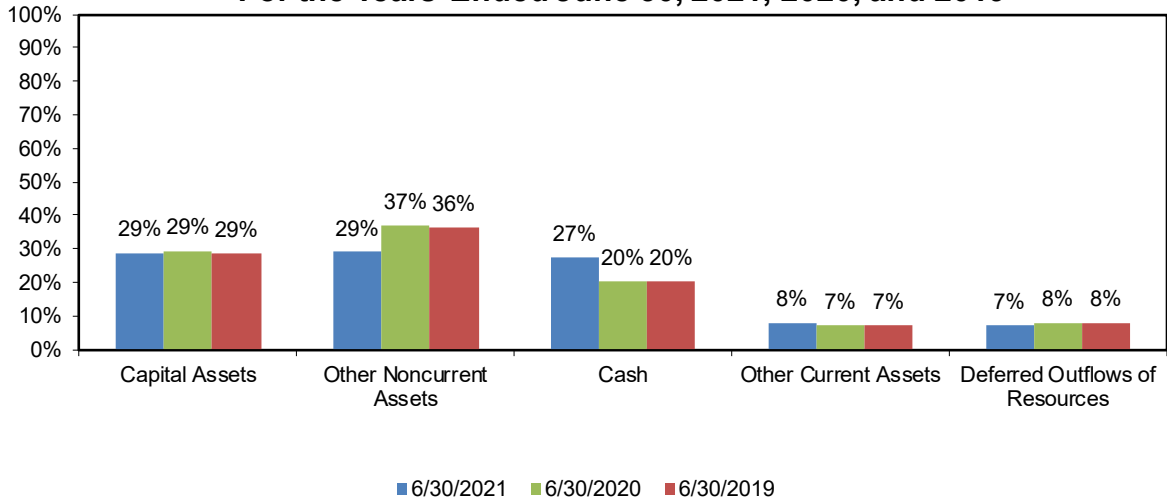
	<u>2021</u>	<u>2020</u> <u>(As Restated)</u>	<u>2019</u> <u>(As Restated)</u>
<b>Assets</b>			
Current Assets	\$ 72,667	\$ 58,371	\$ 56,652
Other Noncurrent Assets	59,271	67,354	75,634
Capital Assets, Net	<u>59,032</u>	<u>58,634</u>	<u>59,239</u>
Total Assets	190,970	184,359	191,525
<b>Deferred Outflows</b>	<u>14,199</u>	<u>15,278</u>	<u>16,297</u>
Total Assets and Deferred Outflows	<u>\$ 205,169</u>	<u>\$ 199,637</u>	<u>\$ 207,822</u>
<b>Liabilities</b>			
Current Liabilities	\$ 30,126	\$ 28,328	\$ 28,191
Noncurrent Liabilities	303,273	321,743	339,810
Total Liabilities	<u>333,399</u>	<u>350,071</u>	<u>368,001</u>
<b>Deferred Inflows</b>	1,868	1,163	796
<b>Net Position</b>			
Invested in Capital Assets	55,977	58,069	58,520
Restricted - Expendable	54,280	41,055	39,690
Unrestricted	<u>(240,355)</u>	<u>(250,721)</u>	<u>(259,185)</u>
Total Net Position	<u>(130,098)</u>	<u>(151,597)</u>	<u>(160,975)</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 205,169</u>	<u>\$ 199,637</u>	<u>\$ 207,822</u>

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)  
YEARS ENDED JUNE 30, 2021 AND 2020**

**Statement of Net Position (Continued)**

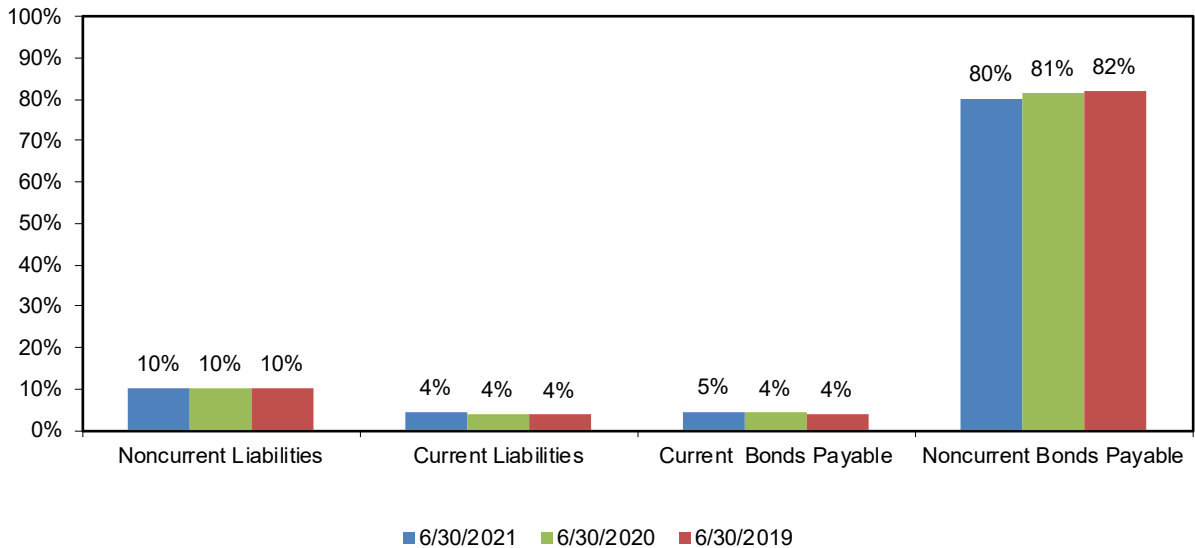
**Assets and Deferred Outflows Composition**

**For the Years Ended June 30, 2021, 2020, and 2019**



**Liabilities Composition**

**For the Years Ended June 30, 2021, 2020, and 2019**





**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)  
YEARS ENDED JUNE 30, 2021 AND 2020**

**Statement of Net Position (Continued)**

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

- As of June 30, 2021, 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, 2021 a receivable has been recorded for Institutional obligations totaling \$44.4 million out of the total amount due from Institutions of \$48.6 million as compared to \$80.0 million in debt including outstanding University System Bonds of \$35.6 million plus future interest payable of \$35.6 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, 2021, total current assets of \$72.7 million exceeded total current liabilities of \$30.1 million. As of June 30, 2020, total current assets of \$58.4 million exceeded total current liabilities of \$28.3 million. As of June 30, 2019, total current assets of \$56.7 million exceeded total current liabilities of \$29.1 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, 2021 were \$56.2 million compared to cash balances as of June 30, 2020 and 2019 of \$43.3 million and \$42.2 million, respectively.
  - Current receivables from the Institutions totaled approximately \$6.8 million as of June 30, 2021, and \$6.9 million and \$6.5 million as of June 30, 2020 and 2019, 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 \$30.1 million, \$28.3 million, and \$9.1 million as of June 30, 2021, 2020, and 2019, respectively. Accounts payable increased by \$1.0 million and amounts due to institutions and affiliates increased by \$282,000. The current portion of bonds payable increased \$538,000.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)  
YEARS ENDED JUNE 30, 2021 AND 2020**

**Statement of Net Position (Continued)**

- As of June 30, 2021, 2020, and 2019, noncurrent assets totaled \$118.3 million, \$126.0 million, and \$134.9 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 \$41.8 million as of June 30, 2021 compared to \$46.6 million at June 30, 2020 and \$51.3 million at June 30, 2019. The other amounts due from Institutions reflect the advances made to certain Institutions.
  - Noncurrent cash totaled \$15.4 million as of June 30, 2021, compared to \$18.4 million as of June 30, 2020 and \$22.1 million as of June 30, 2019. In FY 2008, the Legislature appropriated \$7.0 million for an energy savings program. During FY 2021, these loans exceeded loan repayments by \$928,000. During FY 2020, the amount of the repayments for these loans exceeded loans by \$1.5 million. The Commission expended about \$1.8 million in cash for institutional capital projects during FY 2021 and about \$1.4 million in FY 2020. During FY 2020, 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, 2021 and 2020, and payable on July 1, 2021 and 2020 for the 2019 bond principal payments were \$2.1 and \$1.9 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, 2021, 2020, and 2019 noncurrent bonds payable totaled \$268.9 million, \$285.9 million, and \$302.4 million, respectively, plus future interest payable on bonds of \$30.6 million as of June 30, 2021, \$32.3 million as of June 30, 2020, and \$33.7 million as of June 30, 2019. The future interest includes payments, which commenced in FY 2014 and are classified as a current liability. In FY 2021, FY 2020, and FY 2019, the related current liability is \$5.0 million, \$4.9 million, and \$4.8 million, respectively.
- Total net position of the Commission was a deficit of \$130.1 million, \$151.6 million, and \$161.0 million, as of June 30, 2021, 2020, and 2019, respectively.
  - Net investment in capital assets of \$55.9 million is primarily the capital assets of the West Virginia Regional Technology Park.
  - The unrestricted net deficit of \$240.4 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, 2021 AND 2020**

**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.

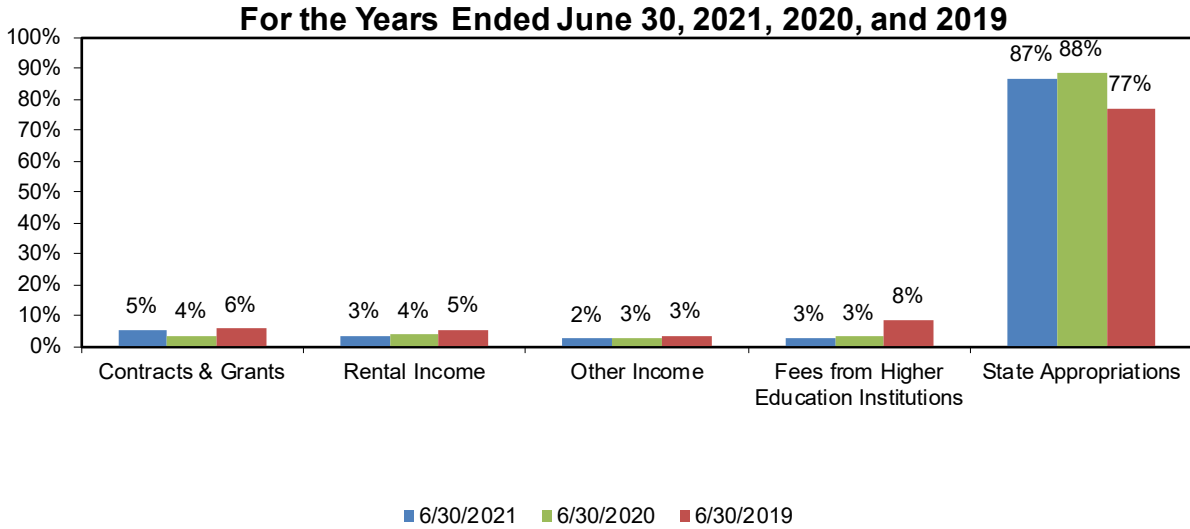
**Condensed Statements of Revenues, Expenses, and Changes in Net Position**  
**(in thousands of dollars)**

	<u>2021</u>	<u>2020</u> <u>(As Restated)</u>	<u>2019</u> <u>(As Restated)</u>
Operating Revenues	\$ 19,922	\$ 17,648	\$ 19,137
Operating Expenses	<u>25,658</u>	<u>26,181</u>	<u>27,270</u>
Operating Loss	(5,736)	(8,533)	(8,133)
Net Nonoperating Revenues	<u>29,232</u>	<u>21,553</u>	<u>19,748</u>
Gain Before Other Revenues, Expenses, Gains, Losses, or Transfers	23,495	13,020	11,615
Capital Grants	-	-	165
Capital Payments and Transfers to Institutions and Outside Entities	<u>(1,996)</u>	<u>(3,641)</u>	<u>(2,225)</u>
Increase (Decrease) in Net Position	21,499	9,379	9,555
Net Position - Beginning of Year	<u>(151,596)</u>	<u>(160,975)</u>	<u>(173,945)</u>
Restatement	<u>-</u>	<u>-</u>	<u>3,415</u>
Net Position - Beginning of Year, Restated	<u>(151,596)</u>	<u>(160,975)</u>	<u>(170,530)</u>
Net Position - End of Year	<u><u>\$ (130,097)</u></u>	<u><u>\$ (151,596)</u></u>	<u><u>\$ (160,975)</u></u>

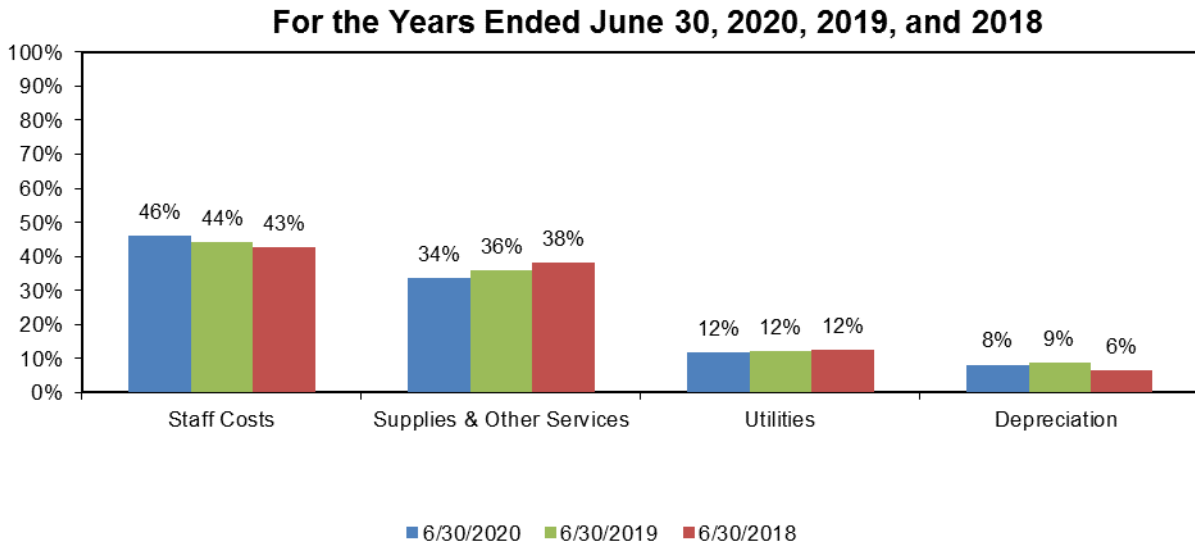
**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)  
YEARS ENDED JUNE 30, 2021 AND 2020**

**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, 2021 AND 2020**

**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 \$19.9 million in FY 2021 compared to \$17.6 million in FY 2020 and \$19.1 million in FY 2019.
  - The amount of fees collected from higher education institutions for the operations of the Commission totaled about \$3.8 million for FY 2021, \$4.1 million for FY 2020, and \$4.2 million for FY 2019. Institutional collections by WVNET increased \$279,000 in FY2021 and \$96 in FY 2020.
  - Federal, state, and local grants totaled \$7.5 million in FY 2021 compared to \$4.9 million in FY 2020 and \$6.0 million in FY 2019.
  - Rental income was \$5.2 million, \$5.1 million, and \$5.6 million in FY 2021, FY 2020, and FY 2019, 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 \$25.7 million in FY 2021, \$26.2 million in FY 2020, and \$26.7 in FY 2019. During FY 2021, supplies and other services as well as utility expenses increased over previous years. These increases were offset by savings realized from vacant positions and significant reduction in the OPEB liability.
- Net nonoperating revenue of \$29.2 million in FY 2021 compared to \$21.6 million in FY 2020 and \$19.7 million in FY 2019.
  - State general revenue and lottery appropriations were \$129.0 million in FY 2021 compared to \$121.5 million in FY 2020 and \$126.5 million in FY 2019.
  - Expenditures for student financial aid and other payments to institutions totaled \$92.5 million in FY 2021 compared to \$92.3 million in FY 2020 and \$99.6 million in FY 2019. Student financial aid expenditures for the Promise scholarship totaled \$50.1 million, \$42.9 million and \$50.4 million in FY2021, FY2020, and FY2019, respectively. The Commission expended \$6.3 million to pay for COVID-19 related expenses that were funded through federal revenues.
  - Interest on indebtedness declined from \$16.7 million in FY 2020 to \$15.8 million in FY 2021.
  - Investment income decreased \$807,000 in FY 2021.

**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, 2021 AND 2020**

**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)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash Provided (Used) by:			
Operating Activities	\$ (3,990)	\$ (7,683)	\$ (6,370)
Noncapital Financing Activities	38,356	31,398	30,485
Capital Financing Activities	(24,537)	(27,290)	(21,746)
Investing Activities	<u>3,022</u>	<u>4,686</u>	<u>1,073</u>
Increase (Decrease) in Cash and Cash Equivalents	12,851	1,111	3,442
Cash and Cash Equivalents - Beginning of Year	<u>43,341</u>	<u>42,230</u>	<u>38,788</u>
Cash and Cash Equivalents - End of Year	<u>\$ 56,192</u>	<u>\$ 43,341</u>	<u>\$ 42,230</u>

Major items of note in the cash flow statement include:

- Net cash used by operating activities in FY 2021, FY 2020, and FY 2019 was (\$4.0) million, (\$7.7) million, and (\$6.4) 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 2021, FY 2020, and FY 2019 was \$38.4 million, \$31.4 million and 30.5 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 \$24.5 million, \$27.2 million, and \$21.7 million, in FY 2021, FY 2020, and FY 2019, 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 \$3.0 million in FY 2021, \$4.7 million in FY 2020, and \$1.1 million in FY 2019.
- Total cash increased by \$12.9 million, \$1.1 million, and \$3.4 million in FY 2021, FY 2020, and FY 2019, respectively, ending the years at \$56.2 million at June 30, 2021, \$43.3 million at June 30, 2020, and \$42.2 million at June 30, 2019.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
MANAGEMENT DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)  
YEARS ENDED JUNE 30, 2021 AND 2020**

**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 \$14.9 million in FY 2021, \$14.4 million in FY 2020, and \$12.3 million in FY 2019, respectively, related to the bonds outstanding. 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, 2021 AND 2020**

**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 \$130.1 million, \$35.6 million of future interest payable on the 2000 Series A Bonds (repayment on these bonds began during FY 2014) and the \$97.8 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 \$50.2 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 2021, the West Virginia Regional Technology Park's operating revenues totaled \$7.8 million, including \$5.2 million in rental income. Total operating expenses for FY 2021 were \$7.7 million, including \$3.3 million for utilities. For FY 2020, total operating expenses were \$7.6 million including \$3.0 million for utilities.

**Economic Outlook**

For FY 2023, the Governor has asked state agencies, including public higher education, to submit appropriation requests equal to the fiscal year 2022 amounts. The FY 2022 state appropriations for higher education did not change significantly compared to the previous year.

**Requests for Information**

Requests for information may be directed to the Vice Chancellor for Finance, 1018 Kanawha Boulevard East, Suite 700, Charleston, WV 25301.



**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2021 AND 2020**

	2021	2020 (As Restated)
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 56,192,038	\$ 43,341,607
Appropriations Due from Primary Government	4,861,135	2,774,764
Accounts Receivable - Net	4,254,853	4,897,833
Interest Receivable	5,785	154,421
Prepaid Expense	527,190	259,815
Receivable from Institutions - Current Portion	6,825,583	6,943,043
Total Current Assets	72,666,584	58,371,483
<b>NONCURRENT ASSETS</b>		
Cash and Cash Equivalents	15,443,660	18,365,859
Accounts Receivable Noncurrent	2,060,126	2,400,418
Receivable from Institutions	41,768,035	46,586,618
Capital Assets - Net	59,031,879	58,634,378
Total Noncurrent Assets	118,303,700	125,987,273
Total Assets	190,970,284	184,358,756
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Loss on Refunding	13,620,220	14,720,352
Deferred Outflows Related to OPEB	409,030	432,807
Deferred Outflows Related to Pensions	169,575	124,998
Total Deferred Outflows of Resources	14,198,825	15,278,157
Total Assets and Deferred Outflows of Resources	\$ 205,169,109	\$ 199,636,913

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
STATEMENTS OF NET POSITION (CONTINUED)  
JUNE 30, 2021 AND 2020**

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>2021</u>	<u>2020 (As Restated)</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,975,327	\$ 968,178
Amounts Due to Institutions and Affiliates	1,491,273	1,209,705
Accrued Liabilities	903,782	922,472
Deposits	5,701	8,079
Compensated Absences - Current Portion	630,754	643,585
Unearned Revenue - Services	28,815	1,315
Interest Payable	9,092,232	9,160,334
Notes Payable - Current Portion	595,633	550,387
Bonds Payable - Current Portion	15,402,104	14,864,064
Total Current Liabilities	<u>30,125,621</u>	<u>28,328,119</u>
<b>NONCURRENT LIABILITIES</b>		
Compensated Absences	283,621	223,530
Future Interest Payable	30,617,212	32,305,840
Net Pension Liability	523,113	427,354
Other Postemployment Benefit Liability	534,965	2,086,405
Notes Payable	2,459,388	798,174
Bonds payable	268,855,142	285,901,357
Total Noncurrent Liabilities	<u>303,273,441</u>	<u>321,742,660</u>
Total Liabilities	333,399,062	350,070,779
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Related to OPEB	1,819,482	1,079,731
Deferred Inflows Related to Pensions	48,563	83,146
Total Deferred Inflows of Resources	<u>1,868,045</u>	<u>1,162,877</u>
Total Liabilities and Deferred Inflows of Resources	335,267,107	351,233,656
<b>NET POSITION</b>		
Net Investment in Capital Assets	55,976,858	58,069,137
Restricted - Expendable	54,279,598	41,055,339
Unrestricted	(240,354,454)	(250,721,219)
Total Net Position	<u>(130,097,998)</u>	<u>(151,596,743)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 205,169,109</u>	<u>\$ 199,636,913</u>

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, 2021 AND 2020**

	2021	2020 (As Restated)
<b>OPERATING REVENUES</b>		
Institutional Collections	\$ 3,792,454	\$ 4,071,757
Contracts and Grants:		
Federal	3,782,079	4,379,663
State	3,645,210	410,667
Private	48,468	139,971
Rental Income	5,171,855	5,059,560
Sales and Services of Educational Activities	3,433,634	3,535,239
Miscellaneous - Net	47,836	51,277
Total Operating Revenues	19,921,536	17,648,134
<b>OPERATING EXPENSES</b>		
Salaries and Wages	9,177,318	9,726,715
Benefits	1,548,782	2,376,124
Supplies and Other Services	9,278,670	8,861,703
Utilities	3,415,229	3,073,459
Depreciation	2,238,371	2,143,347
Total Operating Expenses	25,658,370	26,181,348
<b>OPERATING LOSS</b>	(5,736,834)	(8,533,214)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	76,946,239	75,148,259
State Lottery Appropriations	52,011,994	46,360,184
Investment Gain	79,268	886,346
Payments Made on Behalf of the Commission	192,065	271,743
Institutional Debt Service Payments from Institutions:		
Interest	6,677,999	6,745,375
Other	441,111	441,111
Interest on Indebtedness	(15,816,153)	(16,654,919)
Student Financial Aid and Other Payments to Institutions	(98,793,150)	(92,301,929)
Federal Revenue	6,321,033	-
Other Nonoperating Revenues - Net	1,171,651	656,701
Net Nonoperating Revenues	29,232,057	21,552,871
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, OR TRANSFERS</b>	23,495,223	13,019,657
<b>CAPITAL PAYMENTS AND TRANSFERS TO INSTITUTIONS AND OUTSIDE ENTITIES</b>	(1,996,478)	(3,641,211)
<b>INCREASE IN NET POSITION</b>	21,498,745	9,378,446
Net Position - Beginning of Year - as Previously Reported	(151,596,743)	(162,273,872)
Restatement July 1, 2019 - Note 17	-	1,298,683
Net Position - Beginning of Year, Restated	(151,596,743)	(160,975,189)
<b>NET POSITION - END OF YEAR</b>	\$ (130,097,998)	\$ (151,596,743)

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020 (As Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Institutional Collections	\$ 4,304,602	\$ 3,853,548
Contracts and Grants	7,500,071	4,568,393
Payments to and on Behalf of Employees	(11,460,766)	(12,070,532)
Payments to Suppliers	(9,040,996)	(8,937,960)
Payments to Utilities	(3,035,010)	(3,276,542)
Rental Income Receipts	4,221,587	4,593,195
Sales and Service of Educational Activities	3,471,636	3,535,240
Other	48,780	51,277
Net Cash Used by Operating Activities	(3,990,096)	(7,683,381)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	126,871,862	123,756,029
Nonoperating Grants and Contracts	-	303,300
Federal COVID revenues	6,321,033	-
Payments to Institutions	(94,837,206)	(92,661,162)
Net Cash Provided by Noncapital Financing Activities	38,355,689	31,398,167
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from Debt Issuances	2,256,842	783,320
Institutional Receipts for Debt Service	12,983,174	12,982,674
Purchases of Capital Assets	(3,827,907)	(3,220,236)
Principal Paid on Bonds	(14,864,064)	(14,416,188)
Interest Paid on Bonds	(17,556,038)	(18,046,712)
Principal Paid on Notes	(550,382)	(153,336)
Interest Paid on Notes	(17,186)	(22,250)
Capital Payments and Transfers to Institutions and Outside Entities	(2,033,291)	(3,746,748)
Capital Loans to Institutions	(2,000,000)	(2,400,000)
Capital Loan Repayments from Institutions	1,071,979	949,479
Net Cash Used by Capital Financing Activities	(24,536,873)	(27,289,997)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deposits to Noncurrent Cash and Cash Equivalents	(24,153,460)	(24,404,788)
Withdrawals from Noncurrent Cash and Cash Equivalents	27,075,659	28,164,979
Receipts from Investment Income	99,512	926,027
Net Cash Provided by Investing Activities	3,021,711	4,686,218
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	12,850,431	1,111,007
Current Cash and Cash Equivalents - Beginning of Year	43,341,607	42,230,600
<b>CURRENT CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 56,192,038	\$ 43,341,607

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020 (As Restated)
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (5,736,834)	\$ (8,533,214)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization Expense	2,238,371	2,143,347
Changes in Assets and Liabilities:		
Accounts Receivables - Net	23,250	(886,604)
Prepaid Expenses	(267,375)	(33,501)
Accounts Payable	469,772	(443,806)
Accrued Liabilities	(18,348)	86,311
Other Postemployment Benefit Related Amounts	(1,414,035)	(3,133)
Defined Benefit Pension Related Amounts	732,568	(153,571)
Compensated Absences	(42,586)	5,562
Deposits Held in Custody for Others	(2,379)	133,914
Unearned Revenue	27,500	1,314
Net Cash Used by Operating Activities	\$ (3,990,096)	\$ (7,683,381)
<b>SIGNIFICANT NONCASH TRANSACTIONS</b>		
Capital Transfers to Institutions Included in Accounts Payable	\$ 281,615	\$ 318,428
Capital Asset Additions Included in Accounts Payable	\$ -	\$ 3,843
Expenses Paid on Behalf of the Commission	\$ 192,065	\$ 271,743

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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, 2021 AND 2020**

**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, 2021 and 2020.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

**Financial Statement Presentation (Continued)**

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.

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>.



**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

**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) restricted nonexpendable net position, are classified as noncurrent assets in the accompanying statements of net position. As of June 30, 2021 and 2020, there was no restricted nonexpendable 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.

**Unearned Revenue**

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

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

**Compensated Absences and Other Postemployment Benefits**

GASB provides standards for the measurement, recognition, and display of other postemployment 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, 2021 AND 2020**

**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, 2021 and 2020, the Commission had a deferred loss on refunding of \$13,620,220 and \$14,720,352, respectively, and deferred outflows of resources related to pensions of \$169,575 and \$124,998 as of June 30, June 30, 2021 and 2020, respectively (Note 10). As of June 30, 2021 and 2020, the Commission had deferred outflows of resources related to OPEB of \$409,030 and \$432,807 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, 2021 and 2020, the deferred inflows related to pensions were \$48,563 and \$83,146, respectively (Note 10). As of June 30, 2021 and 2020, the Commission had deferred inflows of resources related to OPEB of \$1,819,482 and \$1,079,731, respectively (Note 9).

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
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JUNE 30, 2021 AND 2020**

**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, 2021 AND 2020**

**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 1 to 5 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 under Section 115 of the Internal Revenue Code as a governmental entity. It is also recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code.

**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.

**Reclassifications**

Certain amounts previously reported in the financial statements for the fiscal year ended June 30, 2020 have been reclassified to conform with current year presentation.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
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JUNE 30, 2021 AND 2020**

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

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

The Commission has implemented GASB Statement No. 84, *Fiduciary Activities*, which was 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. Net position as of July 1, 2019 was restated as a result of the implementation of this standard. Note 17 provides additional detail on the impact of the implementation.

The Commission has implemented GASB 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 adoption of this standard had no effect on the Commission's financial statements.

The Commission has implemented GABS Statement No. 93, *Replacement of Interbank Offered Rates*, which is effective for reporting periods ending after December 31, 2022, as postponed by implementation of GASB No. 95, for the removal of LIBOR as an appropriate benchmark interest rate. All other requirements related to Statement No. 93 are effective for reporting periods beginning after June 15, 2021, as postponed by implementation of GASB No. 95. Statement No. 93's objective is to address financial reporting implications related to replacing the London Interbank Offered Rate (LIBOR) with other reference rates since LIBOR is expected to cease to exist in its current form at the end of 2021 due to global reference rate reform. The adoption of this standard had no effect on the Commission's financial statements.

**Recent Statements Issued by the Governmental Accounting Standards Board**

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. 91, *Conduit Debt Obligations*, which is effective for fiscal years 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 Statement No. 91 may have on its financial statements.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The GASB has also issued Statement No. 92, *Omnibus 2020*, which is effective immediately for requirements related to the effective date of Statement No. 87 and Implementation Guide 2019-3. The requirements related to Statement Nos. 73 and 74 and requirements related to Intra-entity transfer of assets are effective for fiscal years beginning after June 15, 2021, as postponed by implementation of GASB No. 95. The objective of Statement No. 92 is to enhance comparability in accounting and financial reporting by improving the consistency in authoritative literature. The Commission has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

The GASB has also 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 Statement No. 94 may have on its financial statements.

The GASB has also 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 Statement No. 96 may have on its financial statements.

The GASB has also issued Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 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 Statement No. 97 may have on its financial statements.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 3 CASH AND CASH EQUIVALENTS**

The composition of cash and cash equivalents at June 30, 2021 was held as follows:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
State Treasurer	\$ 48,084,625	\$ 6,200,299	\$ 54,284,924
Municipal Bond Commission	1,698,756	-	1,698,756
Bank	6,408,657	-	6,408,657
Trustee	-	9,243,361	9,243,361
Total	<u>\$ 56,192,038</u>	<u>\$ 15,443,660</u>	<u>\$ 71,635,698</u>

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>

Cash held by the State Treasurer includes \$6,200,299 and \$3,000,000 at June 30, 2021 and 2020, 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, 2021 and 2020 was \$6,408,657 and \$5,234,867 as compared with the combined bank balance of \$6,408,657 and \$5,234,867, 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, 2021 and 2020 are comprised of \$9,231,606 and \$1,909,632, 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.



**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)**

**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	2021		2020	
	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	\$ 42,372,578	AAAm	\$ 34,807,694	AAAm
WV Government Money Market Pool	1,698,756	AAAm	1,772,091	AAAm
WV Short-Term Bond Pool	981,985	Not Rated	845,233	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	2021		2020	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 42,372,578	45	\$ 34,807,694	44
WV Government Money Market Pool	1,698,756	52	1,772,091	50

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

External Pool	2021		2020	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short-Term Bond Pool	\$ 981,985	638	\$ 845,233	620

**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	
	2021	2020
Money Market Fund	\$ 9,243,361	\$ 15,365,859

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)**

**Cash in Bank with Trustee (Continued)**

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, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Student Loan Receivables - Net of Allowance for Doubtful Accounts of \$2,703,104 and \$2,457,485	\$ 2,929,204	\$ 2,818,880
Grants and Contracts Receivable	165,373	347,575
Due from Higher Education Institutions	193,870	2,181,042
Rent Receivable - Net of Allowance for Doubtful Accounts of Rent Receivable of \$151,727 and \$97,262	2,243,954	884,066
Employee Conversion Pay Receivable	49,329	57,063
Due from State and State Agencies	733,249	1,009,625
Total	<u>\$ 6,314,979</u>	<u>\$ 7,298,251</u>

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 5 CAPITAL ASSETS**

A summary of capital asset activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 15,130,000	\$ -	\$ (30,000)	\$ 15,100,000
Construction in Progress	12,967,332	1,904,763	(18,686)	14,853,409
Total Capital Assets not being Depreciated	<u>\$ 28,097,332</u>	<u>\$ 1,904,763</u>	<u>\$ (48,686)</u>	<u>\$ 29,953,409</u>
<b>Other Capital Assets:</b>				
Buildings and Building Improvements	32,967,061	76,888	(145,100)	\$ 32,898,849
Leasehold Improvements	83,394	-	-	83,394
Infrastructure	4,346,364	70,499	-	4,416,863
Intangible	1,468,338	-	-	1,468,338
Equipment	15,437,060	737,202	(67,760)	16,106,502
Total Other Capital Assets	<u>54,302,217</u>	<u>884,589</u>	<u>(212,860)</u>	<u>54,973,946</u>
<b>Less Accumulated Depreciation and Amortization for:</b>				
Buildings and Building Improvements	7,190,228	1,138,963	(40,306)	8,288,885
Leasehold Improvements	42,882	14,207	-	57,089
Infrastructure	1,657,073	293,337	-	1,950,410
Intangible	1,253,969	-	-	1,253,969
Equipment	13,621,019	791,864	(67,760)	14,345,123
Total Accumulated Depreciation and Amortization	<u>23,765,171</u>	<u>2,238,371</u>	<u>(108,066)</u>	<u>25,895,476</u>
Other Capital Assets - Net	<u>\$ 30,537,046</u>	<u>\$ (1,353,782)</u>	<u>\$ (104,794)</u>	<u>\$ 29,078,470</u>
<b>Capital Asset Summary:</b>				
Capital Assets Not Being Depreciated or Amortized	\$ 28,097,332	\$ 1,904,763	\$ (48,686)	\$ 29,953,409
Other Capital Assets	54,302,217	884,589	(212,860)	54,973,946
Total Cost of Capital Assets	<u>82,399,549</u>	<u>2,789,352</u>	<u>(261,546)</u>	<u>84,927,355</u>
Less: Accumulated Depreciation and Amortization	<u>23,765,171</u>	<u>2,238,371</u>	<u>(108,066)</u>	<u>25,895,476</u>
Capital Assets - Net	<u>\$ 58,634,378</u>	<u>\$ 550,981</u>	<u>\$ (153,480)</u>	<u>\$ 59,031,879</u>

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

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

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Capital Assets Not Being Depreciated:</b>				
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>
<b>Other Capital Assets:</b>				
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	<u>53,250,457</u>	<u>1,289,238</u>	<u>(237,478)</u>	<u>54,302,217</u>
<b>Less Accumulated Depreciation and Amortization for:</b>				
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	<u>21,859,302</u>	<u>2,143,347</u>	<u>(237,478)</u>	<u>23,765,171</u>
Other Capital Assets - Net	<u>\$ 31,391,155</u>	<u>\$ (854,109)</u>	<u>\$ -</u>	<u>\$ 30,537,046</u>
<b>Capital Asset Summary:</b>				
Capital Assets not being Depreciated or Amortized	\$ 27,847,912	\$ 249,420	\$ -	\$ 28,097,332
Other Capital Assets	<u>53,250,457</u>	<u>1,289,238</u>	<u>(237,478)</u>	<u>54,302,217</u>
Total Cost of Capital Assets	81,098,369	1,538,658	(237,478)	82,399,549
Less: Accumulated Depreciation and Amortization	<u>21,859,302</u>	<u>2,143,347</u>	<u>(237,478)</u>	<u>23,765,171</u>
Capital Assets - Net	<u>\$ 59,239,067</u>	<u>\$ (604,689)</u>	<u>\$ -</u>	<u>\$ 58,634,378</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, 2021 and 2020, the Commission had outstanding contractual commitments of approximately \$453,527 and \$449,618 for property, plant, and equipment expenditures, respectively.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 6 LONG-TERM LIABILITIES**

A summary of long-term obligation activity for the years ended June 30, 2021 and 2020 is as follows:

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 300,765,421	\$ -	\$ (16,508,175)	\$ 284,257,246	\$ 15,402,104
Notes Payable - Direct Placement	1,348,561	2,256,842	(550,382)	3,055,021	595,633
Other Long-Term Liabilities:					
Accrued Compensated Absences	867,115	47,260	-	914,375	630,754
Future Interest Payable	37,191,775	-	(1,571,668)	35,620,107	5,002,895 *
Other Postemployment Benefit Liability	2,086,405	-	(1,551,440)	534,965	-
Net Pension Liability	427,354	95,759	-	523,113	-
Total Long-Term Liabilities	<u>\$ 342,686,631</u>	<u>\$ 2,399,861</u>	<u>\$ (20,181,665)</u>	<u>\$ 324,904,827</u>	<u>\$ 21,631,386</u>

	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 - Direct Placement	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>	<u>\$ 20,943,971</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 Corporation 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 October 20, 2020, the Corporation executed a note payable to the West Virginia Infrastructure and Jobs Development Council in the amount of \$2,217,128. The loan was to finance construction and building improvements related to Building 2000 that the Corporation had paid for using operational funds in prior years. The note payable bears interest at 0% per annum and is collateralized by lease rental revenues. Payments are due monthly beginning November 1, 2023 in installments of \$18,476. The note matures in October 2033.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 7 NOTES PAYABLE (CONTINUED)**

On May 7, 2021, the Corporation executed a construction loan agreement to Summit Community Bank to fund construction and permanent financing in the amount of \$7,500,000. The note payable bears a variable interest rate at 3.25% per annum and is subject to repricing May 27, 2027 and every five years thereafter. The note payable is collateralized by lease rental revenues. Interest only payments are due for 12 consecutive payments beginning June 27, 2021. Payments of principal and interest are due monthly beginning June 27, 2022 in installments of \$52,877. As of June 30, 2021, the Corporation had drawn \$39,714 under this agreement. The note matures in May 2037.

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, 2021 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 595,633	\$ 12,627
2023	169,955	5,629
2024	220,114	641
2025	221,713	-
2026	221,713	-
Thereafter	1,625,893	-
Total	<u>\$ 3,055,021</u>	<u>\$ 18,897</u>

**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.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
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**NOTE 8 BONDS PAYABLE (CONTINUED)**

Bonds payable at June 30, 2021 and 2020 consisted of the following:

	Maximum Interest Rate	Original Range of Annual Principal Installment Due	Principal Amount Outstanding	
			2021	2020
2017 Series Community and Technical College Capital Improvement Revenue Refunding Bonds	5.00 %	\$30,000 to 4,760,000	\$ 60,365,000	\$ 62,250,000
2017 Series Revenue Refunding Bonds Higher Education Facilities	5.00	\$1,205,000 to 3,885,000	19,075,000	22,265,000
2012 Series A Revenue Refunding Bonds, Due through 2034	5.00	\$1,425,000 to 42,100,000	92,320,000	97,330,000
2012 Series B Revenue Bonds, Due through 2034	5.00	\$200,000 to 2,400,000	5,450,000	5,780,000
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	13,744,772	15,658,836
Series 1998 University System Bonds, Due through 2028	5.25	\$1,065,000 to 3,625,000	21,890,000	24,425,000
Subtotal			<u>263,109,772</u>	<u>277,973,836</u>
Add Bond Premium			<u>21,147,474</u>	<u>22,791,585</u>
Total			<u>\$ 284,257,246</u>	<u>\$ 300,765,421</u>

A summary of the annual aggregate payments for years subsequent to June 30, 2021 is as follows:

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	17,257,128	15,749,578	33,006,706
2027-2031	80,999,892	67,484,779	148,484,671
2032-2036	63,130,000	20,362,829	83,492,829
2037-2040	36,555,000	5,663,108	42,218,108
Total	<u>\$ 263,109,772</u>	<u>\$ 178,835,261</u>	<u>\$ 441,945,033</u>

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
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**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, 2021, the amount of defeased bonds outstanding was \$9,755,000 related to the 2007 Series A Bonds and \$10,875,000 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, 2021 (dollars in thousands):

	2021	2020
Net OPEB Liability	\$ 535	\$ 2,086
Deferred Outflows of Resources	409	433
Deferred Inflows of Resources	1,819	1,080
Revenues	51	126
OPEB Expense	(531)	212
Contributions Made by Commission	231	236



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**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 10 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](http://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  
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**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**  
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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Basis of Allocation**

OPEB amounts have been allocated to each contributing employer based on their proportionate share of employer contributions to the RHBT for the fiscal year ended June 30, 2020. Effective July 1, 2017, certain employers that met the plan's opt out criteria and chose not to participate in the plan coverage were no longer required to make contributions to the plan. The amounts previously allocated to such employers for the net OPEB liability and related deferred inflows and deferred outflows are reallocated to the remaining employers participating in the cost sharing plan. The plan reallocates these balances to the remaining active employers based on their proportionate share of contributions made in the period of reallocation.

**Assumptions**

The net OPEB liability as of June 30, 2021 for financial reporting purposes was determined by an actuarial valuation as of June 30, 2020. The following actuarial assumptions were used and applied 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: 6.65%, net of OPEB Plan investment expense, including inflation.
- Projected salary increases: dependent on pension system of 2.75%.
- Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.50% for plan year end 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022, 9.15% for plan year end 2023, 8.40% for plan year end 2024, each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
- Inflation rate: 2.25%.
- Discount Rate: 6.65%
- Mortality rates: based on MP-2019 Mortality Tables.

The net OPEB liability as of June 30, 2020 for financial reporting purposes was determined by an actuarial valuation as of June 30, 2018, rolled forward to the measurement date of June 30, 2019. The following actuarial assumptions were used 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 3.00% to 6.50%, including inflation.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Assumptions (Continued)**

- Health care Cost Trend Rates: Trend Rate of pre-Medicare per Capita costs of 8.5% for plan year-end 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 2020. 9.5% for plan year-end 2021, decreasing by .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 6.65% and 7.15%, as of June 30, 2020 and 2019, respectively, on OPEB Plan investments was determined by a combination of an expected long-term rate of return of 7.00% and 7.50%, respectively, 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.

The actuarial assumptions used in the June 30, 2020, valuation was based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2020. The actuarial assumptions used in the June 30, 2018, valuation was based on the results of an actuarial experience study for the period July 1, 2010, through June 30, 2015.

<u>Asset Class</u>	2021	
	Long-Term Expected Real Rate of Return	Target Allocation
Global Equity	6.8 %	55.0 %
Core Plus Fixed Income	4.1	15.0
Core Real Estate	6.1	10.0
Private Equity	8.8	10.0
Hedge Fund	4.4	10.0

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Assumptions (Continued)**

<u>Asset Class</u>	2020	
	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	4.8 %	49.5 %
Global Equity	2.1	13.5
Core Plus Fixed Income	2.4	9.0
Core Real Estate	6.8	9.0
Private Equity	4.1	9.0
Hedge Funds	0.3	10.0

**Discount rate.** The discount rate used to measure the OPEB liability as of June 30, 2021 was 6.65%. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.65% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.13% as of the beginning of the year and 2.45% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the state through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2025, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

The discount rate used to measure the OPEB liability as of June 30, 2020 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.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (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 net OPEB liability as of June 30, 2021 and 2020, respectively, calculated using the discount rate of 6.65% and 7.15%, as of June 30, 2021 and 2020, respectively, as well as what the University’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.65% and 6.15%, respectively) or one percentage point higher (7.65% and 8.15%, respectively) than the current rate (in thousands):

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB Liability 2021	\$ 763	\$ 535	\$ 344
Net OPEB Liability 2020	\$ 2,490	\$ 2,086	\$ 1,749

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, 2021 and 2020, 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):

	<u>1% Decrease</u>	<u>Health Care Rate Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB Liability 2021	\$ 321	\$ 535	\$ 792
Net OPEB Liability 2020	\$ 1,682	\$ 2,086	\$ 2,577

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – The net OPEB liabilities at June 30, 2021 and 2020, were measured as of June 30, 2020 and 2019. The total OPEB liabilities at June 30, 2021 and 2020, were determined by an actuarial valuations as of June 30, 2020 and 2018, respectively, with the 2018 valuation rolled forward to the measurement date.

At June 30, 2021 and 2020, respectively, the amount recognized as the Commission’s proportionate share of the net OPEB liability was \$534,965 and \$2,086,405. At 2021 and 2020, respectively, the nonemployer contributing entity’s (state of West Virginia) portion of the collective net OPEB liability is \$115,534 and \$426,971, and the total net OPEB liability attributable to the Commission is \$650,500 and \$2,513,376.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Assumptions (Continued)**

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued) – 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, 2020 and 2019. Employer contributions are recognized when due. At June 30, 2020, the Commission’s proportion was 0.121118%, an decrease of 0.004635% from its proportion of 0.125753% calculated as of June 30, 2019. 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.

For the years ended June 30, 2021 and 2020, the Commission recognized OPEB expense of (\$530,427) and \$212,013, respectively. Of this amount, (\$580,049) and \$85,522, respectively, was recognized as the Commission’s proportionate share of the OPEB expense, and \$49,662 and \$126,491, respectively as the amount of OPEB expense attributed to special funding. The Commission also recognized revenue of \$49,662 and \$126,491, respectively, for support provided by the state.

At June 30, 2021, 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	\$ 137,825	\$ 231,751
Net Difference between Projected and Actual Investment Earnings	40,607	-
Contributions After the Measurement Date	230,598	-
Net Difference between Actual and Expected Experience	-	346,862
Relocation of Opt-Out Employer Change in Proportionate Share	-	33,340
Changes in Assumptions	-	1,207,529
Total	<u>\$ 409,030</u>	<u>\$ 1,819,482</u>

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
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**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Assumptions (Continued)**

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (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	11,862	34,369
Contributions After the Measurement Date	235,637	243,334
Net Difference between Actual and Expected Experience	515	56,314
Changes in Assumptions	-	423,139
Total	<u>\$ 432,807</u>	<u>\$ 1,079,911</u>

The Commission will recognize the \$230,598 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, 2022. 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>
2022	\$ (618,058)
2023	(481,024)
2024	(340,956)
2025	(201,012)
Total	<u>\$ (1,641,050)</u>



**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
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**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, 2021, 2020, and 2019 were \$1,031,541, \$1,014,958, and \$1,039,228, respectively, which consisted of \$515,771, \$507,479, and \$532,630 from the Commission in 2021, 2020, and 2019, respectively, and \$515,771, \$507,479, and \$532,630 from covered employees in 2021, 2020, and 2019, 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.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
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**NOTE 10 RETIREMENT PLANS (CONTINUED)**

**Defined Contribution Benefit Plans (Continued)**

Total contributions to Educators Money for the years ended June 30, 2021, 2020, and 2019 were \$15,632, \$3,545, and \$12,759, respectively, which consisted of \$7,816, \$1,773, and \$3,598, from the Commission in 2021, 2020, and 2019, respectively, and \$7,816, \$1,773, and \$3,598 from covered employees in 2021, 2020, and 2019, respectively.

The Commission's total payroll for the years ended June 30, 2021 and 2020 was \$10,143,864 and \$9,007,379, respectively. Total covered employees' salaries in the TIAA-CREF and Educators Money were \$9,537,740 and \$130,267, respectively, for the year ended June 30, 2021, and \$8,458,042 and \$29,543, respectively, for the year ended June 30, 2020.

**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>2021</u>	<u>2020</u>
Net Pension Liability	\$ 523,113	\$ 427,354
Deferred Outflows of Resources	169,575	124,998
Deferred Inflows of Resources	48,563	83,146
Revenues	127,640	145,252
Pension Expense	210,725	155,840
Contributions Made by Commission	44,758	61,744

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

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>.

***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.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
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**NOTE 10 RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

TRS (Continued)

***Contributions (Continued)***

**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, 2020 and 2019, the Commission's proportionate share attributable to this special funding subsidy was \$127,640 and \$145,252, respectively.

The Commission's contributions to TRS for the years ended June 30, 2021, 2020, and 2019 were approximately \$44,758, \$61,744, and \$62,226, respectively.

***Assumptions***

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2019 and 2018, respectively, and rolled forward to June 30, 2020 and 2019, 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% - 6.16% and nonteachers 3.00% - 6.76%, based on age
- Inflation rate of 3.0%

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
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•  
**NOTE 10 RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

TRS (Continued)

***Assumptions (Continued)***

- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables
- Withdrawal rates: Teachers 7.00% - 35% and nonteachers 2.33% - 18.00%
- Disability rates: 0.004% - 0.563%
- 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, 2014 to June 30, 2019. 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.

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**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, 2020 and 2019 are summarized below.

<u>Asset Class</u>	2021	
	Long-Term Expected Real Rate of Return	Target Allocation
	Domestic Equity	5.5 %
International Equity	7.0	27.5
Fixed Income	2.2	15.0
Real Estate	6.6	10.0
Private Equity	8.5	10.0
Hedge Funds	4.0	10.0

<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

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.

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**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, 2021 and 2020 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 2021	\$ 706,681	\$ 523,113	\$ 366,700
Net Pension Liability 2020	\$ 583,298	\$ 427,354	\$ 293,960

***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, 2020 and 2019, respectively. The total pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018, respectively, and rolled forward to the measurement dates.

At June 30, 2021 and 2020, the Commission’s proportionate share of the TRS net pension liability was \$1,662,274 and \$1,592,681, respectively. Of this amount, the Commission recognized approximately \$523,113 and \$427,354, respectively, as its proportionate share on the statements of net position. The remainder of \$1,139,161 and \$1,165,327, 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, 2020 and 2019. Employer contributions are recognized when due. At June 30, 2020, the Commission’s proportion was 0.016241%, an increase of 0.001877% from its proportion of 0.01436% calculated as of June 30, 2019.

For the years ended June 30, 2021 and 2020, the Commission recognized TRS pension expense of \$210,725 and \$155,840, respectively. Of this amount, \$74,946 and \$10,588, respectively, was recognized as the Commission’s proportionate share of the TRS expense, \$127,640 and \$138,311, respectively, as the amount of pension expense attributable to special funding from a nonemployer contributing entity and \$8,139 and \$6,941, 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 \$135,779 and \$145,252, respectively, for support provided by the state.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**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, 2021, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	\$ 73,731	\$ 37,077
Net Difference between Projected and Actual Investment Earnings	31,695	-
Contributions After the Measurement Date	44,758	-
Net Difference between Actual and Expected Experience	12,020	11,486
Changes in Assumptions	7,371	-
Total	\$ 169,575	\$ 48,563

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



**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**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 \$44,758 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>
2022	\$ 3,122
2023	14,960
2024	29,889
2025	28,283
Total	<u>\$ 76,254</u>

***Payables to the Pension Plan***

The Commission did not report any amounts payable for normal contributions to the TRS as of June 30, 2021 and 2020.

**NOTE 11 OPERATING LEASES**

During the fiscal years ended June 30, 2021 and 2020, the Corporation as lessor, leased its facilities under 29 and 24 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, 2021 and 2020 were \$5,171,855 and \$5,059,560, 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, 2021:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 5,228,229
2023	3,850,174
2024	2,626,860
2025	1,981,396
2026	644,214
Total	<u>\$ 14,330,873</u>

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 OPERATING LEASES (CONTINUED)**

Future annual minimum scheduled lease payments on operating leases of the Commission for years subsequent to June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 18,651

Total rent expense for the years ended June 30, 2021 and 2020 was \$389,187 and \$444,421, 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, 2021 and 2020.

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**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 2021 and 2020, approximately \$3,536,774 and \$3,853,548 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, 2021, 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 Administration, Operations, and Maintenance of Plant	\$ 8,078,599	\$ 1,203,830	\$ 7,746,111	\$ -	\$ -	\$ 17,028,540
Administration of Leasing Activity	-	-	-	141,625	-	141,625
Depreciation and Amortization	1,098,719	344,952	1,532,559	3,273,604	-	6,249,834
Total	<u>\$ 9,177,318</u>	<u>\$ 1,548,782</u>	<u>\$ 9,278,670</u>	<u>\$ 3,415,229</u>	<u>\$ 2,238,371</u>	<u>\$ 25,658,370</u>

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 Administration, Operations, and Maintenance of Plant	\$ 8,485,240	\$ 1,961,851	\$ 7,550,267	\$ -	\$ -	\$ 17,997,358
Administration of Leasing Activity	-	-	-	150,137	-	150,137
Depreciation and Amortization	1,241,475	414,273	1,311,436	2,923,322	-	5,890,506
Total	<u>\$ 9,726,715</u>	<u>\$ 2,376,124</u>	<u>\$ 8,861,703</u>	<u>\$ 3,073,459</u>	<u>\$ 2,143,347</u>	<u>\$ 26,181,348</u>

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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, 2021 and 2020 is as follows:

**Condensed Combining Statements of Net Position**  
**June 30, 2021**

	Commission	WVRTP	Eliminations	Combined
<b>ASSETS</b>				
Current Assets	\$ 64,357,814	\$ 8,720,770	\$ (412,000)	\$ 72,666,584
Noncurrent Assets	59,271,821	-	-	59,271,821
Capital Assets, Net	<u>4,659,735</u>	<u>54,372,144</u>	<u>-</u>	<u>59,031,879</u>
Total Assets	<u>128,289,370</u>	<u>63,092,914</u>	<u>(412,000)</u>	<u>190,970,284</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	14,198,825	-	-	14,198,825
<b>LIABILITIES</b>				
Current Liabilities	29,009,762	1,527,859	(412,000)	30,125,621
Long-Term Liabilities	<u>300,814,053</u>	<u>2,459,388</u>	<u>-</u>	<u>303,273,441</u>
Total Liabilities	<u>329,823,815</u>	<u>3,987,247</u>	<u>(412,000)</u>	<u>333,399,062</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,868,045	-	-	1,868,045
<b>NET POSITION</b>				
Net Investment in Capital Assets	(252,571,392)	51,708,783	256,839,467	55,976,858
Restricted - Expendable	54,279,598	-	-	54,279,598
Unrestricted	<u>9,088,129</u>	<u>7,396,884</u>	<u>(256,839,467)</u>	<u>(240,354,454)</u>
Total Net Position	<u>\$ (189,203,665)</u>	<u>\$ 59,105,667</u>	<u>\$ -</u>	<u>\$ (130,097,998)</u>

**Condensed Combining Statements of Net Position (As Restated)**  
**June 30, 2020**

	Commission	WVRTP	Eliminations	Combined
<b>ASSETS</b>				
Current Assets	\$ 52,155,333	\$ 6,216,150	\$ -	\$ 58,371,483
Noncurrent Assets	67,352,895	-	-	67,352,895
Capital Assets, Net	<u>4,892,789</u>	<u>53,741,589</u>	<u>-</u>	<u>58,634,378</u>
Total Assets	<u>124,401,017</u>	<u>59,957,739</u>	<u>-</u>	<u>184,358,756</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	15,278,157	-	-	15,278,157
<b>LIABILITIES</b>				
Current Liabilities	27,841,570	486,549	-	28,328,119
Long-Term Liabilities	<u>321,336,146</u>	<u>406,514</u>	<u>-</u>	<u>321,742,660</u>
Total Liabilities	<u>349,177,716</u>	<u>893,063</u>	<u>-</u>	<u>350,070,779</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,162,877	-	-	1,162,877
<b>NET POSITION</b>				
Net Investment in Capital Assets	(263,436,846)	53,176,348	268,329,635	58,069,137
Restricted - Expendable	41,055,339	-	-	41,055,339
Unrestricted	<u>11,720,088</u>	<u>5,888,328</u>	<u>(268,329,635)</u>	<u>(250,721,219)</u>
Total Net Position	<u>\$ (210,661,419)</u>	<u>\$ 59,064,676</u>	<u>\$ -</u>	<u>\$ (151,596,743)</u>

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 15 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statements of Revenues, Expenses, and Changes in Net Position**  
**Year Ended June 30, 2021**

	Commission	WVRTP	Eliminations	Combined
<b>OPERATING REVENUES</b>				
Contracts and Grants	\$ 6,704,757	\$ 2,542,693	\$ (1,771,693)	\$ 7,475,757
Rental Income	-	5,171,855	-	5,171,855
Sales and Services of Educational Activities	3,471,635	-	(38,001)	3,433,634
Other Operating Revenues	3,792,454	47,836	-	3,840,290
Total Operating Revenues	<u>13,968,846</u>	<u>7,762,384</u>	<u>(1,809,694)</u>	<u>19,921,536</u>
<b>OPERATING EXPENSES</b>				
Operations	17,208,166	6,249,834	(38,001)	23,419,999
Depreciation	783,657	1,454,714	-	2,238,371
Total Operating Expenses	<u>17,991,823</u>	<u>7,704,548</u>	<u>(38,001)</u>	<u>25,658,370</u>
<b>OPERATING INCOME (LOSS)</b>	(4,022,977)	57,836	(1,771,693)	(5,736,834)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Other Nonoperating Revenues	29,248,902	(16,845)	-	29,232,057
<b>CAPITAL PAYMENTS AND TRANSFERS</b>	<u>(3,768,171)</u>	<u>-</u>	<u>1,771,693</u>	<u>(1,996,478)</u>
<b>INCREASE IN NET POSITION</b>	21,457,754	40,991	-	21,498,745
Net Position - Beginning of Year, Restated	<u>(210,661,419)</u>	<u>59,064,676</u>	<u>-</u>	<u>(151,596,743)</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ (189,203,665)</u>	<u>\$ 59,105,667</u>	<u>\$ -</u>	<u>\$ (130,097,998)</u>

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 15 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statements of Revenues, Expenses, & Changes in Net Position (As Restated)**  
**Year Ended June 30, 2020**

	Commission	WVRTP	Eliminations	Combined
<b>OPERATING REVENUES</b>				
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	4,071,757	51,277	-	4,123,034
Total Operating Revenues	<u>12,576,950</u>	<u>6,871,090</u>	<u>(1,799,906)</u>	<u>17,648,134</u>
<b>OPERATING EXPENSES</b>				
Operations	18,189,179	5,888,475	(39,653)	24,038,001
Depreciation	696,135	1,447,212	-	2,143,347
Total Operating Expenses	<u>18,885,314</u>	<u>7,335,687</u>	<u>(39,653)</u>	<u>26,181,348</u>
<b>OPERATING LOSS</b>	(6,308,364)	(464,597)	(1,760,253)	(8,533,214)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Other Nonoperating Revenues (Expenses)	21,271,490	281,381	-	21,552,871
<b>CAPITAL PAYMENTS AND TRANSFERS</b>	<u>(5,401,464)</u>	<u>-</u>	<u>1,760,253</u>	<u>(3,641,211)</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	9,561,662	(183,216)	-	9,378,446
Net Position - Beginning of Year	(221,521,764)	59,247,892	-	(162,273,872)
Restatement July 1, 2019, Fiduciary Activities	<u>1,298,683</u>	<u>-</u>	<u>-</u>	<u>1,298,683</u>
Net Position - Beginning of Year, Restated	<u>(220,223,081)</u>	<u>59,247,892</u>	<u>-</u>	<u>(160,975,189)</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ (210,661,419)</u>	<u>\$ 59,064,676</u>	<u>\$ -</u>	<u>\$ (151,596,743)</u>

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 15 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statement of Cash Flows**  
**Year Ended June 30, 2021**

	Commission	WVRTP	Eliminations	Combined
Net Cash Provided (Used) by:				
Operating Activities	\$ (3,225,148)	\$ 594,624	\$ (1,359,572)	\$ (3,990,096)
Noncapital Financing Activities	36,996,117	-	1,359,572	38,355,689
Capital Financing Activities	(25,112,044)	579,165	-	(24,536,873)
Investing Activities	3,021,711	-	-	3,021,711
	<u>11,680,636</u>	<u>1,173,789</u>	<u>-</u>	<u>12,850,431</u>
Increase in Current Cash and Cash Equivalents				
Current Cash and Cash Equivalents - Beginning of Year	<u>38,106,740</u>	<u>5,234,867</u>	<u>-</u>	<u>43,341,607</u>
Current Cash and Cash Equivalents - End of Year	<u>\$ 49,787,376</u>	<u>\$ 6,408,656</u>	<u>\$ -</u>	<u>\$ 56,192,038</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	(26,837,783)	(452,214)	-	(27,289,997)
Investing Activities	4,686,218	-	-	4,686,218
	<u>1,016,222</u>	<u>94,785</u>	<u>-</u>	<u>1,111,007</u>
Increase in Current Cash and Cash Equivalents				
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>

**NOTE 16 RISKS AND UNCERTAINTIES**

During the fiscal year, 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 2022 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  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 17 RESTATEMENT**

During the current year, the Commission adopted GASB Statement No. 84, *Fiduciary Activities*. As part of this adoption, management reviewed the Promise Scholarship program and determined that any excess of revenues over expenditures should be reflected as restricted net position, and not a liability as previously reported. July 1, 2019 beginning net position has been restated to reflect the removal of the deposit liability related to the Promise Scholarship Program. A reconciliation of the prior period beginning net position is as follows:

Beginning Net Position	\$(162,273,872)
Adjustment to Correct Deposit Liability	1,298,683
Beginning Net Position - As Restated	<u><u>\$(160,975,189)</u></u>

The above adjustment decreased the change in net position by \$1,156,509 for the year ended June 30, 2020 and had no impact on the change in net position for the current year.



**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION (RSI) (UNAUDITED)  
JUNE 30, 2021 AND 2020**

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%
June 30, 2020	0.016241%	523,113	1,139,161	1,662,274	336,839	1.553006036	70.89%

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%
June 30, 2020	67,191	44,758	22,433	336,839	19.95%

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

*Change of assumptions.* For the measurement date of June 30, 2020, there were significant changes in capped subsidy rates, per capita costs, and trend rates. The key reason is due to significant decreases in the Medicare Advantage prescription drug (MAPD) per member per month rates and the resulting decrease in the capped subsidy.

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, 2021 AND 2020**

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%
June 30, 2020	0.121118%	534,965	115,534	650,500	8,078,598	7%	73.49%

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%
June 30, 2020	234,106	230,598	3,508	8,078,598	2.90%

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

*Change of assumptions.* For the measurement date of June 30, 2020, there were significant changes in capped subsidy rates, per capita costs, and trend rates. The key reason is due to significant decreases in the Medicare Advantage prescription drug (MAPD) per member per month rates and the resulting decrease in the capped subsidy.

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, 2021**

	Administrative Division	WVNET Division	Corporation	Eliminations	Combined
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$44,071,334	\$5,712,048	\$6,408,656	\$ -	\$56,192,038
Appropriations Due from Primary Government	4,861,135	-	-	-	4,861,135
Accounts Receivable - Net	1,375,763	1,047,135	2,243,955	(412,000)	4,254,853
Interest Receivable	5,689	96	-	-	5,785
Prepaid Expense	-	459,031	68,159	-	527,190
Receivable from Institutions - Current Portion	6,825,583	-	-	-	6,825,583
Total Current Assets	<u>57,139,504</u>	<u>7,218,310</u>	<u>8,720,770</u>	<u>(412,000)</u>	<u>72,666,584</u>
<b>NONCURRENT ASSETS</b>					
Cash and Cash Equivalents	15,443,660	-	-	-	15,443,660
Accounts Receivable Noncurrent	2,060,126	-	-	-	2,060,126
Receivable from Institutions	41,768,035	-	-	-	41,768,035
Capital Assets - Net	2,968,900	1,690,835	54,372,144	-	59,031,879
Total Noncurrent Assets	<u>62,240,721</u>	<u>1,690,835</u>	<u>54,372,144</u>	<u>-</u>	<u>118,303,700</u>
Total Assets	119,380,225	8,909,145	63,092,914	(412,000)	190,970,284
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Loss on Refunding	13,620,220	-	-	-	13,620,220
Deferred Outflows Related to OPEB	178,379	230,651	-	-	409,030
Deferred Outflows Related to Pensions	126,350	43,225	-	-	169,575
Total Deferred Outflows of Resources	<u>13,924,949</u>	<u>273,876</u>	<u>-</u>	<u>-</u>	<u>14,198,825</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 133,305,174</u>	<u>\$ 9,183,021</u>	<u>\$ 63,092,914</u>	<u>\$ (412,000)</u>	<u>\$ 205,169,109</u>

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION  
COMBINING SCHEDULE OF NET POSITION (CONTINUED)  
JUNE 30, 2021**

<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION (DEFICIT)</b>	<u>Administrative Division</u>	<u>WVNET Division</u>	<u>Corporation</u>	<u>Eliminations</u>	<u>Combined</u>
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 661,270	\$ 135,388	\$ 1,178,669	\$ -	\$ 1,975,327
Amounts Due to Institutions and Affiliates	1,903,273	-	-	(412,000)	1,491,273
Accrued Liabilities	479,989	284,277	139,516	-	903,782
Deposits	-	-	5,701	-	5,701
Compensated Absences - Current Portion	390,958	239,796	-	-	630,754
Unearned Revenue - Services	-	28,815	-	-	28,815
Interest Payable	9,092,232	-	-	-	9,092,232
Notes Payable - Current Portion	-	391,660	203,973	-	595,633
Bonds Payable - Current Portion	15,402,104	-	-	-	15,402,104
Total Current Liabilities	<u>27,929,826</u>	<u>1,079,936</u>	<u>1,527,859</u>	<u>(412,000)</u>	<u>30,125,621</u>
<b>NONCURRENT LIABILITIES</b>					
Compensated Absences	193,775	89,846	-	-	283,621
Deferred Interest Payable	30,617,212	-	-	-	30,617,212
Net Pension Liability	385,708	137,405	-	-	523,113
OPEB Liability	273,444	261,521	-	-	534,965
Notes Payable	-	-	2,459,388	-	2,459,388
Bonds Payable	268,855,142	-	-	-	268,855,142
Total Noncurrent Liabilities	<u>300,325,281</u>	<u>488,772</u>	<u>2,459,388</u>	<u>-</u>	<u>303,273,441</u>
Total Liabilities	328,255,107	1,568,708	3,987,247	(412,000)	333,399,062
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows Related to OPEB	989,010	830,472	-	-	1,819,482
Deferred Inflows Related to Pensions	33,921	14,642	-	-	48,563
Total Deferred Outflows of Resources	<u>1,022,931</u>	<u>845,114</u>	<u>-</u>	<u>-</u>	<u>1,868,045</u>
Total Liabilities and Deferred Inflows of Resources	329,278,038	2,413,822	3,987,247	(412,000)	335,267,107
<b>NET POSITION</b>					
Net Investment in Capital Assets	(253,870,566)	1,299,174	51,708,783	256,839,467 (A)	55,976,858
Restricted - Expendable	54,279,598	-	-	-	54,279,598
Unrestricted	3,618,104	5,470,025	7,396,884	(256,839,467) (A)	(240,354,454)
Total Net Position	<u>(195,972,864)</u>	<u>6,769,199</u>	<u>59,105,667</u>	<u>-</u>	<u>(130,097,998)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 133,305,174</u>	<u>\$ 9,183,021</u>	<u>\$ 63,092,914</u>	<u>\$ (412,000)</u>	<u>\$ 205,169,109</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, 2021**

	Administrative Division	WVNET Division	Corporation	Eliminations	Combined
<b>OPERATING REVENUES</b>					
Institutional Collections	\$ -	\$ 3,792,454	\$ -	\$ -	\$ 3,792,454
Contracts and Grants:					
Federal	3,782,079	-	-	-	3,782,079
State	2,874,210	-	2,542,693	(1,771,693) (B)	3,645,210
Private	48,468	-	-	-	48,468
Rental Income	-	-	5,171,855	-	5,171,855
Sales and Services of Educational Activities	-	3,471,635	-	(38,001) (B)	3,433,634
Miscellaneous - Net	-	-	47,836	-	47,836
Total Operating Revenues	<u>6,704,757</u>	<u>7,264,089</u>	<u>7,762,384</u>	<u>(1,809,694)</u>	<u>19,921,536</u>
<b>OPERATING EXPENSES</b>					
Salaries and Wages	4,671,331	3,407,267	1,098,720	-	9,177,318
Benefits	762,221	441,610	344,951	-	1,548,782
Supplies and Other Services	4,443,861	3,340,251	1,532,559	(38,001) (B)	9,278,670
Utilities	-	141,625	3,273,604	-	3,415,229
Depreciation and Amortization	169,108	614,549	1,454,714	-	2,238,371
Total Operating Expenses	<u>10,046,521</u>	<u>7,945,302</u>	<u>7,704,548</u>	<u>(38,001)</u>	<u>25,658,370</u>
<b>OPERATING INCOME (LOSS)</b>	(3,341,764)	(681,213)	57,836	(1,771,693)	(5,736,834)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State Appropriations	75,198,413	1,747,826	-	-	76,946,239
State Lottery Appropriations	52,011,994	-	-	-	52,011,994
Investment Income	73,151	6,117	-	-	79,268
Payments Made on Behalf of the Commission	130,533	61,532	-	-	192,065
Institutional Debt Service					
Payments from Institutions:					
Interest	6,677,999	-	-	-	6,677,999
Other	441,111	-	-	-	441,111
Interest on Indebtedness	(15,799,308)	-	(16,845)	-	(15,816,153)
Student Financial Aid and Other					
Payments to Institutions	(98,793,150)	-	-	-	(98,793,150)
Federal Revenue	6,321,033	-	-	-	6,321,033
Other Nonoperating Revenues - Net	<u>1,171,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,171,651</u>
Net Nonoperating Revenues	<u>27,433,427</u>	<u>1,815,475</u>	<u>(16,845)</u>	<u>-</u>	<u>29,232,057</u>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, OR TRANSFERS</b>	24,091,663	1,134,262	40,991	(1,771,693)	23,495,223
<b>PAYMENTS AND TRANSFERS TO INSTITUTIONS AND OUTSIDE ENTITIES</b>	<u>(3,768,171)</u>	<u>-</u>	<u>-</u>	<u>1,771,693 (B)</u>	<u>(1,996,478)</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	20,323,492	1,134,262	40,991	-	21,498,745
Net Position - Beginning of Year, Restated	(216,296,356)	5,634,937	59,064,676	-	(151,596,743)
<b>NET POSITION - END OF YEAR</b>	<u>\$ (195,972,864)</u>	<u>\$ 6,769,199</u>	<u>\$ 59,105,667</u>	<u>\$ -</u>	<u>\$ (130,097,998)</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, 2021, and the related notes to the financial statements and have issued our report thereon dated October 15, 2021. 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) as a basis for designing 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.

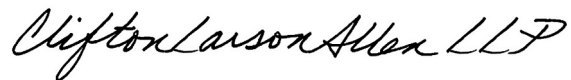
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 financial statements. 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 15, 2021



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