
Pierpont Community & Technical College

Financial Statements
Years Ended June 30, 2022 and 2021

and

Independent Auditor's Reports



A Professional Limited Liability Company

PIERPONT COMMUNITY & TECHNICAL COLLEGE

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Pierpont Community & Technical College (Pierpont), a component unit of the West Virginia Council for Community and Technical College Education, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Pierpont's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Pierpont, as of June 30, 2022 and 2021, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pierpont and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 3 to the financial statements, during fiscal year 2022, Pierpont implemented Governmental Auditing Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pierpont's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pierpont's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pierpont's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 20, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability (asset), the schedule of OPEB contributions, and related footnotes on pages 62 through 69, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022, on our consideration of Pierpont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pierpont's internal control over financial reporting and compliance.



Charleston, West Virginia
September 30, 2022

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022**

About Pierpont Community & Technical College

Pierpont Community & Technical College (Pierpont), headquartered in Fairmont, West Virginia, is a comprehensive community college serving 13 counties in north central West Virginia. Pierpont's main campus is located in the I-79 Technology Park at the Pierpont North Central Advanced Technology Center (ATC). With an enrollment of approximately 1,600 academic credit students, Pierpont offers more than 70 Associate of Arts, Associate of Applied Science, and Certificate of Applied Science degree programs, Advanced Skill Sets, and Skill Sets throughout our 13-county service region. In addition to the ATC in Fairmont, Pierpont delivers courses at the Gaston Caperton Center in Clarksburg, the Pierpont Center at Braxton County, the Pierpont Center at Lewis County, and the Pierpont Center at Monongalia County Technical Education Center (MTEC). Through its Center for Workforce Education housed within the ATC, Pierpont provides workforce training and community education opportunities to non-credit continuing education students. Through the Robert C. Byrd National Aerospace Education Center in Bridgeport, Pierpont offers programs in aviation maintenance.

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

Pierpont Community & Technical College was founded in 1974 as Fairmont State Community & Technical College (FSC&TC), a component of Fairmont State College (now known as Fairmont State University). With the enactment of legislation effective July 1, 2008, the institution became Pierpont Community & Technical College with independent accreditation and an independent governing board. This legislation defined a statewide network of independently accredited community and technical colleges. In April 2021, Pierpont and Fairmont State University (Fairmont State) executed a Final Separation Agreement completely separating the two institutions as of June 30, 2021.

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

Overview

This section of the annual financial report focuses on an overview of Pierpont's financial performance during the fiscal year ended June 30, 2022, with comparisons to the previous year.

The 2022 financial statements reflect the first year of financial results after the final separation from Fairmont State. Pierpont recognized \$2,500,000 in revenue in fiscal year 2022 related to the special appropriation of State funds by the West Virginia Legislature per the Final Separation Agreement. The funding has been placed in Pierpont's capital funds in support of ongoing capital projects related to the separation. Pierpont paid the first year's payment on the obligation due to Fairmont State of \$1,300,000 in accordance with the Final Separation Agreement, reducing the liability to \$15,000,000 at June 30, 2022.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022**

The Fairmont State Foundation, Inc.'s financial information will not be presented. This presentation is not required to comply with Governmental Accounting Standards Board (GASB) Statement No. 61 due to the fact that the Fairmont State Foundation, Inc. supported both Pierpont and Fairmont State. During the year ended June 30, 2022, the Fairmont State Foundation, Inc. transferred a significant portion of the funds held for the benefit of the Pierpont Foundation, Inc. to the Pierpont Foundation, Inc., but still holds some funds on behalf of the Pierpont Foundation, Inc. at June 30, 2022. The Pierpont Foundation, Inc.'s financial information will also not be presented. This presentation is not required to comply with GASB Statement No. 61 due to the fact that the Pierpont Foundation, Inc.'s financial position is not significant to Pierpont's financial statements and Pierpont has no ability to designate management, cannot significantly influence operations, and is not accountable for the fiscal matters of the Pierpont Foundation, Inc.

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

Financial Highlights

Financial highlights of fiscal year 2022 include decreases in enrollment, implementation of GASB Statement No. 87, *Leases*, and an increase in net position after a significant loss from the Final Separation Agreement in fiscal year 2021.

- For fiscal year 2022, Pierpont experienced decreases in full-time equivalent (FTE) students and student headcount. The FTE decreased from 1,199 for Fall 2020 to 1,162 for Fall 2021 and the headcount decreased from 1,614 for Fall 2020 to 1,590 for Fall 2021.
- During fiscal year 2022, Pierpont implemented GASB Statement No. 87, *Leases*, requiring a restatement of certain prior year balances. See additional information in note 3 to the financial statements.
- Total net position increased by \$5,982,202 or 38.90%. The increase can be attributed to the following:
 - Net investment in capital assets increased by \$471,849.
 - Restricted for expendable capital projects increased by \$2,193,912.
 - Unrestricted deficit decreased by \$3,316,441.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022**

Statement of Net Position

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

Net position is divided into three major categories:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022

Condensed Schedules of Net Position
June 30:

	<u>2022</u>	(Restated) <u>2021</u>	<u>2020</u>
Assets			
Current Assets	\$ 12,858,287	\$ 10,515,928	\$ 8,226,124
Noncurrent Assets	28,145,876	27,871,147	40,893,294
Total Assets	<u>41,004,163</u>	<u>38,387,075</u>	<u>49,119,418</u>
Deferred Outflows of Resources	1,259,314	1,746,754	286,422
Total	<u>\$ 42,263,477</u>	<u>\$ 40,133,829</u>	<u>\$ 49,405,840</u>
Liabilities			
Current Liabilities	\$ 5,147,134	\$ 6,751,299	\$ 3,053,454
Noncurrent Liabilities	14,713,290	16,822,270	4,953,392
Total Liabilities	<u>19,860,424</u>	<u>23,573,569</u>	<u>8,006,846</u>
Deferred Inflows of Resources	<u>1,042,497</u>	<u>1,181,906</u>	<u>1,060,789</u>
Net Position			
Net Investment in Capital Assets	<u>26,843,664</u>	<u>26,371,815</u>	<u>38,052,588</u>
Restricted for:			
Expendable:			
Capital Projects	3,630,787	1,436,875	2,246,978
Debt Service	-	-	16,060
Total Restricted	<u>3,630,787</u>	<u>1,436,875</u>	<u>2,263,038</u>
Unrestricted (Deficit)	<u>(9,113,895)</u>	<u>(12,430,336)</u>	<u>22,579</u>
Total Net Position	<u>21,360,556</u>	<u>15,378,354</u>	<u>40,338,205</u>
Total	<u>\$ 42,263,477</u>	<u>\$ 40,133,829</u>	<u>\$ 49,405,840</u>

- Total current assets increased by \$2,342,359 or 22.27%, resulting primarily from an increase in cash and cash equivalents of \$4,824,785. Pierpont received \$2,500,000 from the West Virginia Council for Community and Technical College Education to reflect the special appropriation of State funds by the West Virginia Legislature for fiscal year 2022 per the Final Separation Agreement. This amount was in accounts receivable in the prior year, resulting in an offsetting decrease in accounts receivable during fiscal year 2022. The additional increase in cash is primarily related to an increase in the Federal Higher Education Emergency Relief Fund Program (HEERF) amounts drawn down during fiscal year 2022.
- Total noncurrent assets, comprised primarily of capital assets, including buildings and equipment, increased by \$274,729 or 0.99%.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022**

- The increase in noncurrent assets is due to an increase in net capital assets in the amount of \$248,070, primarily due to construction in progress of \$872,130 relating to the Veterinary Technology Assistant Program expansion and equipment purchases of \$397,197. This increase was offset by current year depreciation and amortization expense of \$1,015,177.
- Total current liabilities decreased by \$1,604,165 or 23.76% due to a decrease in unearned revenue and deposits of \$1,726,569. This decrease is primarily because the \$2,500,000 in accounts receivable relating to the special state appropriation discussed above was also reflected as unearned revenue at June 30, 2021 since the funds are for fiscal year 2022. This decrease was offset by an increase due to additional grants being received in fiscal year 2022 that were in unearned revenue at June 30, 2022. The current portion of the amount due to Fairmont State increased by \$200,000 to \$1,500,000.
- Total noncurrent liabilities decreased by \$2,108,980 or 12.54%. The noncurrent portion of the amount due to Fairmont State that is required to be paid by Pierpont under the Final Separation Agreement decreased by \$1,500,000. The noncurrent portion of this obligation is \$13,500,000 at June 30, 2022. The net OPEB liability decreased by \$404,855. The noncurrent portion of the debt obligation due to the Commission decreased by \$219,973.
- The total assets and deferred outflows of resources of Pierpont exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$21,360,556 (net position). Of this amount, \$(9,113,895) (unrestricted net deficit) may be used to meet the educational and general operations of Pierpont. Pierpont is still recovering from the loss on final separation from Fairmont State in fiscal year 2021.
- Pierpont's unrestricted net deficit balance of \$(9,113,895) includes fund manager and auxiliary funds of \$1,961,440. Pierpont's unrestricted President's control (undesignated) net deficit decreased by \$2,928,991 to a net deficit of \$(11,075,335) at June 30, 2022.

Statement of Revenues, Expenses, and Changes in Net Position

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022

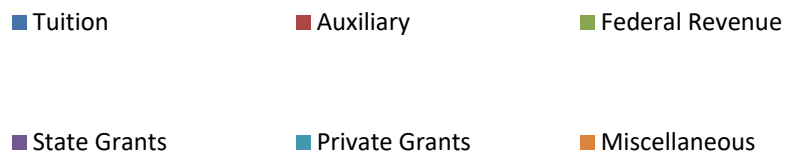
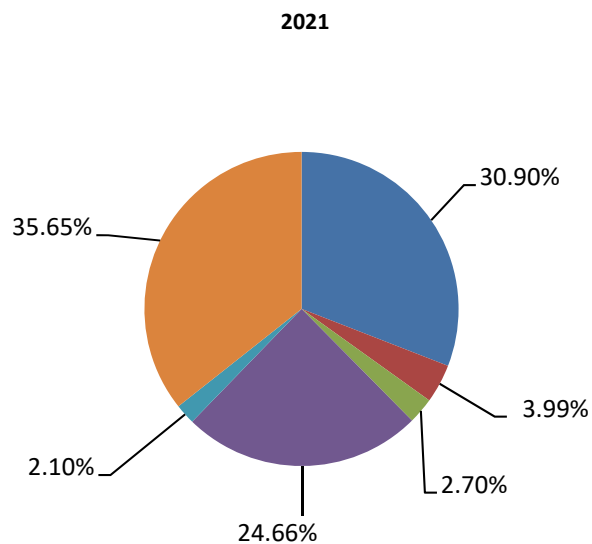
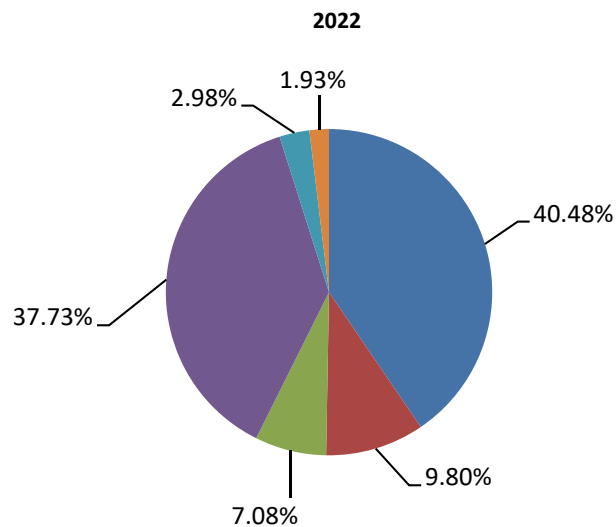
Condensed Schedules of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30:

		<u>(Restated)</u>	
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues	\$ 7,428,305	\$ 10,161,685	\$ 7,730,824
Operating Expenses	<u>18,530,004</u>	<u>19,312,757</u>	<u>18,494,441</u>
Operating Loss	(11,101,699)	(9,151,072)	(10,763,617)
 Total Net Nonoperating Revenues	 <u>16,715,574</u>	 <u>11,883,851</u>	 <u>10,945,800</u>
 Change in Net Position before Other			
Revenues, Expenses, Gains or Losses, and Transfer	5,613,875	2,732,779	182,183
 Payments Made and Expenses Incurred by the			
Commission on Behalf of Pierpont	396,428	4,978	40,872
Payments Made and Expenses Incurred (Offset) by the			
State on Behalf of Pierpont	(28,101)	51,912	154,502
Capital Bond Proceeds from the State	-	123,153	7,046
Loss on Final Separation from Fairmont State	<u>-</u>	<u>(27,872,673)</u>	<u>-</u>
 Change in Net Position before Transfer	 5,982,202	 (24,959,851)	 384,603
 Transfer of Net Position to Fairmont State	 <u>-</u>	 <u>-</u>	 <u>(242,504)</u>
 Change in Net Position	 <u>5,982,202</u>	 <u>(24,959,851)</u>	 <u>142,099</u>
 Net Position – Beginning of Year	 <u>15,378,354</u>	 <u>40,338,205</u>	 <u>40,196,106</u>
 Net Position – End of Year	 <u><u>\$ 21,360,556</u></u>	 <u><u>\$ 15,378,354</u></u>	 <u><u>\$ 40,338,205</u></u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022**

Operating Revenues:

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022**

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

- Tuition and fee revenue, after adjustment for the scholarship allowance, decreased by \$133,055 or 4.24%.
 - Tuition and fees decreased prior to the scholarship allowance by \$284,948 or 4.39%. The scholarship allowance decreased by \$151,893 for a total decrease in net tuition and fees of \$133,055.
- Auxiliary enterprise revenue increased by \$322,414 or 79.50%. This is primarily a one-time increase due to Pierpont retaining housing and meal plan fees from students living on the Fairmont State campus during fiscal year 2022. Fiscal year 2022 is the last year for Pierpont students to live in housing operated by Fairmont State. The Final Separation Agreement no longer requires fee transfers to Fairmont State, as the amount due to Fairmont State is a set payment per the Final Separation Agreement.
- Federal contracts and grants increased by \$252,215 or 92.03%.
- State contracts and grants increased by \$297,140 or 11.86%. State contracts and grants include institutional grants from other state agencies. State grants and contracts also include state-funded student financial aid.
- Private contracts and grants increased by \$7,320 or 3.42%.
- Miscellaneous income decreased by \$3,479,414 or 96.05%. The vast majority of the decrease was due to Pierpont recognizing a one-time miscellaneous income adjustment during fiscal year 2021 relating to the change in the estimated allocation of the net OPEB liability between Pierpont and Fairmont State.
- State appropriations increased by \$2,500,000 or 31.97%. This increase reflects the one-time special appropriation of State funds by the West Virginia Legislature per the Final Separation Agreement.
- Pell grants are reported as nonoperating revenues because of specific guidance in the AICPA industry audit guide. Pell grants decreased by \$225,228 or 9.23%.
- Pierpont recognized revenue of \$4,235,421 related to the Federal HEERF program in response to the Coronavirus (COVID-19) pandemic. This is an increase from the prior year of \$2,237,240 or 111.96%.
- E&G capital and debt service support revenue decreased by \$349,177 or 100.00%, and the assessment for E&G capital and debt service costs decreased by \$319,081 or 100.00%. Beginning in fiscal year 2022, E&G capital fees are no longer transferred to or assessed by Fairmont State. Per the Final Separation Agreement, the semi-annual payments toward the amounts due to Fairmont State replaced these fees.
- Pierpont recognized a loss on disposal of capital assets of \$20,972, which is a decrease from the prior year of \$327,547 or 93.98%.

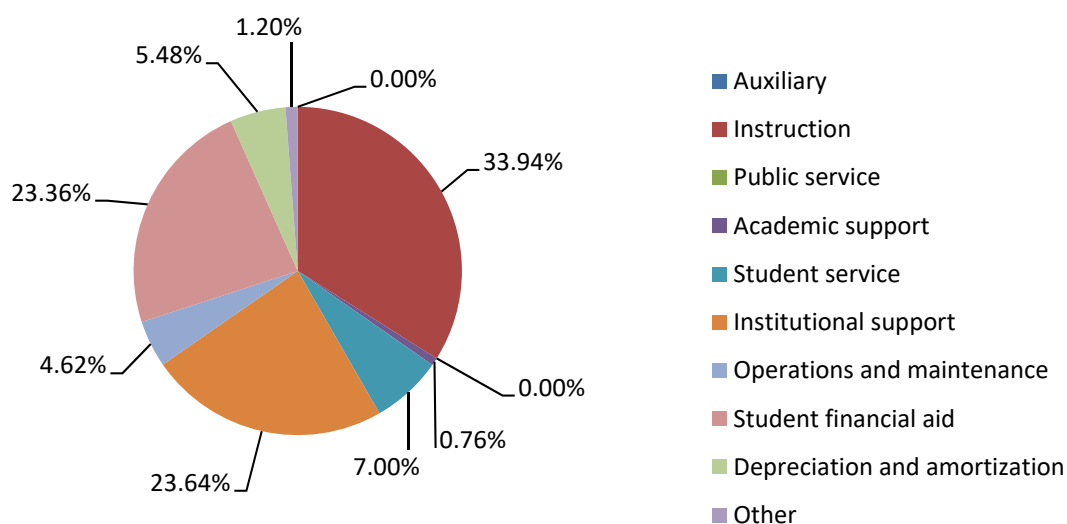
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022

FUNCTIONAL CLASSIFICATION CHART

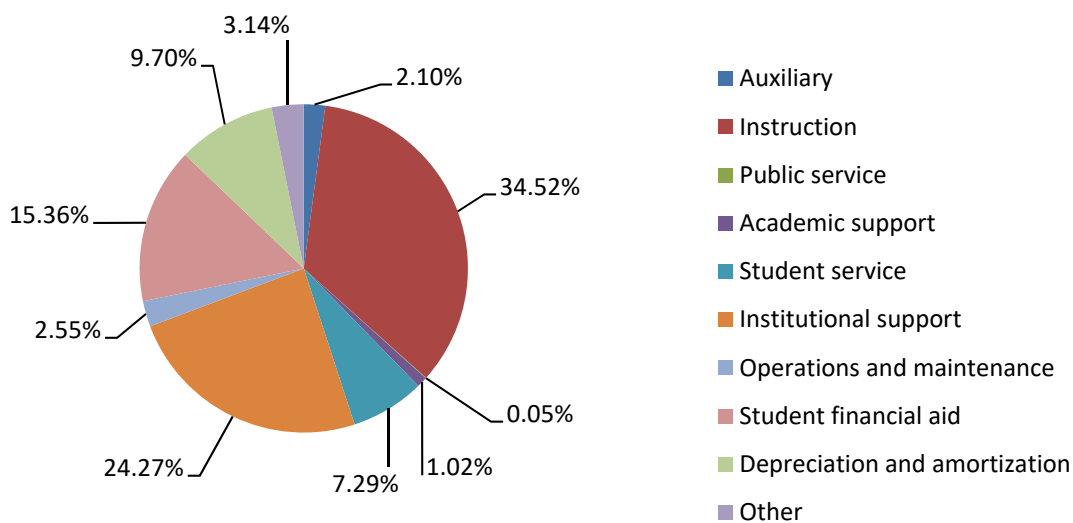
Operating Expenses:

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

2022



**(Restated)
2021**



MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022

Breakdown of Expense by Functional Classification:

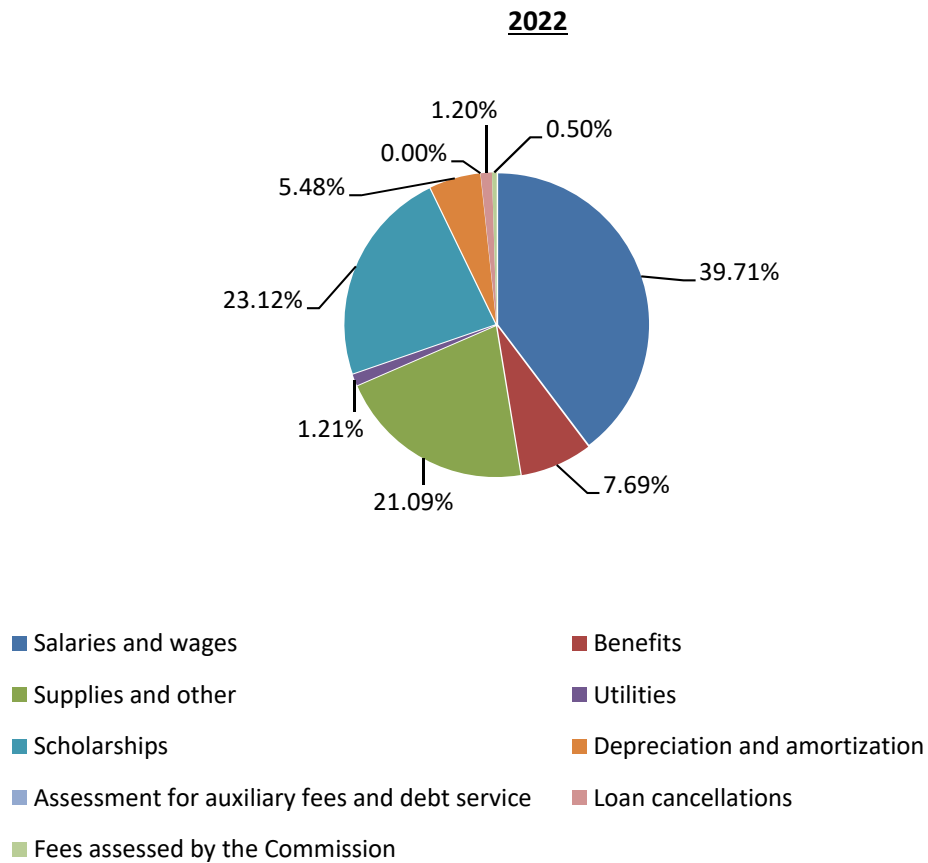
For fiscal year 2022, Pierpont's total operating expenses were \$18,530,004. Instruction expenses totaled \$6,289,590 or 33.94% of the total operating budget. The following reflects the amounts and percentages for these expenses:

	<u>2022</u>	<u>%</u>	(Restated) <u>2021</u>	(Restated) <u>%</u>	<u>2020</u>	<u>%</u>
Auxiliary	\$ -	0.00%	\$ 405,549	2.10%	\$ 429,868	2.32%
Instruction	6,289,590	33.94%	6,669,055	34.52%	7,174,559	38.78%
Public service	-	0.00%	8,819	0.05%	1,094	0.01%
Academic support	140,409	0.76%	196,725	1.02%	148,069	0.80%
Student services	1,296,425	7.00%	1,407,481	7.29%	1,362,929	7.37%
General institutional support	4,380,949	23.64%	4,686,965	24.27%	4,900,107	26.50%
Operation and maintenance	855,299	4.62%	491,959	2.55%	91,033	0.49%
Student financial aid	4,329,384	23.36%	2,967,385	15.36%	2,174,123	11.76%
Depreciation and amortization	1,015,177	5.48%	1,872,625	9.70%	1,743,526	9.43%
Loan cancellations and write-offs	<u>222,771</u>	<u>1.20%</u>	<u>606,194</u>	<u>3.14%</u>	<u>469,133</u>	<u>2.54%</u>
Total	<u>\$18,530,004</u>	<u>100.00%</u>	<u>\$19,312,757</u>	<u>100.00%</u>	<u>\$18,494,441</u>	<u>100.00%</u>

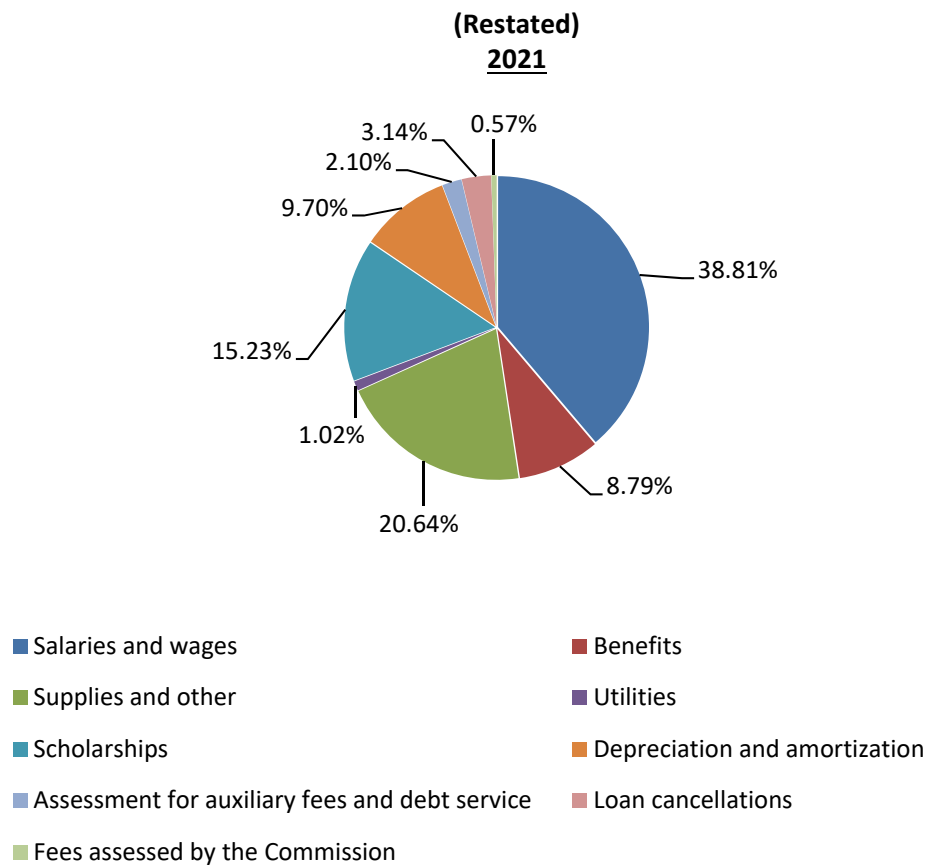
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022**

NATURAL CLASSIFICATION CHARTS

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022



Breakdown of Expenses by Natural Classification:

For fiscal year 2022, Pierpont's total operating expenses were \$18,530,004. A major portion of the total operating expenses is for direct salaries, wages, and benefits amounting to \$8,782,609 or 47.40%. The following reflects the amounts and percentages for these expenses:

	<u>2022</u>	<u>%</u>	(Restated) <u>2021</u>	(Restated) <u>%</u>	<u>2020</u>	<u>%</u>
Salaries and wages	\$ 7,356,916	39.71%	\$ 7,496,221	38.81%	\$ 7,622,463	41.22%
Benefits	1,425,693	7.69%	1,697,199	8.79%	1,434,117	7.75%
Supplies and other services	3,908,776	21.09%	3,986,233	20.64%	4,183,997	22.62%
Utilities	223,605	1.21%	196,573	1.02%	169,148	0.91%
Scholarships and fellowships	4,283,494	23.12%	2,941,857	15.23%	2,333,699	12.62%
Depreciation and amortization	1,015,177	5.48%	1,872,625	9.70%	1,743,526	9.43%
Assessment for auxiliary fees and debt service	-	0.00%	405,549	2.10%	429,868	2.32%
Loan cancellations and write-offs	222,771	1.20%	606,194	3.14%	469,133	2.54%
Fees assessed by the Commission	93,572	0.50%	110,306	0.57%	108,490	0.59%
Total	<u>\$ 18,530,004</u>	<u>100.00%</u>	<u>\$ 19,312,757</u>	<u>100.00%</u>	<u>\$ 18,494,441</u>	<u>100.00%</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022**

- Salaries and wages decreased by \$139,305 or 1.86%.
- Benefits decreased by \$271,506 or 16.00%.
- Supplies and other services expense decreased by \$77,457 or 1.94%.
- Student financial aid expense increased by \$1,341,637 or 45.61%. Gross scholarships and fellowships increased by \$1,189,744. The majority of the increase is due to Pierpont awarding additional emergency grants from the Federal HEERF program to students in response to needs from the COVID-19 pandemic.
- Depreciation and amortization expense decreased by \$857,448 and was 5.48% of total operating expenses. Depreciation and amortization expense decreased most notably due to the loss of ownership of the previously shared assets on Fairmont State's campus per the Final Separation Agreement as of June 30, 2021.
- Assessment for auxiliary fees and debt service decreased by \$405,549 or 100.00%. Pierpont retained housing and meal plan fees from students living on the Fairmont State campus during fiscal year 2022 and did not have to remit these amounts to Fairmont State.
- Loan cancellations and write-offs decreased by \$383,423 or 63.25% due to a decrease in bad debt expense. Students were allowed to carry higher outstanding balances on their accounts and still register for classes due to the COVID-19 pandemic during fiscal year 2021.

Statement of Cash Flows

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

The Statement of Cash Flows is divided into five parts:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022

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

	<u>2022</u>	(Restated) <u>2021</u>	<u>2020</u>
Cash Provided By (Used In):			
Operating Activities	\$ (9,500,416)	\$ (10,403,767)	\$ (8,467,507)
Noncapital Financing Activities	15,471,630	11,107,925	10,919,254
Capital Financing Activities	(1,162,024)	(924,798)	(1,527,138)
Investing Activities	<u>15,595</u>	<u>14,068</u>	<u>88,759</u>
Net Change in Cash and Cash Equivalents	4,824,785	(206,572)	1,013,368
Cash – Beginning of Year	<u>7,441,421</u>	<u>7,647,993</u>	<u>6,634,625</u>
Cash – End of Year	<u>\$ 12,266,206</u>	<u>\$ 7,441,421</u>	<u>\$ 7,647,993</u>

Major sources of funds included in operating activities consist of tuition and fees of \$5,400,405, contracts and grants of \$4,272,487, and auxiliary enterprise charges of \$727,976. Major uses of funds under this category were payments made to and on behalf of employees for salaries and benefits amounting to \$9,011,825, payments to suppliers amounting to \$3,849,311, and payments for scholarships and fellowships of \$6,866,008.

Major sources of cash flow provided by noncapital financing activities consist of State appropriations of \$10,320,129, Federal Pell grant receipts of \$2,216,080, and Federal HEERF receipts of \$4,235,421. The major use of funds under this category was payments made to Fairmont State of \$1,300,000 in line with the Final Separation Agreement.

The major uses of cash flow in capital financing activities were for purchases of capital assets of \$872,899 and payments made to the Commission on debt obligation of \$208,263.

Capital Asset and Long-Term Debt Activity

During 2022, the Commission was paid for debt incurred from bonds sold in previous years for the State's colleges and universities. Under the Final Separation Agreement, Pierpont assumed the entire debt obligation to the Commission that was previously shared between Pierpont and Fairmont State. The remaining debt obligation assigned to Pierpont as of June 30, 2021 was \$1,390,325. As of June 30, 2022, the current portion due to the Commission is \$219,974, and the noncurrent portion is \$962,088.

Under the Final Separation Agreement, Pierpont is required to pay Fairmont State a total of \$16,300,000 through fiscal year 2032. Pierpont paid two equal installments in fiscal year 2022 totaling \$1,300,000, which reduced the total amount due to Fairmont State to \$15,000,000 at June 30, 2022. As of June 30, 2022, the current portion due to Fairmont State is \$1,500,000 and the noncurrent portion is \$13,500,000. Yearly payments of \$1,500,000 will be made through the fiscal year ending June 30, 2032. These payments are payable in two equal installments due no later than October 1st and March 1st of each fiscal year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022**

Economic Outlook

Fiscal year 2022 was a year of exciting changes for Pierpont. Pierpont began construction and remodeling on three facilities to accommodate the relocation of three academic programs into new and improved facilities. Pierpont began the remodeling and expansion in March 2022 of the 3,200 square foot facility purchased adjacent to the Gaston Caperton Center to accommodate and expand the Veterinary Technology Assistant Program. Construction is expected to be completed in February 2023. This new facility will result in the Veterinary Technology Assistant Program having state of the art facilities and prepares it for future growth that had been inhibited by the previous facilities in which the program was housed. Pierpont is in negotiations with a third-party to lease space at Middletown Commons in Fairmont for approximately 10,000 square feet of space to house the Culinary Academy. A build out of the space began in May 2022, with construction expected to be completed in October 2022. The Culinary Academy plans to take occupancy of the space in January 2023. This new facility will result in the Culinary Academy having state of the art facilities designed specifically for the needs of the program. The previous facility was only approximately 3,500 square feet. This new facility is almost triple the size of the previous facility with independent kitchens for the culinary and baking specialties preparing it for future growth. In June 2022, Pierpont began remodeling work at the Gaston Caperton Center for the Laboratory Preschool for the Early Childhood Program. This work is expected to be completed in August 2022 to allow the Early Childhood Program to start hosting preschoolers in Fall 2022 as part of educational requirements.

Pierpont entered into an agreement with Fairmont State for fiscal year 2023 to allow the Airframe and Powerplant Program to continue to operate at the National Aerospace Education Center while also developing preliminary plans for a new 65,000 square foot facility for the Program. The plan calls for the facility to continue to be located at the North Central West Virginia Airport where most of the employers who hire the Program's graduates are located. Pierpont has received strong support from surrounding businesses and development organizations for this project, which will enable Pierpont to almost double the number of students accepted into the Program. Work has begun on securing the necessary funding to construct the facility and it is possible work can begin within the next year.

STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022	(Restated) 2021
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,266,206	\$ 7,441,421
Accounts receivable — net	<u>592,081</u>	<u>3,074,507</u>
Total current assets	<u>12,858,287</u>	<u>10,515,928</u>
NONCURRENT ASSETS:		
Other noncurrent assets	39,592	39,592
Net OPEB asset	26,659	-
Capital assets — net	<u>28,079,625</u>	<u>27,831,555</u>
Total noncurrent assets	<u>28,145,876</u>	<u>27,871,147</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows related to pensions	145,744	29,293
Deferred outflows related to OPEB	<u>1,113,570</u>	<u>1,717,461</u>
Total deferred outflows of resources	<u>1,259,314</u>	<u>1,746,754</u>
TOTAL	<u><u>\$ 42,263,477</u></u>	<u><u>\$ 40,133,829</u></u>

(Continued)

STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022	(Restated) 2021
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 260,381	\$ 200,916
Accrued liabilities — payroll	934,890	1,053,470
Accrued interest	225	-
Unearned revenue and deposits	1,957,369	3,683,938
Compensated absences — current portion	239,522	275,077
Lease liability — current portion	34,773	29,634
Due to Fairmont State — current portion	1,500,000	1,300,000
Debt obligation due to Commission — current portion	<u>219,974</u>	<u>208,264</u>
Total current liabilities	<u>5,147,134</u>	<u>6,751,299</u>
NONCURRENT LIABILITIES:		
Net OPEB liability	-	404,855
Compensated absences	134,981	136,501
Lease liability	19,126	39,781
Due to Fairmont State	13,500,000	15,000,000
Debt obligation due to Commission	962,088	1,182,061
Net pension liability	<u>97,095</u>	<u>59,072</u>
Total noncurrent liabilities	<u>14,713,290</u>	<u>16,822,270</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pensions	83,074	5,563
Deferred inflows related to OPEB	<u>959,423</u>	<u>1,176,343</u>
Total deferred inflows of resources	<u>1,042,497</u>	<u>1,181,906</u>
NET POSITION:		
Net investment in capital assets	<u>26,843,664</u>	<u>26,371,815</u>
Restricted for expendable capital projects	<u>3,630,787</u>	<u>1,436,875</u>
Unrestricted (deficit)	<u>(9,113,895)</u>	<u>(12,430,336)</u>
Total net position	<u>21,360,556</u>	<u>15,378,354</u>
TOTAL	<u><u>\$ 42,263,477</u></u>	<u><u>\$ 40,133,829</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

(Concluded)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	(Restated) 2021
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of \$3,200,022 and \$3,351,915 in 2022 and 2021, respectively	\$ 3,007,110	\$ 3,140,165
Auxiliary enterprise revenue	727,976	405,562
Contracts and grants:		
Federal	526,277	274,062
State/local	2,802,749	2,505,609
Private	221,156	213,836
Miscellaneous — net	143,037	3,622,451
Total operating revenues	<u>7,428,305</u>	<u>10,161,685</u>
OPERATING EXPENSES:		
Salaries and wages	7,356,916	7,496,221
Benefits	1,425,693	1,697,199
Supplies and other services	3,908,776	3,986,233
Utilities	223,605	196,573
Student financial aid — scholarships and fellowships	4,283,494	2,941,857
Depreciation and amortization	1,015,177	1,872,625
Assessment for auxiliary fees and debt service	-	405,549
Loan cancellations and write-offs	222,771	606,194
Fees assessed by the Commission for operations	93,572	110,306
Total operating expenses	<u>18,530,004</u>	<u>19,312,757</u>
OPERATING LOSS	<u>(11,101,699)</u>	<u>(9,151,072)</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	10,320,129	7,820,129
Federal Pell grant revenue	2,216,080	2,441,308
Federal HEERF revenue	4,235,421	1,998,181
Gifts	-	20,000
E&G capital and debt service support revenue	-	349,177
Investment income	15,595	14,068
Interest expense	(4,529)	(5,545)
Loss on disposal of fixed assets	(20,972)	(348,519)
Assessment for E&G capital and debt service costs	-	(319,081)
Fees assessed by the Commission for debt service	(46,150)	(23,126)
Fees assessed by Fairmont State for debt service	-	(62,741)
Net nonoperating revenues	<u>16,715,574</u>	<u>11,883,851</u>
CHANGE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, AND GAINS OR LOSSES	5,613,875	2,732,779
PAYMENTS MADE AND EXPENSES INCURRED BY THE COMMISSION ON BEHALF OF PIERPONT	396,428	4,978
PAYMENTS MADE AND EXPENSES INCURRED (OFFSET) BY THE STATE ON BEHALF OF PIERPONT	(28,101)	51,912
CAPITAL BOND PROCEEDS FROM THE STATE	-	123,153
LOSS ON FINAL SEPARATION FROM FAIRMONT STATE	<u>-</u>	<u>(27,872,673)</u>
NET CHANGE IN NET POSITION	5,982,202	(24,959,851)
NET POSITION — Beginning of year	<u>15,378,354</u>	<u>40,338,205</u>
NET POSITION — End of year	<u>\$ 21,360,556</u>	<u>\$ 15,378,354</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	(Restated) 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 5,400,405	\$ 5,874,804
Contracts and grants	4,272,487	2,905,657
Payments to and on behalf of employees	(9,011,825)	(9,146,131)
Payments to suppliers	(3,849,311)	(4,006,401)
Payments to utilities	(223,605)	(196,573)
Payments for scholarships and fellowships	(6,866,008)	(6,103,456)
Auxiliary enterprise charges	727,976	405,562
Fees assessed by the Commission	(93,572)	(110,306)
Other receipts — net	143,037	378,626
Assessment for auxiliary fees and debt service	-	(405,549)
Net cash used in operating activities	<u>(9,500,416)</u>	<u>(10,403,767)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	10,320,129	7,820,129
Federal Pell grant revenues	2,216,080	2,441,308
Federal HEERF revenues	4,235,421	1,998,181
Gift receipts	-	20,000
William D. Ford direct lending receipts	2,582,514	3,161,599
William D. Ford direct lending payments	(2,582,514)	(3,161,599)
Payments to Fairmont State	(1,300,000)	-
Transfers to Fairmont State	-	(1,171,693)
Net cash provided by noncapital financing activities	<u>15,471,630</u>	<u>11,107,925</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital bond proceeds from the State	-	123,153
E&G capital and debt service support revenue	-	349,177
Fees assessed by the Commission	(46,150)	(23,126)
Purchases of capital assets	(872,899)	(710,567)
Proceeds from sale of capital assets	2,503	63,885
Assessment for E&G capital and debt service costs	-	(319,081)
Payments on leases	(37,215)	(38,295)
Payments to the Commission on debt obligation	(208,263)	(61,054)
Payments to Fairmont State on debt obligation	-	(246,149)
Fees assessed by Fairmont State	-	(62,741)
Net cash used in capital financing activities	<u>(1,162,024)</u>	<u>(924,798)</u>
CASH FLOWS FROM INVESTING ACTIVITY — Investment income	<u>15,595</u>	<u>14,068</u>
CHANGE IN CASH AND CASH EQUIVALENTS	4,824,785	(206,572)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>7,441,421</u>	<u>7,647,993</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 12,266,206</u>	<u>\$ 7,441,421</u>

(Continued)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	(Restated) 2021
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (11,101,699)	\$ (9,151,072)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,015,177	1,872,625
Pension expense — special funding situation	(3,696)	13,463
OPEB expense — special funding situation	(24,405)	38,449
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable — net	2,482,426	(2,489,518)
Net OPEB asset	(26,659)	-
Deferred outflows of resources	487,440	(1,460,332)
Accounts payable	59,465	(34,636)
Accrued liabilities — payroll	(118,580)	(38,182)
Retainages payable	-	6,344
Unearned revenue and deposits	(1,726,569)	2,595,486
Compensated absences	(37,075)	(3,723)
Net OPEB liability	(404,855)	(1,877,433)
Net pension liability	38,023	3,645
Deferred inflows of resources	<u>(139,409)</u>	<u>121,117</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (9,500,416)</u>	<u>\$ (10,403,767)</u>
NONCASH TRANSACTIONS:		
Payments made and expenses incurred by the Commission on behalf of Pierpont	<u>\$ 396,428</u>	<u>\$ 4,978</u>
Loss on final separation from Fairmont State (exclusive of \$0 and \$1,171,693 of cash in 2022 and 2021, respectively)	<u>\$ -</u>	<u>\$ (26,700,980)</u>
Right-to-use assets acquired through outstanding leases	<u>\$ 17,395</u>	<u>\$ -</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

(Concluded)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

1. ORGANIZATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Restricted net position - nonexpendable - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. Pierpont does not have any restricted nonexpendable net position at June 30, 2022 and 2021.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The BTI maintains the Consolidated Fund investment fund, which consists of nine investment pools and participant-directed accounts, three of which Pierpont may invest in. These pools have been structured as multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual audited financial report. A copy of that annual report can be obtained from the following address: 315 70th Street SE, Charleston, West Virginia 25304 or <http://www.wvbt.org>.

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

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

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

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

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

Capital assets also include intangible right-to-use lease assets, initially measured at the present value of payments expected to be made during the lease term, plus certain other costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the estimated useful life of the underlying asset, unless the lease contains a purchase option. Pierpont's agreements meeting the definition of a lease do not contain purchase options.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/reductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See note 9 for further discussion.

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

Net Pension Liability - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (STRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the STRS fiduciary net position have been determined on the same basis as they are reported in the STRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#AnnualReport>. The plan schedules of STRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and when the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the STRS financial statements. Management of STRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ. See note 13 for further discussion.

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

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Other revenues - Other revenues consist primarily of capital gifts and payments made on behalf of Pierpont.

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

Federal Financial Assistance Programs - Pierpont makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest-subsidized and nonsubsidized loans directly to students, through schools like Pierpont. Direct student loan receivables are not included in Pierpont's statements of net position as the loans are repayable directly to the U.S. Department of Education. In 2022 and 2021, Pierpont received and disbursed approximately \$2.6 million and \$3.2 million, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense in the statements of revenues, expenses, and changes in net position.

Pierpont also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2022 and 2021, Pierpont was awarded approximately \$2.3 million and \$2.7 million, respectively, under these federal student aid programs.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Statements Issued by GASB - Pierpont implemented GASB Statement No. 87, *Leases*, which is effective for fiscal years beginning after June 15, 2021. This Statement requires lessees and lessors to report leases under a single model. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources for each lease. This Statement also requires additional notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The adoption of GASB Statement No. 87 resulted in the recognition of a lease liability and an intangible right-to-use lease asset. See additional information in notes 3, 6, 7, and 8.

Pierpont implemented GASB Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2021. The requirements of this Statement address a variety of items, including specific provisions regarding the following topics: (1) GASB Statement No. 87 Implementation; (2) intra-entity transfers of assets; (3) postemployment benefits; (4) government acquisitions; (5) risk financing and insurance related activities of public entity risk pools; and (6) fair value measurements and derivative instruments. The adoption of GASB Statement No. 92 did not have a significant impact on the financial statements.

Pierpont implemented the remainder of GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The removal of LIBOR as an appropriate benchmark interest rate was effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. This Statement removed LIBOR as an appropriate benchmark to coincide with its cessation at the end of calendar year 2021. The new guidance also addresses accounting and financial reporting implications that result from a change or replacement of any interbank offered rate (IBOR) in both hedging derivative instruments and leases. The standard also identifies appropriate benchmark interest rates for hedging derivatives. The adoption of GASB Statement No. 93 did not have a significant impact on the financial statements.

Pierpont implemented GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, parts of which were effective immediately, while other provisions are effective for reporting periods beginning after June 15, 2021. The provisions that were immediately effective required that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan that the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform and limits the applicability of the financial burden criterion in GASB Statement No. 84 to defined benefit pension plans and defined OPEB plans administered through trusts. This Statement also requires that an IRC Section 457 Plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and clarifies that arrangements under IRC Section 457 should be assessed as a potential fiduciary activity under GASB Statement No. 84. As part of the supersession of GASB Statement No. 32, this Statement also requires that investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances. The portion of GASB Statement No. 97 that was effective immediately did not have a significant impact on the financial statements. The adoption of the remaining portions of GASB Statement No. 97 did not have a significant impact on the financial statements.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pierpont implemented GASB Statement No. 98, *The Annual Comprehensive Financial Report*, which is effective for fiscal years ending after December 15, 2021. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The adoption of GASB Statement No. 98 did not have a significant impact on the financial statements.

Pierpont implemented GASB Statement No. 99, *Omnibus 2022*, with varying effective dates based upon each provision ranging from being effective immediately to fiscal years beginning after June 15, 2023. The requirements of this Statement address a variety of items, including specific provisions regarding the following topics: (1) guidance and terminology updates on reporting derivative instruments that do not meet the definition of either an investment derivative or hedging derivative, but are within the scope of GASB Statement No. 53; (2) clarification of provisions of GASB Statement Nos. 87, 94, and 96; (3) extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate; (4) accounting for Supplemental Nutrition Assistance Program (SNAP) benefits; (5) non-monetary transactions; (6) clarification related to the focus of government-wide financial statements under GASB Statement No. 34; and (7) terminology updates related to GASB Statement No. 63. The provisions effective immediately did not have an impact on the financial statements.

Recent Statements Issued by GASB - GASB has issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021. The requirements of this Statement eliminate the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity or inconsistency. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. Pierpont has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement establish the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions, but are outside of the scope of Lease or Service Concession Arrangement Guidance. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will require governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. Pierpont has not yet determined the effect that the adoption of GASB Statement No. 94 may have on its financial statements.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement establish a definition for SBITA, which is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Generally, this Statement will require a government to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The Statement also establishes guidance for the treatment of costs related to SBITA activities other than subscription payments. Those activities are: Preliminary Project Stage, Initial Implementation Stage, and Operation and Additional Implementation Stage. This Statement also requires a government to disclose essential information about the arrangement such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability. Pierpont has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

GASB has issued Statement No. 100, *Accounting Changes and Error Corrections- an Amendment of GASB Statement No. 62*, which is effective for fiscal years beginning after June 15, 2023. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. Those changes include things like: certain changes in accounting principles, certain changes in estimates that result from a justified or preferable change in measurement or new methodology. This statement requires that changes in accounting principles and error corrections be reported retroactively by restating prior periods; changes to or within the reporting entity be reported by adjusting beginning balances of the current period; and changes in accounting estimates be reported prospectively by recognizing the change in the current period. If the change in accounting principle is the result of a new pronouncement the requirements only apply absent specific transition guidance in the pronouncement. Under this standard it is also necessary to display the total adjustment to beginning net position, fund balance, or fund net position on the face of the financial statements, by reporting unit. This statement also specifies both qualitative and quantitative disclosure requirements. Lastly, this statement provides guidance for if and how these changes should be reflected in required supplementary information and supplementary information. Pierpont has not yet determined the effect that the adoption of GASB Statement No. 100 may have on its financial statements.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB has issued Statement No. 101, *Compensated Absences*, which is effective for fiscal years beginning after December 15, 2023. This statement modifies the criteria requiring a liability for compensated absences to be recognized. Under this statement a liability must be recognized for leave that has not been used, or leave that has been used but not yet paid in cash or settled through noncash means. Furthermore, the liability for leave that has not been used is recognized if the leave is attributed to services already rendered, that accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. If the leave is considered more likely than not to be settled through conversion to a defined benefit post-employment benefit it should not be included in the liability for compensated absences. This statement also specifies certain types of benefits where the liability is not recognized until leave commences or where the liability is not recognized until the leave is used. The statement also provides guidance for measuring the liability and modifies the disclosure requirements allowing for disclosure of only the net change in the liability, and no longer requiring disclosure of which governmental funds have been used to liquidate the liabilities. Pierpont has not yet determined the effect that the adoption of GASB Statement No. 101 may have on its financial statements.

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT

During fiscal year 2022, Pierpont implemented GASB Statement No. 87, *Leases*. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The financial statements for the prior period have been restated to reflect the implementation as of July 1, 2020. The implementation had no impact on beginning net position for fiscal year 2021 since the intangible right-to-use lease asset equaled the lease liability. Pierpont recognized \$102,165 as an intangible right-to-use lease asset and lease liability as of July 1, 2020.

The implementation of GASB Statement No. 87 had the following effect on the fiscal year ended June 30, 2021:

From the Statement of Net Position	As Previously Reported	7/1/2020	
		Adjustment Plus Restatement	Restated
Capital assets — net	\$ 27,760,826	\$ 70,729	\$ 27,831,555
Lease liability — current portion	-	29,634	29,634
Lease liability — noncurrent portion	-	39,781	39,781
Net investment in capital assets	26,370,501	1,314	26,371,815
From the Statement of Revenues, Expenses, and Changes in Net Position	As Previously Reported	7/1/2020	
		Restatement	Restated
Supplies and other services	\$ 4,024,528	\$ (38,295)	\$ 3,986,233
Depreciation and amortization	1,841,189	31,436	1,872,625
Interest expense	-	5,545	5,545
Net change in net position	(24,961,165)	1,314	(24,959,851)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

4. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
State Treasurer	\$ 12,201,300	\$ 7,296,386
In bank	64,506	144,335
On hand	<u>400</u>	<u>700</u>
	<u>\$ 12,266,206</u>	<u>\$ 7,441,421</u>

Cash held by the Treasurer includes no restricted cash at June 30, 2022 and 2021.

The combined carrying amount of cash in the bank at June 30, 2022 and 2021 was \$64,506 and \$144,335, respectively, as compared with the combined bank balance of \$70,334 and \$1,022,255, respectively. Any differences are primarily caused by outstanding checks and deposits in transit. The Federal Deposit Insurance Corporation (FDIC) coverage is \$250,000 for interest and non-interest bearing deposits. From time to time, Pierpont may carry deposit balances in individual financial institutions exceeding this limit.

Amounts with the State Treasurer were \$12,201,300 and \$7,296,386 as of June 30, 2022 and 2021, respectively. Of these amounts, \$8,717,045 and \$5,946,817 were invested in the WV Money Market Pool and the WV Short Term Bond Pool as of June 30, 2022 and 2021, respectively. The remainder of the cash held with the State Treasurer was not invested as of June 30, 2022 and 2021.

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	2022		2021	
	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	\$ 8,514,917	AAAm	\$ 5,803,843	AAAm
WV Short Term Bond Pool	202,128	Not Rated	142,974	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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

4. CASH AND CASH EQUIVALENTS (CONTINUED)

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

External Pool	2022		2021	
	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	\$ 8,514,917	21	\$ 5,803,843	52

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

External Pool	2022		2021	
	Carrying Value	Effective Duration (Days)	Carrying Value	Effective Duration (Days)
WV Short Term Bond Pool	\$ 202,128	584	\$ 142,974	638

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

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

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

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

5. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Student tuition and fees — net of allowance for doubtful accounts of \$3,859,672 and \$3,780,238, respectively	\$ 165,629	\$ 199,181
Due from Council	244,390	2,671,836
Due from Commission	39,927	122
Grants and contracts receivable	111,767	180,035
Other accounts receivable	<u>30,368</u>	<u>23,333</u>
	<u>\$ 592,081</u>	<u>\$ 3,074,507</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

6. CAPITAL ASSETS

A summary of capital assets transactions for Pierpont for the years ended June 30, 2022 and 2021 is as follows:

	2022				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	\$ 2,308,295	\$ -	\$ -	\$ -	\$ 2,308,295
Construction in progress	<u>91,078</u>	<u>-</u>	<u>872,130</u>	<u>-</u>	<u>963,208</u>
Total capital assets not being depreciated	<u>\$ 2,399,373</u>	<u>\$ -</u>	<u>\$ 872,130</u>	<u>\$ -</u>	<u>\$ 3,271,503</u>
Other capital assets being depreciated:					
Land improvements	\$ 286,958	\$ -	\$ -	\$ -	\$ 286,958
Buildings	28,453,196	-	-	-	28,453,196
Equipment	5,285,914	-	397,197	(259,550)	5,423,561
Computer software	<u>16,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,995</u>
Total other capital assets being depreciated	<u>34,043,063</u>	<u>-</u>	<u>397,197</u>	<u>(259,550)</u>	<u>34,180,710</u>
Lease assets being amortized:					
Equipment	<u>102,165</u>	<u>-</u>	<u>17,395</u>	<u>-</u>	<u>119,560</u>
Total lease assets being amortized	<u>102,165</u>	<u>-</u>	<u>17,395</u>	<u>-</u>	<u>119,560</u>
Less accumulated depreciation for other capital assets:					
Land improvements	179,025	-	8,993	-	188,018
Buildings	5,231,352	-	576,032	-	5,807,384
Equipment	3,263,236	-	389,573	(236,075)	3,416,734
Computer software	<u>7,997</u>	<u>-</u>	<u>5,665</u>	<u>-</u>	<u>13,662</u>
Total accumulated depreciation	<u>8,681,610</u>	<u>-</u>	<u>980,263</u>	<u>(236,075)</u>	<u>9,425,798</u>
Less accumulated amortization for lease assets:					
Equipment	<u>31,436</u>	<u>-</u>	<u>34,914</u>	<u>-</u>	<u>66,350</u>
Total accumulated amortization	<u>31,436</u>	<u>-</u>	<u>34,914</u>	<u>-</u>	<u>66,350</u>
Other capital assets and lease assets — net	<u>\$25,432,182</u>	<u>\$ -</u>	<u>\$ (600,585)</u>	<u>\$ (23,475)</u>	<u>\$24,808,122</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 2,399,373	\$ -	\$ 872,130	\$ -	\$ 3,271,503
Other capital assets	34,043,063	-	397,197	(259,550)	34,180,710
Lease assets	<u>102,165</u>	<u>-</u>	<u>17,395</u>	<u>-</u>	<u>119,560</u>
Total cost of capital assets	<u>36,544,601</u>	<u>-</u>	<u>1,286,722</u>	<u>(259,550)</u>	<u>37,571,773</u>
Less accumulated depreciation and amortization	<u>8,713,046</u>	<u>-</u>	<u>1,015,177</u>	<u>(236,075)</u>	<u>9,492,148</u>
Capital assets — net	<u>\$27,831,555</u>	<u>\$ -</u>	<u>\$ 271,545</u>	<u>\$ (23,475)</u>	<u>\$28,079,625</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

6. CAPITAL ASSETS (CONTINUED)

	(Restated) 2021				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	\$ 376,000	\$ 1,932,295	\$ -	\$ -	\$ 2,308,295
Construction in progress	<u>219,252</u>	<u>(292,181)</u>	<u>420,558</u>	<u>(256,551)</u>	<u>91,078</u>
Total capital assets not being depreciated	<u>\$ 595,252</u>	<u>\$ 1,640,114</u>	<u>\$ 420,558</u>	<u>\$ (256,551)</u>	<u>\$ 2,399,373</u>
Other capital assets being depreciated:					
Land improvements	\$ 1,084,826	\$ (693,467)	\$ 7,223	\$ (111,624)	\$ 286,958
Infrastructure	4,939,124	(5,019,505)	80,381	-	-
Buildings	49,974,285	(21,055,551)	252,181	(717,719)	28,453,196
Equipment	5,625,668	(351,712)	206,753	(194,795)	5,285,914
Computer software	<u>11,995</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>16,995</u>
Total other capital assets being depreciated	<u>61,635,898</u>	<u>(27,120,235)</u>	<u>551,538</u>	<u>(1,024,138)</u>	<u>34,043,063</u>
Lease assets being amortized:					
Equipment	<u>102,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,165</u>
Total lease assets being amortized	<u>102,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,165</u>
Less accumulated depreciation for other capital assets:					
Land improvements	561,883	(354,345)	66,786	(95,299)	179,025
Infrastructure	4,581,636	(4,758,365)	176,729	-	-
Buildings	12,907,182	(8,519,659)	1,167,980	(324,151)	5,231,352
Equipment	3,331,306	(299,816)	424,029	(192,283)	3,263,236
Computer software	<u>2,332</u>	<u>-</u>	<u>5,665</u>	<u>-</u>	<u>7,997</u>
Total accumulated depreciation	<u>21,384,339</u>	<u>(13,932,185)</u>	<u>1,841,189</u>	<u>(611,733)</u>	<u>8,681,610</u>
Less accumulated amortization for lease assets:					
Equipment	<u>-</u>	<u>-</u>	<u>31,436</u>	<u>-</u>	<u>31,436</u>
Total accumulated amortization	<u>-</u>	<u>-</u>	<u>31,436</u>	<u>-</u>	<u>31,436</u>
Other capital assets and lease assets — net	<u>\$40,353,724</u>	<u>\$ (13,188,050)</u>	<u>\$ (1,321,087)</u>	<u>\$ (412,405)</u>	<u>\$25,432,182</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 595,252	\$ 1,640,114	\$ 420,558	\$ (256,551)	\$ 2,399,373
Other capital assets	61,635,898	(27,120,235)	551,538	(1,024,138)	34,043,063
Lease assets	<u>102,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,165</u>
Total cost of capital assets	62,333,315	(25,480,121)	972,096	(1,280,689)	36,544,601
Less accumulated depreciation and amortization	<u>21,384,339</u>	<u>(13,932,185)</u>	<u>1,872,625</u>	<u>(611,733)</u>	<u>8,713,046</u>
Capital assets — net	<u>\$40,948,976</u>	<u>\$ (11,547,936)</u>	<u>\$ (900,529)</u>	<u>\$ (668,956)</u>	<u>\$27,831,555</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

6. CAPITAL ASSETS (CONTINUED)

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

Pierpont has construction commitments of \$1,808,217 of June 30, 2022.

7. LONG-TERM LIABILITIES

Long-term obligation activities for the years ended June 30, 2022 and 2021 are as follows:

	2022					
	Beginning Balance	Transfers*	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 411,578	\$ -	\$ 234,407	\$ (271,482)	\$ 374,503	\$ 239,522
Lease liability	69,415	-	17,395	(32,911)	53,899	34,773
Due to Fairmont State	16,300,000	-	-	(1,300,000)	15,000,000	1,500,000
Debt obligation due to Commission	<u>1,390,325</u>	<u>-</u>	<u>-</u>	<u>(208,263)</u>	<u>1,182,062</u>	<u>219,974</u>
Total long-term liabilities	<u>\$ 18,171,318</u>	<u>\$ -</u>	<u>\$ 251,802</u>	<u>\$ (1,812,656)</u>	<u>\$ 16,610,464</u>	<u>\$ 1,994,269</u>

*Transfers represent the ownership change from FY21 to FY22.

	(Restated) 2021					
	Beginning Balance	Transfers*	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 415,301	\$ -	\$ 331,407	\$ (335,130)	\$ 411,578	\$ 275,077
Lease liability	102,165	-	-	(32,750)	69,415	29,634
Due to Fairmont State	-	-	16,300,000	-	16,300,000	1,300,000
Debt obligation due to Commission	495,948	955,431	-	(61,054)	1,390,325	208,264
Debt obligation due to Fairmont State	<u>2,294,265</u>	<u>(2,048,116)</u>	<u>-</u>	<u>(246,149)</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 3,307,679</u>	<u>\$ (1,092,685)</u>	<u>\$ 16,631,407</u>	<u>\$ (675,083)</u>	<u>\$ 18,171,318</u>	<u>\$ 1,812,975</u>

*Transfers represent the ownership change from FY20 to FY21.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

8. LEASES

Pierpont leases equipment for various terms under long-term, noncancelable lease agreements. The leases have monthly installments ranging between \$412 and \$2,779 plus interest at 6.35% with due dates ranging from September 2023 to April 2026.

Future annual minimum lease payments on leases for years subsequent to June 30, 2022, are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2023	\$ 34,773	\$ 2,443	\$ 37,216
2024	11,621	703	12,324
2025	3,634	393	4,027
2026	<u>3,871</u>	<u>156</u>	<u>4,027</u>
	<u>\$ 53,899</u>	<u>\$ 3,695</u>	<u>\$ 57,594</u>

9. OTHER POSTEMPLOYMENT BENEFITS

As related to the implementation of GASB 75, following are Pierpont's net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense for the fiscal years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net OPEB liability (asset)	\$ (26,659)	\$ 404,855
Deferred outflows of resources	1,113,570	1,717,461
Deferred inflows of resources	959,423	1,176,343
Revenues	(24,405)	38,449
OPEB expense	16,997	242,955
Contributions made by Pierpont	90,050	163,494

Plan Description

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

Contributions

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

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2021 and 2020 were:

	2021	2020
Paygo premium	\$ 160	\$ 168

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

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

Pierpont's contributions to the OPEB plan for the years ended June 30, 2022, 2021, and 2020, were \$90,050, \$163,494, and \$177,168, respectively.

Assumptions

The June 30, 2022 OPEB liability (asset) for financial reporting purposes was determined by an actuarial valuation as of June 30, 2020 and a measurement date of June 30, 2021. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Inflation rate: 2.25%.
- Salary increase: Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation.
- Investment rate of return: 6.65%, net of OPEB plan investment expense, including inflation.
- Healthcare cost trend rates: Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2020, decreasing by 0.50% for one year then 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, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
- Actuarial cost method: Entry age normal cost method.
- Amortization method: Level percentage of payroll over a 20-year closed period beginning June 30, 2017.
- Wage inflation: 2.75%.
- Retirement age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2020 actuarial valuation.
- Aging factors: Based on the 2013 SOA Study "Health Care Costs – From Birth to Death".
- Expenses: Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

- Mortality post retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females.
- Mortality pre-retirement: Pub-2010 General Employee Mortality Tables projected with MP-2019.

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

There were no assumption changes from the actuarial valuation as of June 30, 2020, measured at June 30, 2020 and rolled forward to a measurement date of June 30, 2021.

The long-term expected rate of return of 6.65% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the WV Investment Management Board and an expected short-term rate of return of 2.50% for assets invested with the West Virginia Board of Treasury Investments (WV-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 percentage. Target asset allocations, capital market assumptions (CMA), and forecast returns were provided by the Plan's investment advisors, including the West Virginia Investment Management Board (WV-IMB). The projected nominal return for the Money Market Pool held with the WV-BTI was estimated based on the WV-IMB assumed inflation of 2.0% plus a 25 basis point spread.

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

Asset Class	Target Allocation	Long-term Expected Real Return
Global equity	55.0%	4.8%
Core plus fixed income	15.0%	2.1%
Core real estate	10.0%	4.1%
Hedge fund	10.0%	2.4%
Private equity	10.0%	6.8%

Single discount rate. A single discount rate of 6.65% was used to measure the total OPEB liability (asset). This single discount rate was based on the expected rate of return on OPEB plan investments of 6.65%. 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. 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 (asset).

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the net OPEB liability (asset) to changes in the discount rate. The following presents the net OPEB liability (asset) of the Plan as of June 30, 2022 and 2021 calculated using a discount rate that is one percentage point lower (5.65%) or one percentage point higher (7.65%) than the current rate.

	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
Net OPEB liability (asset)			
2022	\$ 143,053	\$ (26,659)	\$ (167,568)
2021	577,377	404,855	260,431

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rate. The following presents Pierpont's proportionate share of the net OPEB liability (asset) as of June 30, 2022 and 2021 calculated using the healthcare cost trend rate, as well as what Pierpont's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability (asset)			
2022	\$ (196,834)	\$ (26,659)	\$ 180,634
2021	243,605	404,855	599,612

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

The June 30, 2022 net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2020, rolled forward to the measurement date of June 30, 2021. The June 30, 2021 net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2020, which is the measurement date.

At June 30, 2022, Pierpont's proportionate share of the net OPEB liability (asset) was \$(31,908). Of this amount, Pierpont recognized \$(26,659) as its proportionate share on the statement of net position. The remainder of \$(5,249) denotes Pierpont's proportionate share of net OPEB liability (asset) attributable to the special funding situation.

At June 30, 2021, Pierpont's proportionate share of the net OPEB liability (asset) was \$494,375. Of this amount, Pierpont recognized \$404,855 as its proportionate share on the statement of net position. The remainder of \$89,520 denotes Pierpont's proportionate share of net OPEB liability (asset) attributable to the special funding situation.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2021 and 2020. Employer contributions are recognized when due. At the June 30, 2021 measurement date, Pierpont's proportion was 0.089655105%, a decrease of 0.002004924% from its proportion of 0.091660029% calculated as of June 30, 2020. At the June 30, 2020 measurement date, Pierpont's proportion was 0.091660029%, a decrease of 0.045899178% from its proportion of 0.137559207% calculated as of June 30, 2019.

For the year ended June 30, 2022, Pierpont recognized OPEB expense of \$16,997. Of this amount, \$41,402 was recognized as Pierpont's proportionate share of OPEB expense and \$(24,405) as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. Pierpont also recognized revenue of \$(24,405) for support provided by the State.

For the year ended June 30, 2021, Pierpont recognized OPEB expense of \$242,955. Of this amount, \$204,506 was recognized as Pierpont's proportionate share of OPEB expense and \$38,449 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. Pierpont also recognized revenue of \$38,449 for support provided by the State.

At June 30, 2022 and 2021, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

<u>June 30, 2022</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual non-investment experience	\$ -	\$ 183,638
Changes in proportion and difference between employer contributions and proportionate share of contributions	1,023,520	26,726
Net difference between projected and actual investment earnings	-	183,979
Changes in assumptions	-	564,110
Reallocations of opt-out employer change in proportionate share	-	970
Contributions after the measurement date	<u>90,050</u>	<u>-</u>
Total	<u>\$ 1,113,570</u>	<u>\$ 959,423</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

<u>June 30, 2021</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual non-investment experience	\$ -	\$ 262,500
Changes in proportion and difference between employer contributions and proportionate share of contributions	1,523,236	-
Net difference between projected and actual investment earnings	30,731	-
Changes in assumptions	-	913,843
Contributions after the measurement date	<u>163,494</u>	<u>-</u>
Total	<u>\$ 1,717,461</u>	<u>\$ 1,176,343</u>

Pierpont will recognize the \$90,050 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction (increase) of the net OPEB liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amortization</u>
2023	\$ (3,486)
2024	210,637
2025	(88,570)
2026	<u>(54,484)</u>
	<u>\$ 64,097</u>

Payables to the OPEB Plan

Pierpont did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2022 and 2021.

10. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

10. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

The Municipal Bond Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. During 2022 and 2021, Pierpont reduced its debt to the Commission against the debt obligation by \$208,263 and \$61,054, respectively. Per the Final Separation Agreement between Fairmont State and Pierpont, Pierpont assumed the remaining portion of the total debt obligation to the Commission that was previously shared with Fairmont State. This resulted in an increase to Pierpont's liability at June 30, 2021 of \$955,431. The amount due to Commission at June 30, 2022 and 2021 is \$1,182,062 and \$1,390,325, respectively.

11. FAIRMONT STATE UNIVERSITY INDEBTEDNESS

Due to HB 3215, which mandated a separation between Fairmont State and Pierpont, an agreement was made with regards to outstanding bond debt that was issued to Fairmont State while the two institutions were still as one. It was agreed that Fairmont State and Pierpont would share the outstanding bond debt proportionately based on a 10-year average of enrollments, due to the fact that the two institutions maintain a shared campus where the shared facilities funded by the bonds are located. On June 12, 2012, Fairmont State, in conjunction with Pierpont, issued Revenue Refunding Bonds, Series 2012A in the principal amount of \$20,165,000 and Revenue Refunding Bonds, Series 2012B in the principal amount of \$30,160,000. Pierpont Board of Governors signed the bond indenture to evidence its agreement to certain covenants contained in the indenture, which are applicable to Pierpont, and to the pledge of fees imposed by it. Although the bonds remain as a capital obligation of Fairmont State, an estimate of the obligation of Pierpont was reported as a long-term payable to Fairmont State on Pierpont's financial statements and as a receivable on Fairmont State's financial statements. During 2021, payments to Fairmont State on this debt obligation were \$246,149. At June 30, 2021, the amount owed to Fairmont State was \$2,294,265. Under the Final Separation Agreement, this debt obligation was replaced with a new liability due to Fairmont State totaling \$16,300,000. During 2022, Pierpont reduced this liability to Fairmont State by \$1,300,000. See note 18 for additional information.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

12. NET POSITION

Pierpont's net position at June 30, 2022 and 2021 includes certain designated net position, as follows:

	<u>2022</u>	<u>(Restated) 2021</u>
Net investment in capital assets	\$ 26,843,664	\$ 26,371,815
Restricted for expendable capital projects	<u>3,630,787</u>	<u>1,436,875</u>
Unrestricted:		
Designated for auxiliaries	100,426	17,640
Designated for fund managers	1,861,014	1,556,350
Undesignated	<u>(11,075,335)</u>	<u>(14,004,326)</u>
Total unrestricted (deficit)	<u>(9,113,895)</u>	<u>(12,430,336)</u>
Total net position	<u>\$ 21,360,556</u>	<u>\$ 15,378,354</u>

Pierpont's unrestricted net position decreased by \$12,452,915 during the year ended June 30, 2021 to a deficit of \$(12,430,336). As explained in detail in note 18, Pierpont's loss on the final separation from Fairmont State was \$27,872,673. The unrestricted funds incurred \$16,300,000 of that loss, which was recorded as an amount due to Fairmont State at June 30, 2021. Pierpont's leadership evaluates operating costs during the budget development and throughout the year. Budget needs are strategically evaluated and only those with the most significant impact obtain approval to maintain a balanced budget or minimal deficit condition. At June 30, 2022, Pierpont improved its unrestricted net position by \$3,316,441 to a deficit of \$(9,113,895). With Pierpont's investment in new expanded facilities for the Culinary Academy, the Veterinary Technology Assistant Program, the Early Childhood Program, and an anticipated new facility for the Aviation Maintenance Program, along with the implementation of a strategic enrollment plan, Pierpont anticipates improvements to enrollments, which will further enable Pierpont's ability to continue to improve its unrestricted net position.

13. RETIREMENT PLANS

Substantially all full-time employees of the University participate in either the West Virginia Teachers' Retirement System (the TRS) or the Teachers' Insurance and Annuities Association-College Retirement Equities Fund (the TIAA-CREF). Previously, upon fulltime employment, all employees were required to make an irrevocable selection between the TRS and TIAA-CREF. 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 University employees have not been significant to date.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

13. RETIREMENT PLANS (CONTINUED)

DEFINED BENEFIT PENSION PLAN

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

As related to the implementation of GASB 68, following are Pierpont's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal years ended June 30, 2022 and 2021:

STRS	2022	2021
Net pension liability	\$ 97,095	\$ 59,072
Deferred outflows of resources	145,744	29,293
Deferred inflows of resources	83,074	5,563
Revenues	(3,696)	13,463
Pension expense	21,681	22,087
Contributions made by Pierpont	18,261	17,897

Plan Description

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

13. RETIREMENT PLANS (CONTINUED)***Benefits Provided***

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

Contributions

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

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

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

- 15% of gross salary of their State-employed members hired prior to July 1, 1991;
- 7.5% of the gross salary of their TRS covered employees hired for the first time after July 1, 2005 and for those TDCRS members who elected to transfer to TRS effective July 1, 2008;
- a certain percentage of fire insurance premiums paid by State residents; and
- under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the STRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2022 and 2021, Pierpont's proportionate share attributable to this special funding subsidy was \$(3,696) and \$13,463, respectively.

Pierpont's contributions to STRS for the years ended June 30, 2022, 2021, and 2020, were \$18,261, \$17,897, and \$7,587, respectively.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

13. RETIREMENT PLANS (CONTINUED)

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2020 and 2019 and rolled forward to June 30, 2021 and 2020, respectively. The following actuarial assumptions were used and applied to the current period measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return: 7.25%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 2.75-5.90% and non-teachers 2.75-6.50%, based on age.
- Inflation rate: 2.75%.
- Discount rate: 7.25%.
- Mortality rates based on Pub-2010 Mortality Tables.
- Withdrawal rates: State 7.00-35.00% and nonstate 2.30-18.00%.
- Disability rates: 0.004-0.563%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15.00-100.00%.
- Ad hoc cost-of-living increases in pensions are periodically granted by the Legislature. However, the retirement system makes no automatic provision for such increases.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 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 the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term geometric real rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2021 and 2020, are summarized below.

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic equity	5.5%	27.5%
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%

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

13. RETIREMENT PLANS (CONTINUED)

Discount rate. The discount rate used to measure the total STRS pension liability was 7.25% and 7.50% for fiscal years 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on STRS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents Pierpont's proportionate share of the STRS net pension liability as of June 30, 2022 and 2021 calculated using the discount rate of 7.25% (7.50% in 2021), as well as what Pierpont's STRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25% in 2022; 6.50% in 2021) or one percentage point higher (8.25% in 2022; 8.50% in 2021) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability			
2022	\$ 171,574	\$ 97,095	\$ 33,807
2021	79,801	59,072	41,409

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

The June 30, 2022 STRS net pension liability was measured as of June 30, 2021, and the total pension liability was determined by an actuarial valuation as of July 1, 2020, rolled forward to the measurement date of June 30, 2021. The June 30, 2021 STRS net pension liability was measured as of June 30, 2020, and the total pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

At June 30, 2022, Pierpont's proportionate share of the STRS net pension liability was \$314,173. Of this amount, Pierpont recognized \$97,095 as its proportionate share on the statement of net position. The remainder of \$217,078 denotes Pierpont's proportionate share of net pension liability attributable to the special funding situation.

At June 30, 2021, Pierpont's proportionate share of the STRS net pension liability was \$187,414. Of this amount, Pierpont recognized \$59,072 as its proportionate share on the statement of net position. The remainder of \$128,342 denotes Pierpont's proportionate share of net pension liability attributable to the special funding situation.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to STRS for each of the fiscal years ended June 30, 2021 and 2020. Employer contributions are recognized when due. At the June 30, 2021 measurement date, Pierpont's proportion was 0.006213%, an increase of 0.004379% from its proportion of 0.001834% calculated as of June 30, 2020. At the June 30, 2020 measurement date, Pierpont's proportion was 0.001834%, a decrease of 0.000029% from its proportion of 0.001863% calculated as of June 30, 2019.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

13. RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2022, Pierpont recognized STRS pension expense of \$21,681. Of this amount, \$25,377 was recognized as Pierpont's proportionate share of the STRS expense and \$(3,696) as the amount of pension expense attributable to special funding from a non-employer contributing entity. Pierpont also recognized revenue of \$(3,696) for support provided by the State.

For the year ended June 30, 2021, Pierpont recognized STRS pension expense of \$22,087. Of this amount, \$8,624 was recognized as Pierpont's proportionate share of the STRS expense and \$13,463 as the amount of pension expense attributable to special funding from a non-employer contributing entity. Pierpont also recognized revenue of \$13,463 for support provided by the State.

At June 30, 2022 and 2021, deferred outflows of resources and deferred inflows of resources related to the STRS pension are as follows.

<u>June 30, 2022</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,910	\$ 2,843
Changes in proportion and differences in pension contributions	107,519	2,630
Net difference between projected and actual investment earnings	-	77,601
Changes in assumptions	12,054	-
Contributions after the measurement date	<u>18,261</u>	<u>-</u>
Total	<u>\$ 145,744</u>	<u>\$ 83,074</u>
 <u>June 30, 2021</u>	 <u>Deferred Outflows of Resources</u>	 <u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,357	\$ 1,297
Changes in proportion and differences in pension contributions	5,628	4,266
Net difference between projected and actual investment earnings	3,579	-
Changes in assumptions	832	-
Contributions after the measurement date	<u>17,897</u>	<u>-</u>
Total	<u>\$ 29,293</u>	<u>\$ 5,563</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

13. RETIREMENT PLANS (CONTINUED)

Pierpont will recognize the \$18,261 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the STRS net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in STRS pension expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amortization</u>
2023	\$ 10,892
2024	12,036
2025	11,498
2026	<u>9,983</u>
	<u>\$ 44,409</u>

Payables to the Pension Plan

Pierpont did not report any amounts payable for normal contributions to the STRS as of June 30, 2022 and 2021.

DEFINED CONTRIBUTION BENEFIT PLANS

The TIAA-CREF and Educators Money are defined contribution benefit plans in which benefits are based solely upon amounts contributed, plus investment earnings. Employees who elect to participate in these plans are required to make a contribution equal to 6% of total annual compensation for the years ended June 30, 2022, 2021, and 2020. Pierpont matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF and Educators Money, which are not matched by Pierpont.

Total contributions to the TIAA-CREF for the years ended June 30, 2022, 2021, and 2020, were \$767,732, \$753,404, and \$619,796, respectively, which consisted of equal contributions from Pierpont and covered employees of \$383,866, \$376,702, and \$309,898, respectively.

Total contributions to Educators Money for the years ended June 30, 2022, 2021, and 2020, were \$18,954, \$38,974, and \$21,440, respectively, which consisted of \$9,477, \$19,487, and \$10,720, from both Pierpont and from covered employees, respectively.

Pierpont's total payroll for the year ended June 30, 2022, was \$7,356,916, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were \$121,739, \$6,397,765, and \$157,952, respectively.

Pierpont's total payroll for the year ended June 30, 2021, was \$7,496,221, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were \$119,311, \$6,278,367, and \$324,781, respectively.

Pierpont's total payroll for the year ended June 30, 2020 was \$7,622,463, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were \$50,578, \$5,164,970, and \$178,660, respectively.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

14. FAIRMONT STATE FOUNDATION, INC.

The Fairmont State Foundation, Inc. is a separate nonprofit organization incorporated in the State whose purpose is to benefit the work and services of Fairmont State and Pierpont and their affiliated nonprofit organizations. In carrying out its responsibilities, the board of directors of the Fairmont State Foundation, Inc. employs management, forms policy, and maintains fiscal accountability over funds administered by the Fairmont State Foundation, Inc. The economic resources of the Fairmont State Foundation, Inc. do not entirely benefit Pierpont. Accordingly, the financial statements of the Fairmont State Foundation, Inc. are not included in the accompanying financial statements because it is not entirely or almost entirely for the benefit of Pierpont. Since Pierpont was part of Fairmont State for many years, the Fairmont State Foundation, Inc. has obtained resources designated for Pierpont's programs and/or students. Certain endowments and other fund balances designated to benefit Pierpont are under the control and management of the Fairmont State Foundation, Inc. For the year ended June 30, 2021, the Fairmont State Foundation, Inc. held \$1,283,260 for the benefit of the Pierpont Foundation, Inc. During fiscal year 2022, a significant number of endowments and other fund balances designated to benefit Pierpont were transferred to the Pierpont Foundation, Inc. in the amount of \$768,727. At June 30, 2022, the Fairmont State Foundation, Inc. still held funds for Pierpont in the amount of \$426,559.

Total funds expended by the Fairmont State Foundation, Inc. in support of Pierpont activities totaled \$36,603 and \$119,704 during 2022 and 2021, respectively.

15. PIERPONT FOUNDATION, INC.

The Pierpont Foundation, Inc. is a separate nonprofit organization incorporated in the State whose purpose is to benefit the work and services of Pierpont. The Pierpont Foundation, Inc. has a separate board of directors responsible for policy and fiscal accountability. Fiscal year 2022 is the first year the Pierpont Foundation, Inc. had financial activity. This activity primarily consisted of a transfer of endowments and other fund balances from the Fairmont State Foundation, Inc. in the amount of \$768,727. The Pierpont Foundation Inc. also recorded activity for fundraising, investment income, and scholarships. The activity was minimal, and it was determined that an independent audit was not necessary.

Total funds expended by the Pierpont Foundation, Inc. in support of Pierpont activities totaled \$47,371 and \$0 during 2022 and 2021, respectively.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

16. AFFILIATED ORGANIZATIONS AND OTHER STATE AGENCIES

Pierpont receives funding or grants from and provides services to other state agencies, and utilizes services, supplies, and equipment provided by other state agencies. Pierpont had no amounts due from other state agencies at June 30, 2022 or 2021. Amounts due to other state agencies at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Due to:		
WV Higher Education Policy Commission	\$ 36,054	\$ -
State Treasurer's Office	966	999
WV Attorney General	116	62
Department of Administration	54	18
PEIA	29	403
Department of Health and Human Resources	<u>2,035</u>	<u>10,037</u>
	<u>\$ 39,254</u>	<u>\$ 11,519</u>

17. RELATED-PARTY TRANSACTIONS

During fiscal years 2022 and 2021, Pierpont and Fairmont State entered into a fee for service agreement that establishes the amount Pierpont will pay Fairmont State toward the costs of operation for shared ownership campuses. These costs are primarily facility-related, including insurance costs, physical plant support areas, custodial services, and utilities for space utilized by Pierpont. For fiscal year 2021, Pierpont paid Fairmont State \$1,173,778 under the fee for service agreement. For fiscal year 2022, Pierpont paid Fairmont State \$650,000 under the fee for service agreement in accordance with the Final Separation Agreement. Pierpont's Culinary Arts, Veterinary Technology Assistant, and Early Childhood programs remained on Fairmont State's Locust Avenue campus through June 30, 2022. Additionally, Pierpont's Aviation programs are located at Fairmont State's National Aerospace Education Center in Bridgeport. The 2022 fee for service payment was to cover facility-related costs. For fiscal year 2023, Pierpont's Aviation program will continue at Fairmont State's National Aerospace Education Center, and the fee for service agreement will require Pierpont to pay Fairmont State \$450,000.

Fiscal year 2022 and 2021 transfers of auxiliary and capital fee revenues are as follows:

	<u>2022</u>	<u>2021</u>
Revenues:		
E&G capital and debt service support revenue	\$ -	\$ 349,177
Expenses:		
Assessment for auxiliary fees and debt service	-	405,549
Assessment for E&G capital and debt service costs	-	319,081

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

18. FINAL SEPARATION AGREEMENT

On March 24, 2021, Pierpont entered into a Memorandum of Understanding with Fairmont State for full and final separation. The agreement was facilitated by the West Virginia Legislature. The Final Separation Agreement was executed on April 1, 2021, detailing the final separation, including the division of assets and providing for payment of outstanding indebtedness. The Final Separation Agreement supersedes the previous Separation of Assets and Liabilities Agreement.

Under the Final Separation Agreement, Pierpont received transfers of property from Fairmont State, including the Gaston Caperton Center in Clarksburg, the real property and any improvements located adjacent to the Gaston Caperton Center, and the Braxton County Center located in Braxton County High School. As of June 30, 2021, the assets retained by Pierpont from the BOG Support fund had a net book value of \$5,168,044. Fairmont State retained full ownership of all other assets that were previously jointly owned.

Pierpont assumed the debt obligation to the Commission outstanding at June 30, 2021 in the amount of \$1,390,325. This increased Pierpont's indebtedness to the Commission by \$955,431. In addition to the principal amount on the financial statements, Pierpont assumed responsibility for interest in the amount of \$217,761 to be paid over the remaining debt period. Fairmont State accepted full legal and sole financial responsibility for the Series 2006 Bonds outstanding at June 30, 2021 of \$2,667,177, which resulted in a decrease in Pierpont's indebtedness to Fairmont State of \$2,048,116.

Fairmont State shall be responsible for submitting debt service payments on the Series 2012 Bonds and paying the costs of operating, maintaining, and repairing the facilities refinanced with the Series 2012 Bonds. In addition to the full and final separation of BOG Support assets and liabilities, it was determined that Pierpont shall pay Fairmont State a total of \$16,300,000 through 2032 for a portion of the debt service on the 2012 Bonded Indebtedness. Pierpont paid Fairmont State \$1,300,000 in fiscal year 2022. For fiscal years 2023 through 2032, Pierpont shall pay Fairmont State \$1,500,000 per year. As of June 30, 2022 and 2021, the amount due to Fairmont State is \$15,000,000 and \$16,300,000, respectively.

Pierpont received a special appropriation of State funds through the West Virginia Legislature for fiscal year 2022 in the amount of \$2,500,000. This special appropriation was received by the Council and remitted to Pierpont during fiscal year 2022.

As a result of the Final Separation Agreement, Pierpont recognized a loss on final separation from Fairmont State of \$27,872,673. The following table summarizes the components of the loss on final separation recognized for the year ended June 30, 2021:

Capital assets assumed by Pierpont	\$ 5,483,775
Liabilities assumed by Pierpont	(17,255,431)
Liabilities transferred to Fairmont State	2,102,419
Cash and other assets transferred to Fairmont State	(1,171,726)
Capital assets transferred to Fairmont State	<u>(17,031,710)</u>
Total loss on final separation from Fairmont State	<u>\$ (27,872,673)</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

19. CONTINGENCIES

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

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

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

PIERPONT COMMUNITY & TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

20. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2022 and 2021, the following tables represent operating expenses within both natural and functional classifications:

Function	2022									
	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation and Amortization	Assessment for Auxiliary Fees and Debt Service	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Instruction	4,419,364	900,795	960,908	8,523	-	-	-	-	-	6,289,590
Public service	-	-	-	-	-	-	-	-	-	-
Academic support	96,169	15,485	20,255	-	8,500	-	-	-	-	140,409
Student services	911,182	162,044	219,449	-	3,750	-	-	-	-	1,296,425
General institutional support	1,781,483	321,932	2,183,962	-	-	-	-	-	93,572	4,380,949
Operation and maintenance	90,690	25,325	524,202	215,082	-	-	-	-	-	855,299
Student financial aid	58,028	112	-	-	4,271,244	-	-	-	-	4,329,384
Depreciation and amortization	-	-	-	-	-	1,015,177	-	-	-	1,015,177
Loan cancellations and write-offs	-	-	-	-	-	-	-	222,771	-	222,771
TOTAL	\$ 7,356,916	\$ 1,425,693	\$ 3,908,776	\$ 223,605	\$ 4,283,494	\$ 1,015,177	\$ -	\$ 222,771	\$ 93,572	\$ 18,530,004

Function	(Restated) 2021									
	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation and Amortization	Assessment for Auxiliary Fees and Debt Service	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 405,549	\$ -	\$ -	\$ 405,549
Instruction	4,518,392	1,044,969	950,001	130,693	25,000	-	-	-	-	6,669,055
Public service	8,000	819	-	-	-	-	-	-	-	8,819
Academic support	98,528	21,752	76,445	-	-	-	-	-	-	196,725
Student services	1,010,135	240,614	156,732	-	-	-	-	-	-	1,407,481
General institutional support	1,667,236	372,847	2,473,696	62,880	-	-	-	-	110,306	4,686,965
Operation and maintenance	146,402	16,198	329,359	-	-	-	-	-	-	491,959
Student financial aid	47,528	-	-	3,000	2,916,857	-	-	-	-	2,967,385
Depreciation and amortization	-	-	-	-	-	1,872,625	-	-	-	1,872,625
Loan cancellations and write-offs	-	-	-	-	-	-	-	606,194	-	606,194
TOTAL	\$ 7,496,221	\$ 1,697,199	\$ 3,986,233	\$ 196,573	\$ 2,941,857	\$ 1,872,625	\$ 405,549	\$ 606,194	\$ 110,306	\$ 19,312,757

REQUIRED SUPPLEMENTARY INFORMATION

**PIERPONT COMMUNITY & TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2022**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Pierpont's proportion of the net pension liability (asset) (percentage)	0.006213%	0.001834%	0.001863%	0.001662%	0.001812%	0.001903%	0.001644%	0.001606%		
Pierpont's proportionate share of the net pension liability (asset)	\$ 97,095	\$ 59,072	\$ 55,427	\$ 51,892	\$ 62,604	\$ 78,224	\$ 56,969	\$ 55,395		
State's proportionate share of the net pension liability (asset)	<u>217,078</u>	<u>128,342</u>	<u>133,786</u>	<u>134,473</u>	<u>138,439</u>	<u>148,997</u>	<u>130,012</u>	<u>125,169</u>		
Total proportionate share of the net pension liability (asset)	<u>\$ 314,173</u>	<u>\$ 187,414</u>	<u>\$ 189,213</u>	<u>\$ 186,365</u>	<u>\$ 201,043</u>	<u>\$ 227,221</u>	<u>\$186,981</u>	<u>\$180,564</u>		
Pierpont's covered payroll	\$ 119,311	\$ 50,578	\$ 52,687	\$ 51,126	\$ 50,008	\$ 49,195	\$ 49,845	\$ 49,311		
Pierpont's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	81.38%	116.79%	105.20%	101.50%	125.19%	159.01%	114.29%	112.34%		
Plan fiduciary net position as a percentage of the total pension liability	86.38%	70.89%	72.64%	71.20%	67.85%	61.42%	66.25%	65.95%		

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

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

**PIERPONT COMMUNITY & TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2022**

State Teachers' Retirement System

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 18,261	\$ 17,897	\$ 7,587	\$ 8,069	\$ 7,656	\$ 7,501	\$ 7,379	\$ 7,477		
Contributions in relation to the contractually required contribution	<u>(18,261)</u>	<u>(17,897)</u>	<u>(7,587)</u>	<u>(8,069)</u>	<u>(7,656)</u>	<u>(7,501)</u>	<u>(7,379)</u>	<u>(7,477)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Pierpont's covered payroll	\$ 121,739	\$ 119,311	\$ 50,578	\$ 52,687	\$ 51,126	\$ 50,008	\$ 49,195	\$ 49,845		
Contributions as a percentage of covered payroll	15.00%	15.00%	15.00%	15.31%	14.97%	15.00%	15.00%	15.00%		

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

**PIERPONT COMMUNITY & TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
JUNE 30, 2022**

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Pierpont's proportion of the net OPEB liability (asset) (percentage)	0.089655105%	0.091660029%	0.137559207%	0.138659143%	0.132195612%					
Pierpont's proportionate share of the net OPEB liability (asset)	\$ (26,659)	\$ 404,855	\$ 2,282,288	\$ 2,974,842	\$ 3,250,676					
State's proportionate share of the net OPEB liability (asset)	<u>(5,249)</u>	<u>89,520</u>	<u>467,058</u>	<u>614,821</u>	<u>667,693</u>					
Total proportionate share of the net OPEB liability (asset)	<u>\$ (31,908)</u>	<u>\$ 494,375</u>	<u>\$ 2,749,346</u>	<u>\$ 3,589,663</u>	<u>\$ 3,918,369</u>					
Pierpont's covered-employee payroll	\$ 5,338,250	\$ 5,189,805	\$ 5,235,890	\$ 4,830,737	\$ 4,600,880					
Pierpont's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	(0.50)%	7.80%	43.59%	61.58%	70.65%					
Plan fiduciary net position as a percentage of the total OPEB liability	101.81%	73.49%	39.69%	30.98%	25.10%					

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

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

**PIERPONT COMMUNITY & TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
JUNE 30, 2022**

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 90,050	\$ 163,494	\$ 177,168	\$ 249,410	\$ 247,742					
Contributions in relation to the statutorily required contribution	<u>(90,050)</u>	<u>(163,494)</u>	<u>(177,168)</u>	<u>(249,410)</u>	<u>(247,742)</u>					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Pierpont's covered-employee payroll	\$ 5,158,675	\$ 5,338,250	\$ 5,189,805	\$ 5,235,890	\$ 4,830,737					
Contributions as a percentage of covered-employee payroll	1.75%	3.06%	3.41%	4.76%	5.13%					

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

PIERPONT COMMUNITY & TECHNICAL COLLEGE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
YEARS ENDED JUNE 30, 2022 AND 2021

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

	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality</u>	<u>Discount Rate</u>
<u>2021</u>	2.75%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 2.75 to 5.90%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 2.75 to 6.50%.	7.25%, net of pension plan investment expense, including inflation.	Active: Pub-2010, General Employees table, headcount weighted, projected generationally with scale MP-2019. Retired: Healthy males – 100% of Pub-2010 General Retiree Male table, headcount weighted, projected generationally with scale MP-2019; Retired healthy females – 112% of Pub-2010 General Retiree Female table, headcount weighted, projected generationally with scale MP-2019; Disabled males – 107% of Pub-2010 General/Teacher Disabled Male table, headcount weighted, projected generationally with scale MP-2019; Disabled females – 113% of Pub-2010 General/Teacher Disabled Female table, headcount weighted, projected generationally with scale MP-2019.	7.25%
<u>2020</u>	3.0%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.16%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.75%.	7.5%, net of pension plan investment expense, including inflation.	Active: Pub-2010, General Employees table, headcount weighted, projected generationally with scale MP-2019. Retired healthy males – 108% of Pub-2010 General Retiree Male table, headcount weighted, projected generationally with scale MP-2019; Retired healthy females – 112% of Pub-2010 General Retiree Female table, headcount weighted, projected generationally with scale MP-2019; Disabled males – 107% of Pub-2010 General/Teacher Disabled Male table, headcount weighted, projected generationally with scale MP-2019; Disabled females – 113% of Pub-2010 General/Teacher Disabled Female table, headcount weighted, projected generationally with scale MP-2019.	7.5%

PIERPONT COMMUNITY & TECHNICAL COLLEGE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality</u>	<u>Discount Rate</u>
<u>2019</u>	3.0%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	7.5%, net of pension plan investment expense, including inflation.	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: Healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; Healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; Disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; Disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	7.5%
<u>2018</u>	3.0%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	7.5%, net of pension plan investment expense, including inflation.	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	7.5%
<u>2017</u>	3.0%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	7.5%, net of pension plan investment expense, including inflation.	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	7.5%
<u>2016</u>	3.0%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.	7.5%, net of pension plan investment expense, including inflation.	Active: RP2000, non-annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; healthy females – 94% of RP2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	7.5%

PIERPONT COMMUNITY & TECHNICAL COLLEGE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality</u>	<u>Discount Rate</u>
<u>2015</u>	3.0%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75 to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40 to 6.50%.	7.5%, net of pension plan investment expense, including inflation.	Active: RP2000, non-annuitant monthly mortality table. Retired: RP2000 healthy annuitant, scale AA; Disabled: RP2000 disabled annuitant mortality table, scale AA.	7.5%
<u>2014</u>	3.0%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75 to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40 to 6.50%.	7.5%, net of pension plan investment expense, including inflation.	Active: RP2000, non-annuitant monthly mortality table; Retired: RP2000 healthy annuitant, scale AA; Disabled: RP2000 disabled annuitant mortality table, scale AA.	7.5%

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

PIERPONT COMMUNITY & TECHNICAL COLLEGE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEARS ENDED JUNE 30, 2022 AND 2021

Actuarial Changes Other Postemployment Benefits Plan

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

	Inflation Rate	Salary Increases	Wage Inflation Rate	Investment Rate of Return & Discount Rate	Mortality	Retirement Age	Aging Factors	Expenses	Healthcare Cost Trend Rates
<u>2021</u>	2.25%	Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation	2.75%	6.65%, net of OPEB plan investment expense, including inflation	Post-Retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females; Pre-Retirement: Pub-2010 General Employee Mortality Tables projected with MP-2019	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2020, decreasing by 0.50% for one year then by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022, 9.15% for plan year end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
<u>2020</u>	2.25%	Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation	2.75%	6.65%, net of OPEB plan investment expense, including inflation	Post-Retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females; Pre-Retirement: Pub-2010 General Employee Mortality Tables projected with MP-2019	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.5% for plan year end 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 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, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
<u>2019</u>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
<u>2018</u>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
<u>2017</u>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.5% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Pierpont Community & Technical College (Pierpont), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Pierpont's financial statements, and have issued our report thereon dated September 30, 2022. Our report also includes an emphasis of matter paragraph for the adoption of GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pierpont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Charleston, West Virginia

September 30, 2022