

JOINT COMMITTEE ON GOVERNMENT AND FINANCE
WEST VIRGINIA OFFICE OF THE LEGISLATIVE AUDITOR

POST AUDIT DIVISION

LEGISLATIVE AUDIT REPORT

West Virginia Network for Educational Telecomputing (WVNET)

Legislative Auditor: Aaron Allred
Post Audit Division Director: Justin Robinson



GENERALLY ACCEPTED GOVERNMENT
AUDITING STANDARDS STATEMENT

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (**GAGAS**). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

POST AUDIT DIVISION
Justin Robinson, Director

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West Virginia Network for Educational Telecomputing (WVNET)

April 24, 2022

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The Operations of the WVNET Have Grown Beyond Those Encompassed in its Governing Statute. The Customers Served by WVNET Include Many State and Local Government Entities and It Is Unclear if its Placement Under HEPC is Appropriate Based on Current Operations and Customers Served.

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Issue 1: The Operations of the West Virginia Network for Telecomputing (WVNET) Have Grown Beyond Those Encompassed in its Governing Statute. The Customers Served by WVNET Include Many State and Local Government Entities and It Is Unclear if its Placement Under the Higher Education Policy Commission (HEPC) is Appropriate Based on Current Operations and Customers Served.

Background

Located in Morgantown, WV, West Virginia Network for Telecomputing (WVNET) was originally founded in 1975 to provide central computing facilities and wide area network communications, linking its central location computing resources in Morgantown with the campus computing systems of colleges and universities across the state. Since July 2000 and in accordance with Senate Bill 653, WVNET has operated as a division within the West Virginia Higher Education Policy Commission (HEPC). WVNET currently operates as a fee-for-service agency that charges other entities a fee for the direct costs associated with the services provided. It is the intention of WVNET to provide its services at cost. HEPC, through WVNET, acts as a purchasing agent for some public higher education institutions to obtain bulk pricing discounts for both maintenance and equipment purchases. The current mission for the operations of WVNET is to serve as:

A dynamic service organization providing telecommunications and computing services within West Virginia. Currently focused on state colleges and universities and administered by these entities, WVNET is transitioning to expand its impact by offering services to state government, K-12 schools, public libraries, and county government. As a centralized state resource, WVNET reacts to customer needs in providing efficient and cost-effective deployment of technology, training, and support.

The current goals of WVNET's operations are as follows:

- Support an information superhighway within the state of West Virginia. Connect WV information superhighway to networks within the National Information Infrastructure.¹
- Serve as an information technology center for the colleges, universities, K-12 schools, and government in WV to promote the use of information technology throughout WV.
- Monitor the purchasing and supporting hardware, software, and information technology services in a cost-effective manner, and within the framework of a cooperative association with its members.
- Ensure and promote that professional knowledge base among all WVNET agencies and central staff by encouraging professional development, providing training opportunities and literature.

¹ The National Information Infrastructure (NII) is from the Clinton and Gore administration to create a national communication environment. The promise of the NII was to create an infrastructure offering advanced information services to all Americans, not just research and educational institutions.

Customer Utilization of Products & Services

WVNET currently provides services to a wide range of customers in WV, which can be grouped into the following three broad categories:

- Higher Education Institutions;
- WV State Government (Executive, Legislative, and Judicial branches); and
- Local Government, Schools, and Non-Profits.

This customer base is illustrated in Appendices C-J at the end of this audit report.

These customers utilize WVNET for a wide range of products and services. These products and services can be broken down into four broad categories:

- Hosted Services;
- Passthrough Software;
- Applications; and
- Other Miscellaneous Services.

Hosted services are applications, IT infrastructure components or functions that organizations access from external service providers, typically through an internet connection. Passthrough software is software obtained by WVNET on behalf of a customer. Applications are those built by the software developers at WVNET to meet the needs of its customers. Finally, other miscellaneous services encompass a broad range of items that cannot be categorized as a hosted service, passthrough software, or an application. Listed below are some examples of the services, software, applications, and other services WVNET’s customer base relies upon:

- Hosted Services
 - Argos, Blackboard, Degreeworks
- Passthrough Software
 - Microsoft Windows & Office Products, Oracle, Banner Modules
- Applications
 - Gatekeeper, OZ Tracking, PSTachio
- Other Services
 - Internet, Domain, Training

In reviewing the services and products provided by WVNET during Fiscal Years 2017 through 2020, the breakdown of total customers by customer type and year is shown in Table 1:

Table 1: WVNET Number of Customers by Category FY 2017-2020				
Year	Higher Education Institutions	WV State Government	Local Government, Schools, and Non-Profits	Total
2017	23	60	83	166
2018	26	58	121	205
2019	25	56	121	202
2020	25	55	80	160

Source: Customer Matrices Provided by WVNET

The Legislative Auditor analyzed the total charges to all customers from Fiscal Year 2017 through 2020. Hosted services accounted for approximately \$2.4 million, or 25% of total customer charges on average. Passthrough software accounted for approximately \$3.5 million, or 37% of

the total customer charges, and other services offered by WVNET accounted for approximately \$3.6 million, or 38% of the total customer charges on average. The applications built by WVNET for its customers accounted for approximately \$42,000, or less than 1% of total customer charges in the period review. This is illustrated below in **Table 2**.

<u>WVNET Services</u>	<u>Avg. Total Charges</u>	<u>Avg. % of Total Charges</u>
Hosted Services	\$2,399,198	25.2%
Passthrough Software	\$3,483,575	36.5%
Other Services	\$3,638,315	37.9%
Applications	\$42,633	0.4%

Source: Customer Matrices Provided by WVNET

As mentioned previously, the WVNET customer base can be grouped into three broad categories: Higher Education Institutions; WV State Government; and Local Government, Schools, and Non-Profits. Higher education institutions accounted for approximately \$6 million, or 63% of total customer charges in an average year. During the three-year period reviewed there were as many as 26 higher education institutions that utilized products or services provided by WVNET in a given year. WV State Government accounted for approximately \$3.5 million, or 36% of total customer charges in an average year with as many as 60 WV State Government entities utilizing products or services provided by WVNET in a given year. Local Government, Schools, and Non-Profits accounted for approximately \$109,000, or 1% of the total customer charges even though the number of customers within this category is much larger with as many as 121 different local government entities, K-12 schools, or non-profits utilizing WVNET in a given year. This is Illustrated in **Table 3**.

<u>Customer Classification</u>	<u>Max Customer Count</u>	<u>Average Total Charges</u>	<u>Avg. % of Total Charges</u>
Higher Education Institutions	26	\$5,989,118	62.6%
WV State Government	60	\$3,462,577	36.2%
Local Government, Schools, Non-Profits	121	\$108,908	1.2%

Source: Customer Matrices Provided by WVNET

As indicated in the table above, most of the total charges to customers were to higher education institutions. This appears to align with the statute governing the operations of WVNET when it was placed within HEPC. However, the increased use of WVNET by a large number of state government entities as well as local government and non-profits reflects the fact that the current operations of WVNET have grown beyond what is described in the governing statute as currently most of WVNET customers are not state higher education institutions. While WVNET was originally conceived to assist higher education institutions with its information technology and computing needs, it appears these operations have grown beyond that scope. As a result, the Legislative Auditor questions the appropriateness of WVNET’s organization under HEPC based on the current operations encompassing a much broader customer base than just the state’s higher education institutions.

Additionally, the Legislative Auditor noted there was an 11% decrease in higher education institutions’ charges from fiscal year 2017 through 2020. However, WV State Government charges

increased by 12% in that same period. To determine if the increase in charges was due to the addition of new customers the Legislative Auditor requested information concerning new customers and the dates they began receiving products or services from WVNET. This was not able to be achieved as WVNET was unable to provide the dates new customers were acquired. Therefore, it is unclear if there is a direct correlation between the 12% increase in WV State Government charges due to the addition of new non-higher education customers during that time. In making such a correlation, the Legislative Auditor would have been able to determine if WVNET was seeking out new customers or broadening its customer base beyond the higher education institutions.

Since higher education institutions represent approximately 63% of total charges and WV state government represents approximately 36% of the total charges, the Legislative Auditor sought to determine how products and services are utilized by its target demographic of higher education institutions, how this may impact the operational effectiveness and fiscal outcomes for operations, as well as determining if the products and services WVNET currently provides falls within the scope of the governing statute. To satisfy these questions, the Legislative Auditor sent questionnaires about computer related technology to 21 public higher education institutions in West Virginia regarding computer technology acquired services and how much these services cost to determine if WVNET's rates were competitive.²

Based on the questionnaire responses, higher education institutions mainly utilized WVNET for acquiring the Ellucian Banner (Banner) enterprise resource planning system, and Microsoft. All higher education institutions surveyed except one indicated that its Banner system was obtained through WVNET. These institutions indicated WVNET was utilized for three main reasons, because Banner can be purchased at a lower rate through WVNET, WVNET provided contract maintenance, and it is easy to use. Of the institutions obtaining Banner through WVNET 13 indicated that they required technical services, and all but three of the 13 received assistance from WVNET. The three who did not receive the technical assistance they required from WVNET indicated that they did not utilize them because they have their own staff for technical issues, they have a contract for technical services, or WVNET lacked the expertise (at the time) to move to cloud infrastructure. During the fiscal years of 2017-2020, 15 of the higher education institutions surveyed indicated that they have used WVNET for obtaining Microsoft products. These institutions indicated WVNET was utilized to obtain Microsoft products because it is cost effective and there is an easy renewal process. Additional products or services utilized by higher education institutions during this period include website hosting, internet security, and WVNET's email services.

The Legislative Auditor attempted to determine the cost differences for the products and services offered by WVNET with the products and services obtained by higher education institutions outside of WVNET; however, this was not possible due to a lack of quantifiable information. Specifically, the documentation provided lacked sufficient detail to discern the per user, per data size or per minute rate, etc. to obtain how the annual or monthly rates are calculated. Also, services such as email and internet security are often bundled with other services and the rates reported for these services ranged from \$0 to \$40,000 per year.

² BridgeValley Community and Technical College has two campuses and replied with one response for both campuses. West Virginia University (WVU) also replied for their institution, the Potomac State College of WVU, and the WVU Institute of Technology with one response.

Once it was determined that finding a correlation between the products and services offered by WVNET as being a driver for revenues or expenses was not possible due to a lack of available information, the Legislative Auditor sought to determine if WVNET was meeting its predetermined performance measures. However, the Legislative Auditor determined that performance standards for WVNET operations are not delineated in W.Va. Code, nor has WVNET established any internal performance measures to determine its effectiveness at meeting its operational objectives or with regard to its fiscal outcomes.

The Government Finance Officers Association (GFOA), who's mission since 1906 has been to advance excellence in public finance, issued a best practice guide in 2018 concerning performance measures in government entities. The use of performance measures allows government entities to better understand a given situation and make more informed decisions regarding operational activities. Specifically, the GFOA best practices states:

All organizations identify, track, and communicate performance measures to monitor financial and budgetary status, service delivery, program outcomes, and community conditions.

Regardless if an organization has a centralized collection system for performance measures, the use of performance data should be integral to an organization's decision-making processes and leaders within an organization should set expectations that key decisions are supported by evidence. For optimal use, performance measures need to be developed considering the potential audience for the information. As a result, organizations need to identify and track measures at an operational, managerial, policy making, and community level.

According to GFOA the following conditions should be met when identifying performance measures to be implemented:

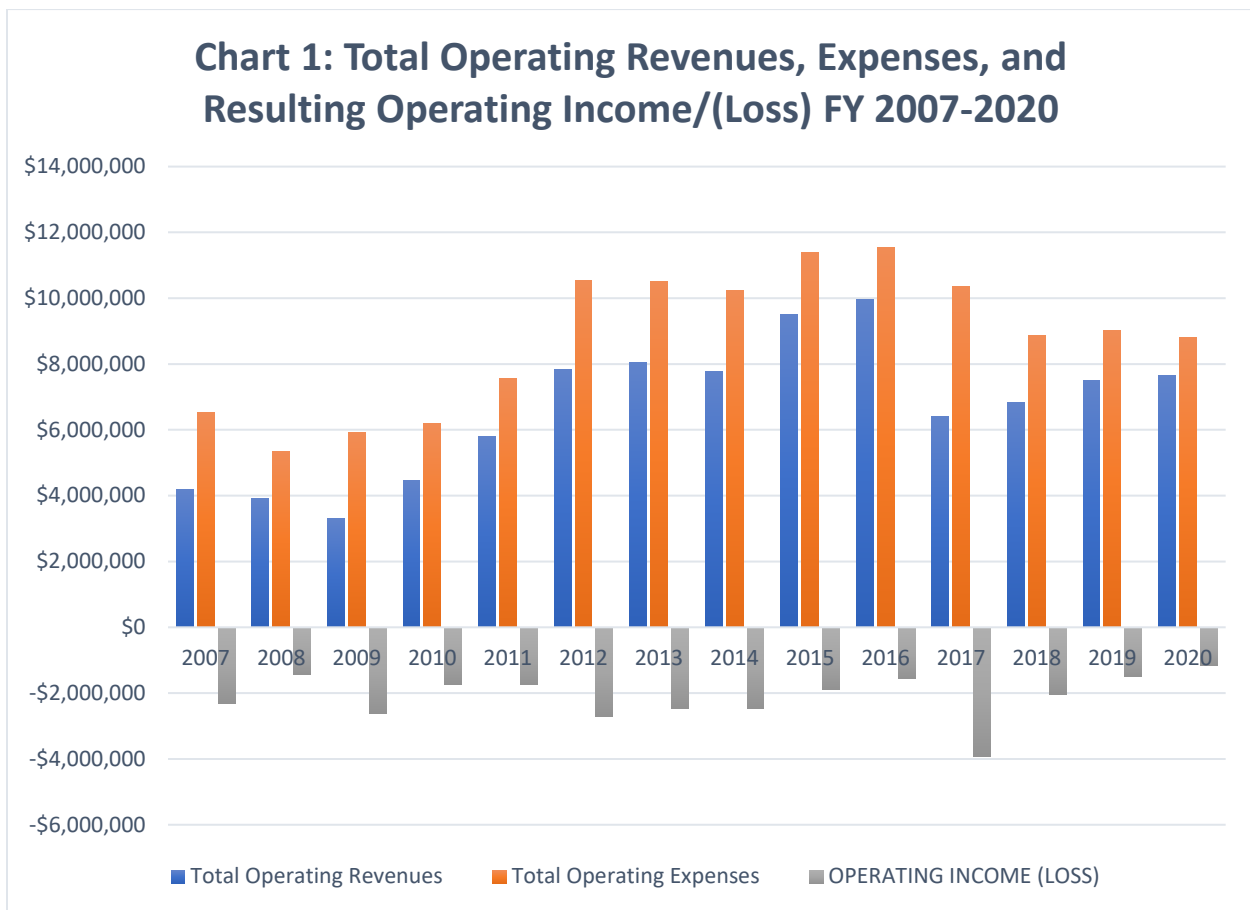
1. Useful – measures should provide information that is helpful to decision making, understanding, or accountability efforts.
2. Relevant – measures can be clearly linked to the service delivery/program outcomes that they are intended to measure, appropriate for the outcome being measured, and are readily understandable.
3. Reliable – collection methods and measure definitions need to be understood so stakeholders can rely on the information.
4. Adequate – ensure enough and also an appropriate variety of measures are used to measure performance and that measures do not incentivize behavior that adversely impacts the measures – such as a quantity versus quality scenario. There is often not a single measure that can provide sufficient context and understanding.
5. Collectible – measures are readily available and do not involve excessive time/effort to collect.
6. Consistent – measures can be regularly collected to track outcomes over time and avoid need to continuously identify new measures.
7. Environment – measures include variables related to externalities that impact service delivery and program performance.

8. Responsibility – clearly identify responsibilities for collection, storage and dissemination of the data.
9. Systems – existing data collection capacities are leveraged appropriately or new systems are identified in order to ease the burden of data collection.

Even though there is no requirement for WVNET to establish performance measures, it is the Legislative Auditor's opinion that WVNET would benefit from establishing them. Given that the primary customers for its products and services are funded primarily from state taxpayer funds, and any other fiscal needs of WVNET are provided through Legislative appropriation of taxpayer funds, it would seem prudent to ensure those taxpayer funds are used efficiently and effectively through the establishment of performance measures that WVNET can use to gauge the outcomes of its operations in meeting its goals and statutory directives. While WVNET is a government entity, its operations, products, and services are those more typically provided by private sector companies operating on a for-profit basis and should be operated in a similar manner with proper cost accounting and budgeting to ensure organizational outcomes are met and services and products provided do not result in consistent operational losses.

Issue 2: WVNET Does Not Employ Effective Cost Accounting Practices to Properly Account for Indirect Costs and Allocate Those Costs to the Products and Services it Provides. This Has Likely Contributed to Operational Losses Incurred by WVNET Each Year Since 2007.

The Legislative Auditor also reviewed the revenues, expenditures, and financial practices of WVNET. During the review of the budgeting and financial practices, the Legislative Auditor identified recurring financial losses in the audited financial statements of WVNET. Given its customer base and fee for service model of operations, the Legislative Auditor would anticipate that it would translate to at least a net zero operational income. However, a review of the financial statements has shown that for every year from 2007 to 2020 WVNET has incurred an operating loss³ due to expenses exceeding revenues ranging from as low as approximately \$1.2 million in 2020 to as high as approximately \$3.9 million in 2017. This is illustrated in Chart 1.

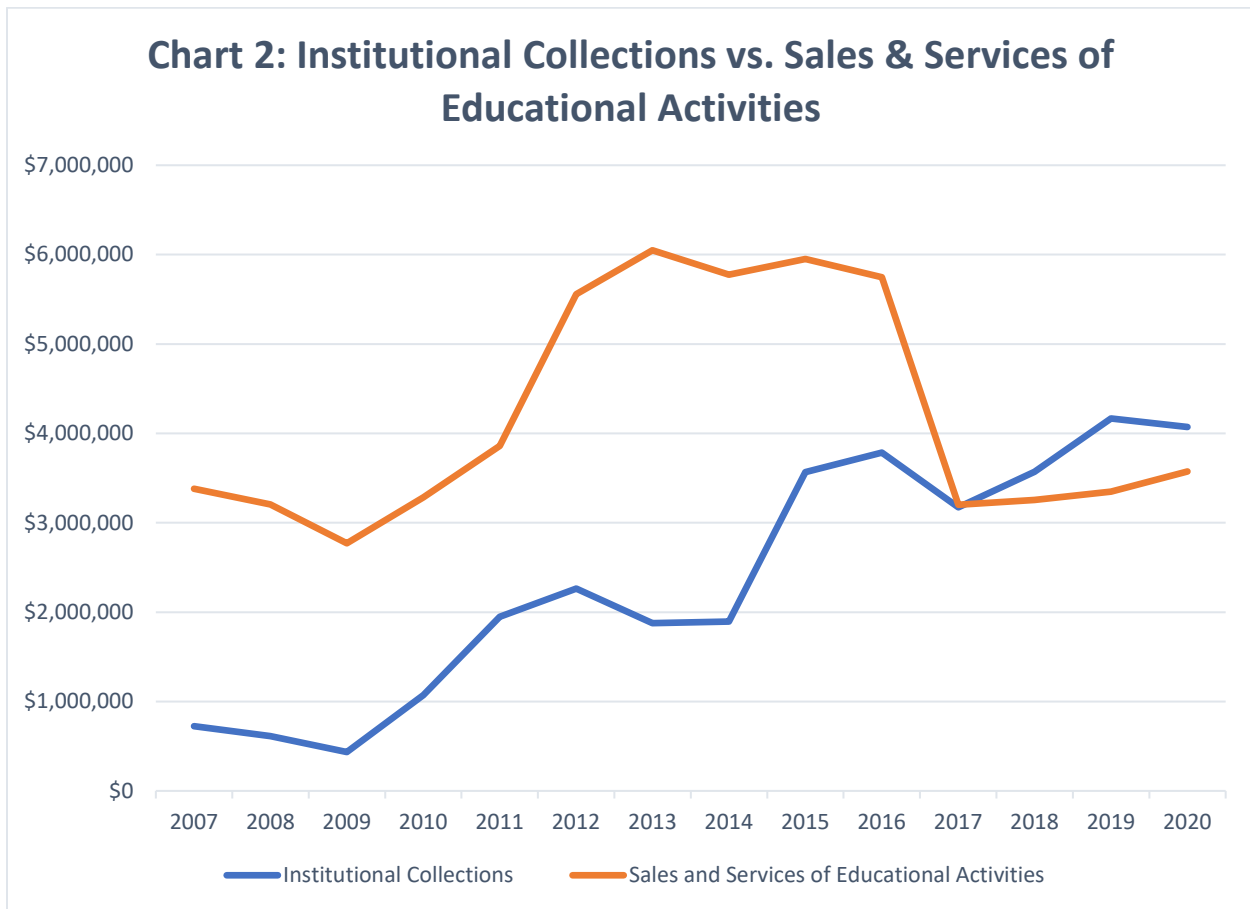


Total revenue for WVNET is comprised of both operating and non-operating revenue. Historically, operating revenues for WVNET have been comprised of the following financial statement⁴ operating revenue categories: institutional collections; sales & services of educational activities; federal, state, and local contracts and grants; and miscellaneous. Operating revenue

³ See Appendices O through R

⁴ Financial statements are available at: <https://www.wvhepc.edu/resources/purchasing-and-finance/financial-statements-archive/>

ranged from approximately \$3.3 million to approximately \$10 million from 2007 through 2020. The majority of the operating revenues for WVNET are received from institutional collections, and sales & services of educational activities. Institutional collections relate to revenues from providing networking & computing services for WV public higher education institutions, HEPC, and WVCTC. Sales & services of educational activities relates to K-12 schools, public libraries, county courthouses, state agencies, and WV private higher education institutions. Until 2018, sales & services of educational activities had always been greater than institutional collections. For the first time in a decade, revenue related to public higher education, the intended target demographic of WVNET, is greater than those of K-12 schools and other state and local government agencies. However, sales & services of educational activities are trending upward again as illustrated in Chart 2.



Historically, non-operating revenues for WVNET have been comprised of the following financial statement non-operating revenue categories: state appropriations, investment income, payments made on behalf of the commission, institutional debt service payments to the commission, interest on indebtedness, sale of equipment, and other non-operating revenues. Non-operating revenue ranged from approximately \$1.6 million to approximately \$2.2 million from 2007 through 2020. The vast majority of the non-operating revenues of WVNET is the state appropriation, which comprises between 91% and 100% of the total non-operating revenues and averaged approximately \$1.8 million per year. From FY 2017 through 2021, even after the inclusion of all non-operating income, WVNET was unable to break even in two of the four years reviewed.

WVNET Does Not Track and Allocate Indirect Costs to the Products and Services it Provides to Customers, Possibly Contributing to the Operational Losses Incurred on an Annual Basis Since 2007.

WVNET was questioned about the tracking of collected fees and direct and indirect costs to determine if these practices were leading to the operational losses exhibited in the financial statements. The Legislative Auditor was informed that WVNET's finance and business operations staff maintains its business records in detailed spreadsheets, by customer, with summary data entered in the Banner (enterprise resource planning) and wvOASIS systems. However, WVNET informed the Legislative Auditor that detailed direct and indirect costs related to each service or product are not maintained.

There are two different types of costs related to providing a product or service: direct and indirect costs. Direct costs are operating expenses that can be directly tied to a product or service and can be easily accounted for within the cost to produce and provide the product or service. For example, the raw materials used to manufacture a product can be considered a direct cost and the cost of that raw material to produce one unit can be readily accounted for in the total cost to produce that unit. Indirect costs are business expenses such as utilities or rents that cannot be as easily associated with the production of a single product or unit of a product. For example, rent paid on a manufacturing facility that produces multiple products cannot be attributed directly to a single product or unit, but the cost is incurred nonetheless and needs to be properly accounted for and allocated across the various products produced to be recouped. This is typically done by determining an overhead rate or indirect cost ratio so that the indirect costs associated with operations can be allocated across multiple products or services based on the ratio of revenue earned by each product or service. By doing this, prices charged to customers encompass all costs incurred in providing the good or service, including indirect costs, so that the entity does not risk those indirect costs causing operational losses. Based on WNET's indication that it does not track direct and indirect costs associated with providing a particular product or service, it is highly likely that this is a direct cause for the operational losses incurred by WVNET since 2007.

Since WVNET does not track direct and indirect costs, the Legislative Auditor is unable to determine if resources of WVNET are being used effectively and efficiently to provide its products or services, or to accurately determine the cost to revenue ratios to derive those products or services that may be specifically contributing to the operational losses. Additionally, if WVNET is to operate as a fee for service governmental entity which provides its products and services at cost, it must properly determine the appropriate fee to charge, and indirect costs must be tracked and allocated to the products and services provided. Not tracking and allocating indirect expenses can cause the fees charged to service recipients to not fully compensate WVNET for the expenses it incurred providing them. The Legislative Auditor believes WVNET should focus on ensuring its pricing models incorporate all costs, including indirect costs, so that it can recover all costs associated with the products and services it provides. Additionally, while the intent of WVNET is to provide its products and services at cost, WVNET should consider pricing models that would produce net profits over net losses in its operations, and continuously adjust its pricing models on an annual basis to ensure it is providing those products and services at cost to avoid continued operational losses.

Current WVNET Governance Structure Could Be Improved to Include Individuals with More Direct Knowledge and Expertise in the Area of Information Technology to Improve Outcomes and Performance.

The Legislative Auditor acknowledges the importance of the products and services provided by WVNET as well as the customers it serves. However, the current operations of WVNET have grown beyond the original scope of the governing statute and many of the operations of WVNET are not encompassed within that statutory framework. When the Legislature placed WVNET within the Higher Education Policy Commission (HEPC) with Senate Bill 653 in July of 2000, it would appear the intention of the Legislature was for WVNET to be focused on the higher education needs of the state at that time. Senate Bill 653 was repealed in 2008 leaving one reference in W.Va. Code §18B-4-2 to guide the operations at WVNET.

W.Va. Code §18B-4-2 states:

(k) The vice chancellor for administration is responsible for the management of the West Virginia network for educational telecomputing (WVNET). The vice chancellor for administration shall establish a computer advisory board, which shall be representative of higher education and other users of the West Virginia network for educational telecomputing as the commission and council determine appropriate. It is the responsibility of the computer advisory board to recommend to the commission and the council policies for a statewide shared computer system.

As mentioned above, W.Va. Code §18B-4-2(k), is the lone piece of statute governing the operations of WVNET, which sets the standard for the Computer Advisory Board (CAB). Statute indicates the CAB is to be comprised of representatives of those whom it serves. The roles of the CAB as it relates to WVNET is to recommend to HEPC and WVCTC policies for a statewide shared computer system. The CAB is also charged with reviewing WVNET's programs and services, recommending strategic initiatives, approving pricing methodologies for consortium-based software licensing, and review and approval of WVNET's strategic plan.

A review of the member rosters and meeting minutes indicate the CAB is typically comprised of 10-11 members. However, the exact membership composition is not delineated in WV Code. The HEPC Executive Vice Chancellor, WVNET Director, WVCTCS Chancellor, WVDOE Executive Director, and MU Chief Information Officer (CIO) were present at every meeting that was held from 2016 – 2020. The HEPC Cyberinfrastructure Coordinator, WVOT Chief Technology Officer, and WV Dept. of Education & The Arts Cabinet Secretary were roster members in all years except for 2020, however it is unclear why these key roles were not continued in 2020 considering the CAB is to be comprised of members representative of its users.

The meeting minutes indicate the CAB generally meets once per year, providing general updates and announcements about budgets or projects. There is very little detail in the minutes that indicate the degree or depth by which these discussions occurred. It is the Legislative Auditor's opinion that more frequent meetings of the CAB with more focused meeting objectives may benefit the operations of WVNET. This would be a beneficial way to review and monitor revenues, expenses incurred, and produce a higher quality budget with greater discussion about the products, services, or pricing structures that may be causing operational losses. This would also be appropriate for the CAB as it assists in developing the annual budget for WVNET's operations. The Legislative Auditor is also of the opinion that the CAB has no real structure to provide an accurate and complete member roster to be relevant and of benefit to WVNET. As predicated in

W.Va. Code §18B-4-2(k) the CAB is supposed to be comprised of not only higher education institutions, but representatives from the constituencies served by WVNET. However, there has been no one fulfilling a financial role in the CAB membership since 2017 and the WVCTCS lacked representation during the audit period. It is the Legislative Auditor's opinion that the CAB cannot operate efficiently and effectively without more frequent meetings with focused objectives on ensuring the mission of WVNET is met without incurring financial losses through the products and services it provides. This would further be achieved by ensuring a member of the CAB is qualified to advise on financial matters affecting WVNET and is present during those meetings.

Additionally, experience within the fields of telecommunications and computing is vital and necessary when governing the operations of a division that provides central computing facilities and wide-area network communications to over 150 state, local, and non-profit entities across the entire state. The HEPC consists of 9 members with backgrounds in law, finance and accounting, economics, and education. However, based on available information, it does not appear that any members of the HEPC are experts in the field of information technology or a similar field that would lend itself to formulating and enacting policies for governing an entity that provides information technology services. The lack of representation of telecommunications and computing services experience in the office of the Vice Chancellor, the HEPC members, and the organization structure of HEPC may further indicate that the operations of WVNET have grown beyond what is governed in statute and potentially beyond the scope of operations that were intended to be managed under the HEPC.

Further, the statute governing the operations of WVNET appears to be antiquated. Based on our review of the services provided and customers served it is clear that the current operations have grown beyond those currently outlined in state law. Given the ever-changing technology environment and its critical need in the operation of state government and business in general, it is the opinion of the Legislative Auditor that the Legislature should consider revising this statute to reflect the current operations of WVNET and to better define the direction for those operations over the next decade and into the future. Additionally, improved involvement with the CAB and clearly defined statutory authority regarding its powers and responsibilities could also serve to benefit WVNET operations.

Conclusion

The services provided by WVNET are critical to those it serves. However, as a fee for service entity, WVNET is responsible for making proper allocations of not only the direct expenses, but also the indirect expenses associated with a given product or service. Since the fee charged to customers would be designed to not make a profit but to break even, not including the indirect costs as part of its fee structure increases the likelihood that future years incur financial losses. Proper cost accounting in its development of proposed fees for products and services could reduce the amount of budgetary appropriations to WVNET. In effect these incorrect cost accounting practices causes WVNET to supplement the budgets of each customer they serve, since the amount charged to customers does not equal the real cost of a service. Additionally, a lack of performance measures makes it more difficult for CAB members who may not be as technically inclined to make appropriate decisions on products, services, and fee structures for constantly evolving technology.

WVNET provides critical products and services to customers which are needed programs to the citizens of the state, and the need to ensure it is well positioned to utilize the professionals

it employs to provide the best possible outcomes for everyone who utilizes its products and services. Given the pace at which technology evolves, the current organizational alignment and lack of clear legislative direction may hinder WVNET from being more effective in meeting its mission, and ensuring its mission best aligns with the needs of the state. Given the diverse customer base of WVNET which includes state government, nonstate government, and nongovernmental entities, it could be better positioned to provide services for its users with a legislative directive that is reflective of the current operations and Legislative intent for WVNET.

Recommendations:

1. The Legislative Auditor recommends the Legislature consider amending W.Va. Code governing the operations of WVNET to reflect the current operations and directives of the entity. Further, it is recommended that specific requirements for the performance and oversight of operations of WVNET be encompassed in the governing statute to better ensure that WVNET is operating efficiently and effectively and within the scope of operations outlined within state law.
2. The Legislative Auditor recommends the Legislature consider the current placement of WVNET within the HEPC and whether HEPC is the most appropriate and effective entity to govern the operations of WVNET or if it should be structured under another entity within the executive branch of state government.
3. The Legislative Auditor recommends WVNET develop a method for determining pricing for its customers that would allow outside parties to determine how those rates were calculated, if they were done so accurately, and apply this method consistently across all its products and services for all customers.
4. The Legislative Auditor recommends WVNET accurately track, account for, and allocate indirect costs associated with its products and services within its pricing models so that the fees charged for products and services provided by WVNET encompass the full cost to avoid consistent operational losses.
5. The Legislative Auditor recommends WVNET develop and implement internal performance standards and measures for its operations and develop a plan to assess its performance against these measures on an annual basis as well as developing and implementing plans for corrective action for any issues identified in its annual performance reviews.
6. The Legislative Auditor recommends WVNET maintain and track more detailed customer information including specific products and services provided, itemized fee breakdowns, start and end dates for services, breakdown of charges within bundled services, information for new customers including services and service start dates, and all other information that would benefit WVNET in providing more detailed information on a per customer basis concerning its pricing, fees, and revenues generated from its activities.

Appendix A

WEST VIRGINIA LEGISLATIVE AUDITOR'S OFFICE

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Justin Robinson
Director

April 14, 2022

Dr. Sarah Tucker, Chancellor
Higher Education Policy Commission
1018 Kanawha Boulevard, East - Suite 700
Charleston, WV 25301

Chancellor Tucker:

This is to transmit a draft copy of the Post Audit Division's report on the West Virginia Network for Educational Telecomputing (WVNET). This report is scheduled to be presented to the Post Audits Subcommittee during the upcoming April interim meetings. A date and time for this meeting has not been set, however these interim meetings are currently scheduled for April 24-26, 2022. Once a time and date are set, we will contact you and provide that information. We recommend that a representative from HEPC and WVNET be present at the meeting to respond to the report and answer any questions committee members may have during or after the meeting.

If you wish to have an exit conference to discuss this draft report prior to its release, please contact Terri Stowers at (304) 347-4880 to schedule a meeting for a time and date that would occur before Friday, April 22, 2022. In addition, if you wish to provide a written response to be included in the final report, we ask that this be provided to us by Noon on Friday, April 22, 2022. If you have any questions or concerns, please feel free to contact me. Thank you for your cooperation.

Sincerely,

A handwritten signature in blue ink that reads "Justin Robinson".

Justin Robinson

Appendix B

Objective, Scope, & Methodology

The Post Audit Division of the Office of the Legislative Auditor conducted this post audit as authorized by Chapter 4, Article 2, Section 5 of the West Virginia Code, as amended. The post audit was conducted in accordance with the standards applicable to performance audits contained in the 2018 generally accepted government auditing standards (GAGAS) issued by the Government Accountability Office. Those standards require the audit to be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The Legislative Auditor believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Legislative Auditor's Office reviews the statewide single audit and the DOH financial audit annually with regards to any issues related to the wvOASIS financial system. The Legislative Auditor's Office on a quarterly basis request and reviews any external and internal audits of the wvOASIS financial system. Through its numerous audits, the Legislative Auditor's Office is constantly testing the financial information contained in the wvOASIS financial system. In addition, the Legislative Auditor's Office has sought the professional opinion of the reliability of wvOASIS from the Joint Committee on Government and Finance's Fiscal Officer who, along with her staff, uses the wvOASIS system daily. Based upon these actions, along with the audit tests conducted on the audited agency, it is our professional judgement that information in the wvOASIS system is reliable for auditing purposes under the 2018 Yellow book. However, in no manner should this statement be construed as a statement that 100 percent of the information or calculations in the wvOASIS financial system is accurate.

Objective

The objective of this audit was to determine the effectiveness of the operations of West Virginia Network for Education Telecomputing (WVNET) both in terms of performance and cost.

Scope

The budgetary process, costs, appropriations, financial statements, memorandum of understandings, revenues and expenditures, cash flow, balance sheet accounts, and the pricing structure for Fiscal years 2017, 2018, 2019, and 2020.

Methodology

W.Va. Code related to both the Higher Education Policy Commission (HEPC), the organization responsible for oversight, and the West Virginia Network for Telecomputing (WVNET) was reviewed by the Legislative Auditor to establish Legislative intent and determine if WVNET is mandated to provide any services in a specified manner, as this would set the foundation for the operations of WVNET. In conjunction with W.Va. Code, it was critical to look to performance measures to set the standard that may not be present by statute.

In the wake of a lack of Legislative statute and performance measures the revenue and expenditures were reviewed from the financial statements and the profit and loss statements as a plausible way to determine the effectiveness of operations. From there The Legislative Auditor requested a list of all WVNET customers served during fiscal years 2017 to 2020 and cross referenced this with WVNET's Memorandum's of Understandings (MOU) as well, as the

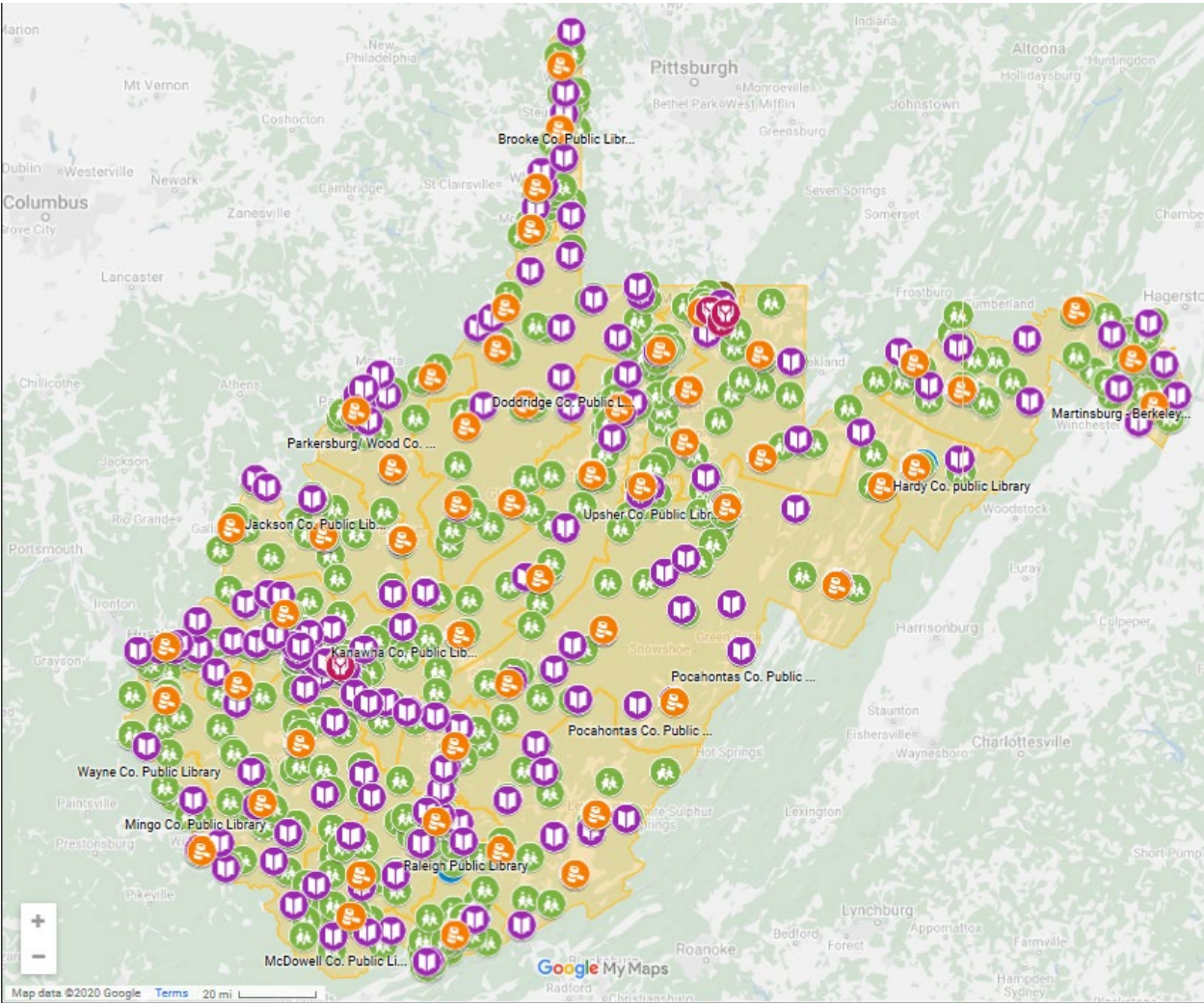
customers listed by income and expense as this customer base was used to determine if a particular group of customers and or services offered to them were the cause of driving revenues and expenditures.

The focus of the Legislative Auditor then shifted to determine if the pricing of services were competitive to the prices of their competitor offerings used by those customers representing their largest source of total charges (higher education institutions). This would also help to determine if inadequate pricing was causing a yearly operations loss. Twenty-one questionnaires were sent to all non-private higher education institutions within the state of West Virginia. These questionnaires covered whether each institution used services ranging from internet and email to enterprise resource planning systems.


The Legislative Auditor then reviewed WVNET's budgetary process along with the Government Finance Office Officers Association (GFOA) best practices for performance measures and budgeting and financial policies to set precedence for the components that WVNET was lacking. The Legislative Auditor subsequently looked to determine the cause of budgeting and financial policies adopted by WVNET. Thus, the HEPC and the Computer Advisory Board (CAB) were reviewed as these two are charges with governance and oversight in the areas of budget approval and yearly performance expectations.

Appendix C

Entities Served Statewide

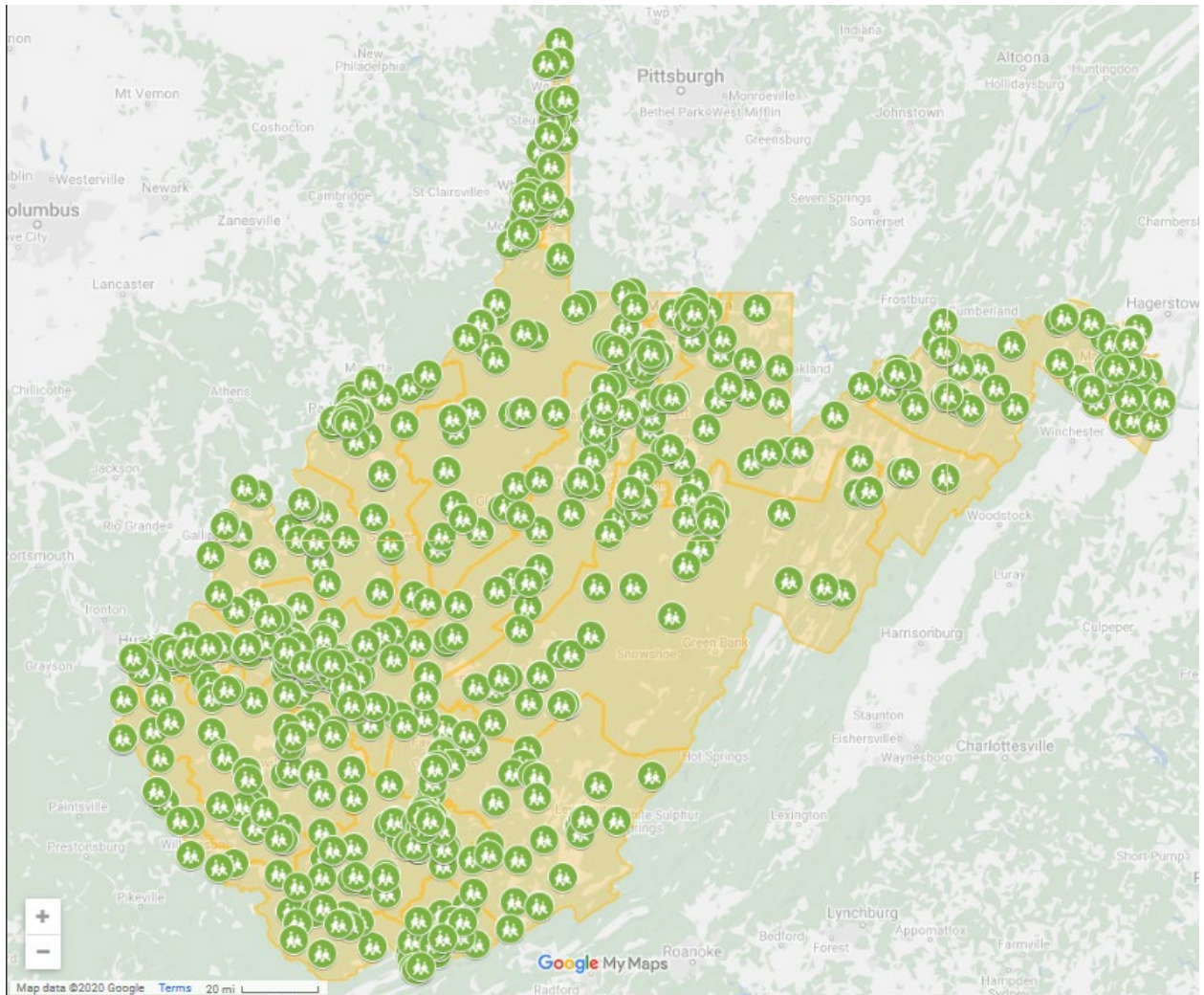


Key

- 
 K-12 Schools
- 
 Non-profits
- 
 Libraries
- 
 Higher Education
- 
 Government
- 
 Courthouses

Appendix D

K-12 Schools Served

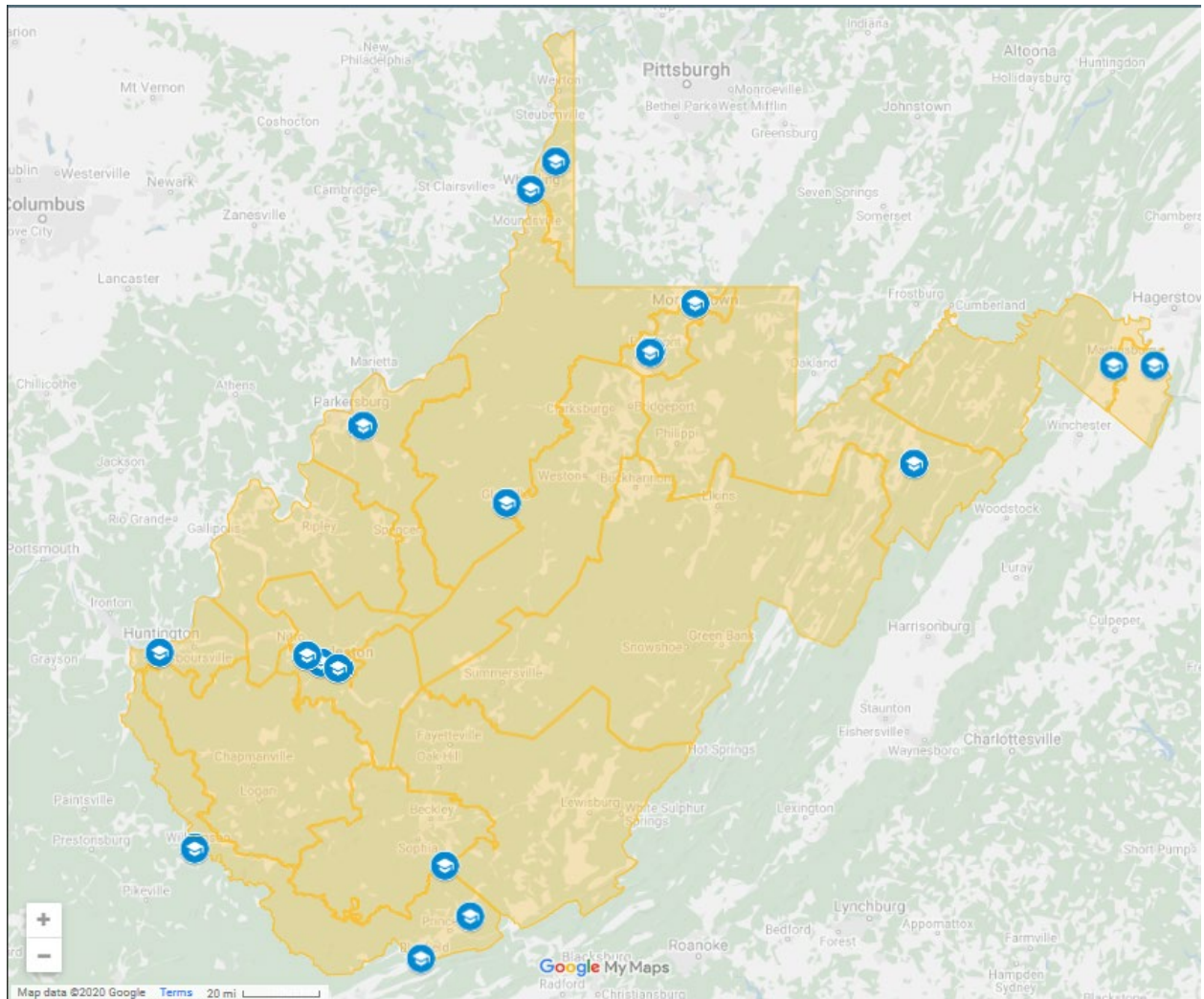


Key

-  K-12 Schools
-  Non-profits
-  Libraries
-  Higher Education
-  Government
-  Courthouses

Appendix E

Higher Education Served

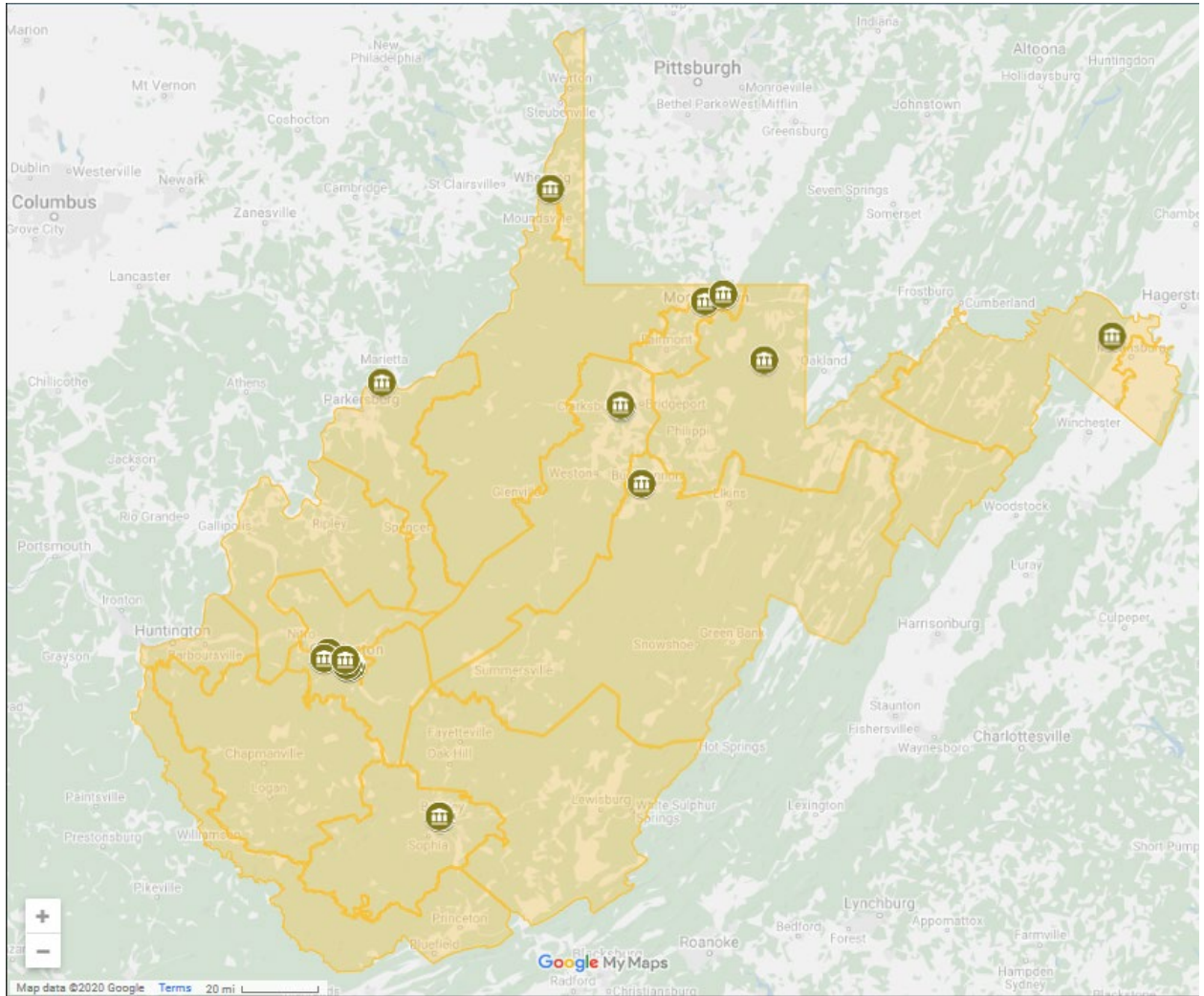


Key

-  K-12 Schools
-  Non-profits
-  Libraries
-  Higher Education
-  Government
-  Courthouses

Appendix F

Government Served

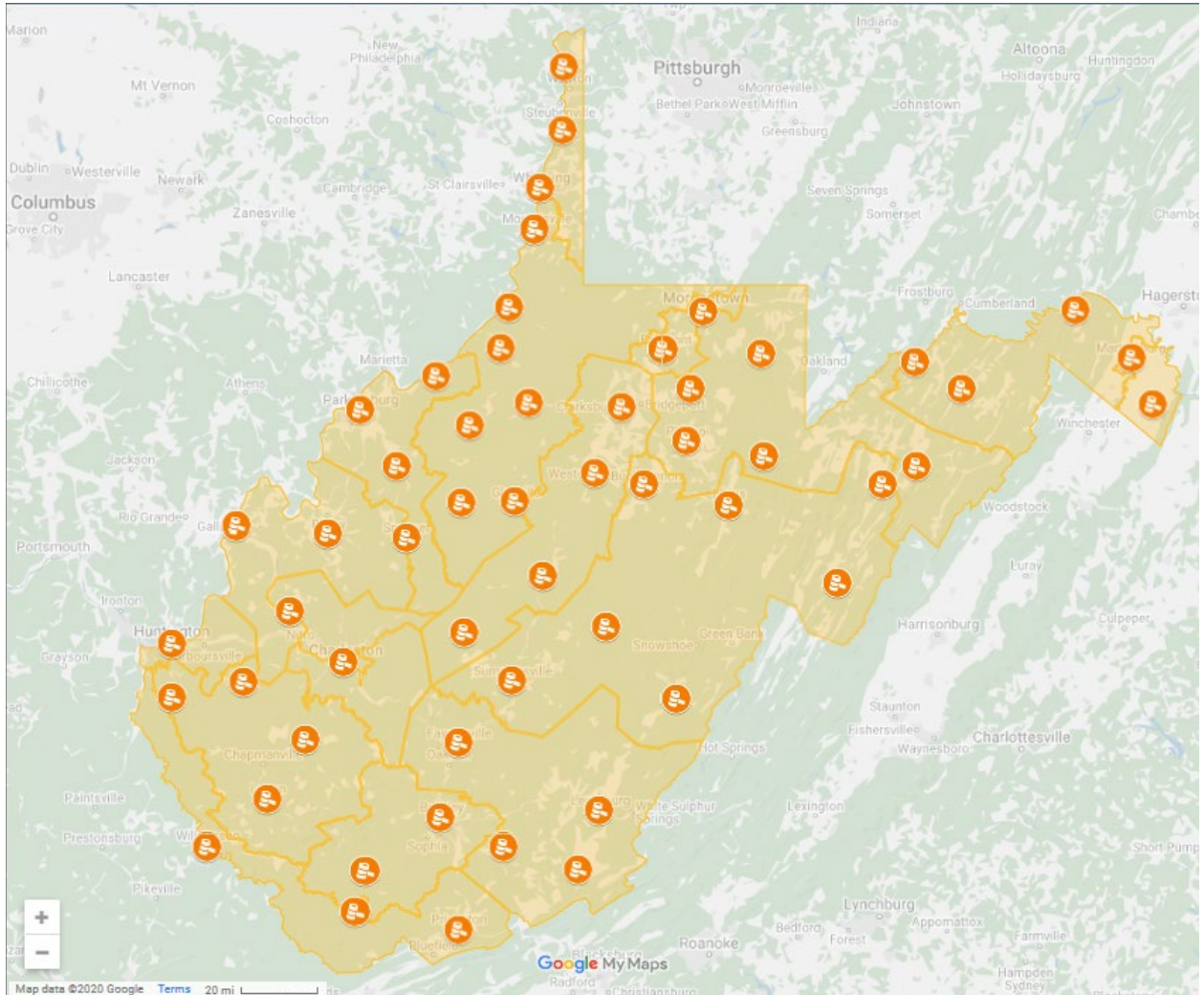


Key

-  K-12 Schools
-  Non-profits
-  Libraries
-  Higher Education
-  Government
-  Courthouses

Appendix G

Courthouses Served

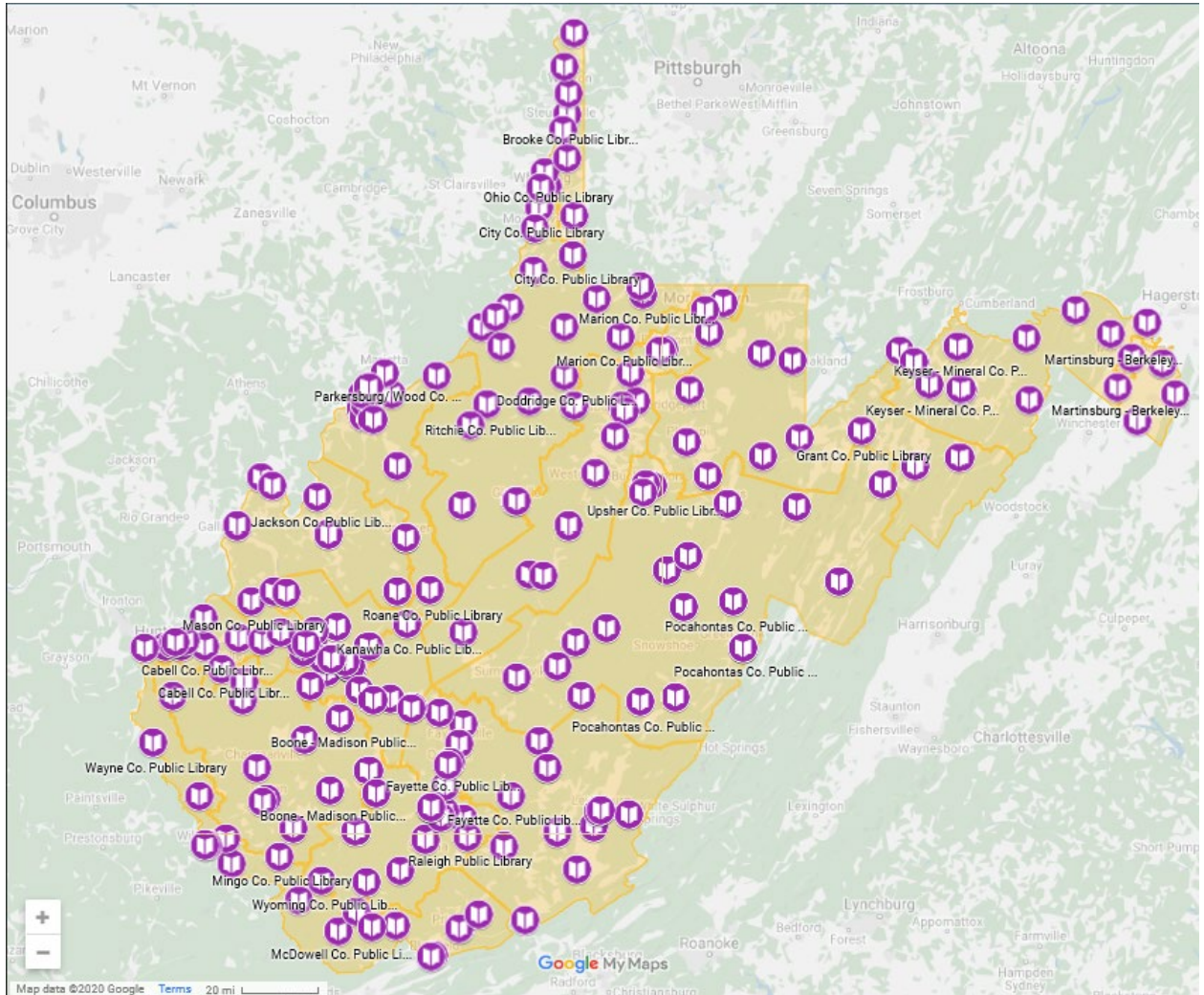


Key

-  K-12 Schools
-  Non-profits
-  Libraries
-  Higher Education
-  Government
-  Courthouses

Appendix H

Libraries Served



Key

- 

K-12 Schools
- 

Non-profits
- 

Libraries
- 

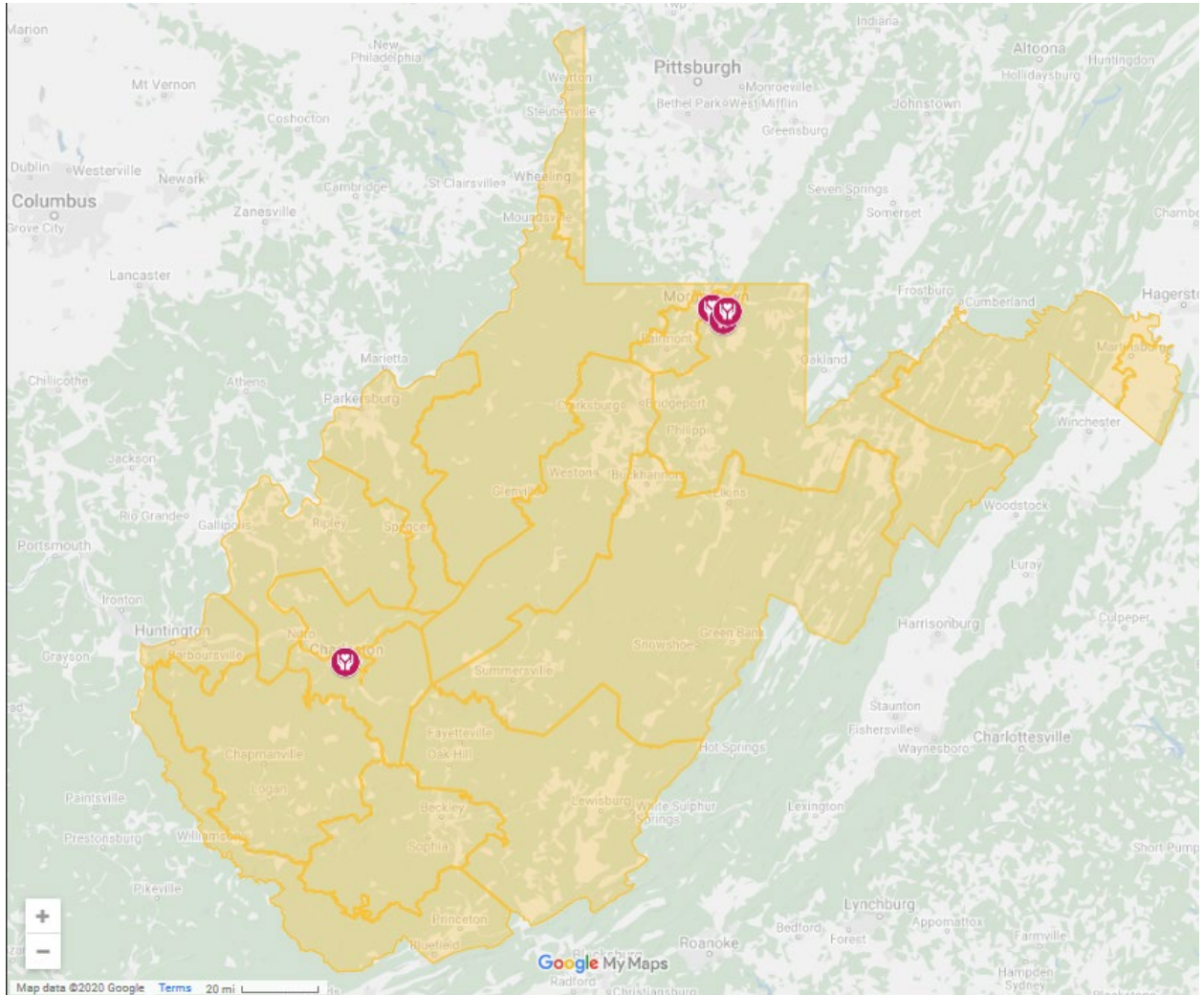
Higher Education
- 

Government
- 

Courthouses

Appendix I

Non-profit Organizations Served



Key

-  K-12 Schools
-  Non-profits
-  Libraries
-  Higher Education
-  Government
-  Courthouses

Appendix J

WVNET Services and Applications Offerings

ADA Compliance

The Web Team at WVNET offers American Disabilities Act (ADA) Compliance auditing to ensure that websites are compliant with the World Wide Web Consortium's (W3C) international standards for accessibility. This provides clients a way to develop and implement an accessibility action plan to provide users who may have visual, auditory, or other disabilities access to their web content.

Application Development

WVNET provides custom application development to suit the needs of the client. The applications currently offered include: OZ Tracking System, Gatekeeper, Software for a Professional Learning and Development (PLAD), FormTrak, and PSTachio.

OZ Tracking System

An application enabling organizations to organize problems and tasks and allowing for the coordination of multiple users working on various projects.

Gatekeeper

A fully customizable application hosted and maintained by WVNET designed to support multiple user roles. The application allows administration and students alike to be identified by their fingerprint and replaces logbooks. Gatekeeper can also display student activity in real time and create reports from past activity.

PLAD

The PLAD system that allows for the paperless tracking of personal training hours and provides administrators a way to audit and approve the trainings. The system gives administrators tools to manage, plan, track, and approve professional development for all educators, bus drivers, and staff members.

FormTrak

A web application designed for health professionals to keep track of various protocols such as digital records of dietary forms, submitted patient forms, initialed paperwork, and digital timestamps.

PSTachio

A web application that enables the tracking of regional public service training classes on one site. The site also allows for the individual tracking of instructors, students, other users, and class enrollment. Once training has been completed, various reports can be generated based upon the user's needs and certificates for the trainees.

Conference Management

The conference registration and management system are available as a subscription service from WVNET and can be configured to handle many functions ranging from the needs of small trainings to large conferences. Some of the capabilities include attendee and vendor registration, interactive conference calendar, email notifications, content management, and conference countdown. WVNET can also design the pages and handle billing.

High Speed Internet

Frame relay or carrier ethernet are the high-speed internet connections currently offered. Fees are based upon the committed information rate, as well as setup and maintenance fees associated with the type connection. Public and private higher education of West Virginia, K-12 public education, some government agencies, and other not-for-profit organizations are currently benefiting from data communications provided by WVNET.

LISTERV

L-Soft LISTERV software enables a group to have an on-going email discussion in a simplified manner. Through this software an email group can manage subscriptions, distributions, archives, and make discussions of the user's choosing public or private.

Purchasing

WVNET is a member of both the National Institute of Governmental Purchasing and National Association of Educational Buyers. They also participate in consortium buying through the Pennsylvania Education Purchasing Program for Microcomputers and E&I Cooperative Services.¹ The Purchasing department at WVNET is responsible for purchasing materials, equipment, supplies, and services at a low cost consistent with the quality required to provide services to WVNET and its members.

Remote Backups

Using IBM's Tivoli Storage Manager (TSM), WVNET administers automated data backup services of PC's, workstations, or servers and the associated disk and tape storage. The fees for the service are based upon the requested class of service and the amount of data stored through the TSM.

Virus/Spam Filtering

WVNET utilizes enterprise e-mail filtering, in which each message is decoded, individual files are scanned and disinfected (if possible) or removed if infected; and then the message is recreated and sent to the recipient.

¹ E&I Cooperative Services is the largest and most experienced member-owned, non-profit purchasing cooperative serving the needs of education

Banner Host

An Enterprise Resource Planning (ERP) system designed for higher education processes. The Banner system offers options for admissions, registration, curriculum management, advising and assessment, financial aid, finance, and human resources. WVNET has recently implemented Ellucian Workflow, a Banner tool that automates business processes at Blue Ridge Community and Technical College and is working to implement the tool at other institutions.

Blackboard Host

Facilitates the organization of online course material and provides a variety of tools and features that can be added to each course. These features include, but are not limited to, online chat, student progress tracking, group project organization, student self-evaluation, grade maintenance and distribution, electronic mail, course calendar, and course content. As of June 2018, Blackboard is also available to K-12 schools.

DegreeWorks

A comprehensive web-based academic advising and degree audit tool that allows students and their advisors to navigate their curriculum requirements.

URcast

Provides for the ability for the user to upload content and assignments to the student's device for immediate access. This then removes the need to access the internet thus guaranteeing all students received and can access the content anywhere, any time, on any device, Additionally, creates student equity by allowing all students to have digital learning opportunities, regardless of home internet status, while maximizing the schools network capacity to carry more digital traffic.

WV Rocks

The West Virginia Remote Online Collaborative Knowledge System known as WV Rocks is a web portal designed to be a collaborative effort between West Virginia higher education institutions who offer the Regents Bachelor of Arts and Board of Governors degree.

Appendix K
Assets and Deferred Outflows 2007-2013

CURRENT ASSETS:	2007	2008	2009	2010	2011	2012	2013
Cash and Cash equivalents	4,232,298	3,637,300	4,050,908	4,912,520	4,886,123	4,783,150	4,658,341
Appropriations due from Primary Government	-	-	-	-	-	-	-
Accounts receivable - Net	381,372	918,508	456,655	434,200	278,066	763,302	850,070
Interest Receivable	17,938	6,064	1,104	1,275	44	505	225
Prepaid Expense	-	-	-	40,989	67,745	59,382	101,333
Receivable from Institutions - Current Position	-	46,935	43,373	-	-	-	-
Total Current Assets	4,631,608	4,608,807	4,552,040	5,388,984	5,231,978	5,606,339	5,609,969
NONCURRENT ASSETS:							
Cash and Cash equivalents	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Receivable from Institutions	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-
Investment in Capital Assets - Net	858,042	-	-	-	-	-	-
Capital Assets - Net	-	1,017,344	1,516,207	1,590,231	2,150,396	2,716,353	5,006,445
Total Noncurrent Assets	858,042	1,017,344	1,516,207	1,590,231	2,150,396	2,716,353	5,006,445
TOTAL ASSETS	5,489,650	5,626,151	6,068,247	6,979,215	7,382,374	8,322,692	10,616,414
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred loss on refunding							
Deferred Outflows related to pensions							
Deferred Outflows Related to OPEB							
Total deferred outflows of resources							
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES							

Appendix L

Assets and Deferred Outflows 2014-2020

CURRENT ASSETS	2014	2015	2016	2017	2018	2019	2020
Cash and Cash equivalents	4,540,574	4,120,459	5,382,203	4,036,927	4,512,637	4,540,441	4,893,252
Appropriations due from Primary Government	-	-	-	-	-	-	-
Accounts receivable - Net	752,597	1,526,187	1,899,425	1,729,990	1,154,818	1,560,305	1,828,217
Interest Receivable	-	431	-	3,503	7,157	8,825	2,485
Prepaid Expense	218,835	318,216	499,526	269,820	221,253	171,335	162,598
Receivable from Institutions - Current Position	-	-	-	-	-	-	-
Total Current Assets	5,512,006	5,965,293	7,781,154	6,040,240	5,895,865	6,280,906	6,886,552
NONCURRENT ASSETS:							
Cash and Cash equivalents	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Receivable from Institutions	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-
Investment in Capital Assets - Net	-	-	-	-	-	-	-
Capital Assets - Net	3,990,387	3,853,332	2,702,977	1,423,100	1,064,230	897,968	1,619,987
Total Noncurrent Assets	3,990,387	3,853,332	2,702,977	1,423,100	1,064,230	897,968	1,619,987
TOTAL ASSETS	9,502,393	9,818,625	10,484,131	7,463,340	6,960,095	7,178,874	8,506,539
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred loss on refunding							
Deferred Outflows related to pensions		19,599	22,206	33,409	19,231	17,842	246,145
Deferred Outflows Related to OPEB					108,836	131,622	20,487
Total deferred outflows of resources		19,599	22,206	33,409	128,067	149,464	266,632
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	9,838,224	10,506,337	7,496,749	7,088,162	7,328,338	8,773,171	

Appendix M - Liabilities, Deferred Inflows of Resources & Net Position FY 2007-2013

CURRENT LIABILITIES:	2007	2008	2009	2010	2011	2012	2013
Accounts Payable	636,079	380,423	1,046,352	1,370,351	1,175,171	1,804,900	837,610
Amounts due to Institutions	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Deferred Revenue	306,794	18,597	55,805	87,710	63,286	3,526	64,551
Unearned revenue - services	-	-	-	-	-	-	-
Compensated Absences - Current portion	245,730	229,214	235,020	239,914	228,677	229,154	249,734
Interest Payable	-	-	-	-	-	-	-
Notes Payable - Current Position	-	-	-	-	-	-	-
Bonds Payable - Current portion	-	-	-	-	-	-	-
Capital Lease Obligation - Current portion	6,510	-	-	-	-	-	-
Total Current Liabilities	1,195,113	628,234	1,337,177	1,697,975	1,467,134	2,037,580	1,151,895
NONCURRENT LIABILITIES:							
Compensated Absences	320,787	79,217	70,099	84,390	102,855	78,595	93,325
Deferred Interest Payable	-	-	-	-	-	-	-
OPEB Liabilities	-	22,104	51,240	364,118	677,148	991,305	1,007,162
Net Pension Liability	-	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	-	-
Capital Lease Obligation	-	-	-	-	-	-	-
Total Noncurrent Liabilities	320,787	101,321	121,339	448,508	780,003	1,069,900	1,100,487
TOTAL LIABILITIES	1,515,900	729,555	1,458,516	2,146,483	2,247,137	3,107,480	2,252,382
DEFERRED INFLOWS OF RESOURCES:							
Deferred Inflows Related to OPEB	-	-	-	-	-	-	-
Deferred Inflows of resources related to pensions	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	-	-	-	-	-	-	-
NET ASSETS/POSITION (DEFICIT):							
Invested in Capital Assets	851,532	1,017,344	1,516,207	1,590,231	2,150,396	2,716,353	5,006,445
Restricted for - Expendable:	-	-	-	-	-	-	-
Scholarships	-	-	-	-	-	-	-
Sponsored projects	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Restricted Expendable	-	-	-	-	-	-	-
Unrestricted	3,122,218	3,879,252	3,093,524	3,242,501	2,984,841	2,498,859	3,357,587
Total Net Assets/Position (deficit)	3,973,750	4,896,596	4,609,731	4,832,732	5,135,237	5,215,212	8,364,032
TOTAL	5,489,650	5,626,151	6,068,247	6,979,215	7,382,374	8,322,692	10,616,414

Appendix N - Liabilities, Deferred Inflows of Resources & Net Position FY 2014-2020

CURRENT LIABILITIES:	2014	2015	2016	2017	2018	2019	2020
Accounts Payable	325,962	606,155	815,234	147,530	108,301	159,682	97,196
Amounts due to Institutions	-	-	-	-	-	-	-
Accrued Liabilities	-	57,540	287,523	294,624	316,462	307,972	336,456
Deposits	-	-	-	-	-	-	-
Deferred Revenue	-	-	135,771	94,105	288	-	-
Unearned revenue - services	69,346	65,987	-	-	-	-	1,315
Compensated Absences - Current portion	310,088	352,907	332,928	319,226	289,312	299,522	289,233
Interest Payable	-	-	-	-	-	-	-
Notes Payable - Current Position	-	-	-	-	-	-	391,660
Bonds Payable - Current portion	-	-	-	-	-	-	-
Capital Lease Obligation - Current portion	-	-	-	-	-	-	-
Total Current Liabilities	705,396	1,082,589	1,571,456	855,485	714,363	767,176	1,115,860
NONCURRENT LIABILITIES:							
Compensated Absences	64,183	78,081	95,384	55,209	90,963	60,042	56,525
Deferred Interest Payable	-	-	-	-	-	-	-
OPEB Liabilities	1,020,408	1,084,265	1,147,242	1,186,369	1,244,649	1,096,344	967,722
Net Pension Liability	-	161,637	149,352	145,954	115,707	95,510	97,437
Notes Payable	-	-	-	-	-	-	391,660
Bonds Payable	-	-	-	-	-	-	-
Capital Lease Obligation	-	-	-	-	-	-	-
Total Noncurrent Liabilities	1,084,591	1,323,983	1,391,978	1,387,532	1,451,319	1,251,896	1,513,344
TOTAL LIABILITIES	1,789,987	2,406,572	2,963,434	2,243,017	2,165,682	2,019,072	2,629,204
DEFERRED INFLOWS OF RESOURCES:							
Deferred Inflows Related to OPEB	-	-	-	-	310,082	355,008	483,114
Deferred Inflows of resources related to pensions	-	22,381	27,732	32,753	36,212	37,051	25,916
Total liabilities and deferred inflows of resources	-	2,428,953	2,991,166	2,275,770	2,511,976	2,411,131	3,138,234
NET ASSETS/POSITION (DEFICIT):							
Invested in Capital Assets	3,990,387	3,853,332	2,702,977	1,423,100	1,064,230	897,698	836,666
Restricted for - Expendable:	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Restricted Expendable	-	-	-	-	-	-	-
Unrestricted	3,722,019	3,555,939	4,812,194	3,797,879	3,511,956	4,019,239	4,798,271
Total Net Assets/Position (deficit)	7,712,406	7,409,271	7,515,171	5,220,979	4,576,186	4,917,207	5,634,937
TOTAL	9,502,393	9,838,224	10,506,337	7,496,749	7,088,162	7,328,338	8,773,171

Appendix O - Operating Income FY 2007-2013

	2007	2008	2009	2010	2011	2012	2013
OPERATING REVENUES:							
Fees from higher education	\$ 723,585	\$ 612,942	\$ 434,717	\$ 1,070,190	\$ 1,949,318	\$ 2,263,173	\$ 1,878,574
Institutional Collections	-	-	-	-	-	-	-
Contracts and grants:							
Federal	-	-	-	-	-	-	10,818
State	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-
Sales and Services of Educational	3,379,263	3,204,698	2,770,475	3,283,845	3,859,947	5,555,737	6,048,645
Miscellaneous - Net	99,666	99,666	99,666	99,666			99,666
Total Operating Revenues	<u>4,202,514</u>	<u>3,917,306</u>	<u>3,304,858</u>	<u>4,453,701</u>	<u>5,809,265</u>	<u>7,818,910</u>	<u>8,037,703</u>
OPERATING EXPENSES:							
Salaries and Wages	2,368,326	2,407,794	2,418,718	2,443,381	2,626,040	2,781,703	3,132,613
Benefits	562,286	683,177	650,552	896,974	928,677	949,822	715,352
Supplies and Other Services	2,787,299	1,878,289	2,373,070	2,311,696	3,390,938	5,954,270	4,902,615
Utilities	104,296	110,489	133,144	155,473	170,308	150,444	152,690
Depreciation	690,242	276,678	337,325	372,281	432,892	690,373	1,606,299
Total Operating Expenses	<u>6,512,449</u>	<u>5,356,427</u>	<u>5,912,809</u>	<u>6,179,805</u>	<u>7,548,855</u>	<u>10,526,61</u>	<u>10,509,56</u>
OPERATING INCOME (LOSS)	<u>(\$2,309,93)</u>	<u>(\$1,439,12)</u>	<u>(\$2,607,95)</u>	<u>(\$1,726,10)</u>	<u>(\$1,739,59)</u>	<u>(\$2,707,70)</u>	<u>(\$2,471,86)</u>

Appendix P - Operating Income FY 2014-2020

	2014	2015	2016	2017	2018	2019	2020
OPERATING REVENUES:							
Fees from higher education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Institutional Collections	1,896,022	3,566,869	3,785,986	3,174,636	3,569,298	4,166,888	4,071,757
Contracts and grants:	-	-	-	-	-	-	-
Federal	9,115	-	435,147	45,637	-	-	-
State	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-
Sales and Services of Educational	5,777,062	5,952,586	5,746,821	3,200,379	3,253,446	3,346,953	3,574,892
Miscellaneous - Net	99,666	-	-	-	1,255	0	0
Total Operating Revenues	7,781,865	9,519,455	9,967,954	6,420,652	6,823,999	7,513,841	7,646,649
OPERATING EXPENSES:							
Salaries and Wages	3,227,352	3,654,955	3,942,741	3,649,852	3,595,465	3,698,849	3,857,520
Benefits	756,570	945,004	923,801	778,758	823,648	739,640	780,028
Supplies and Other Services	4,652,530	5,087,501	4,834,671	4,406,585	3,746,543	4,007,703	3,577,982
Utilities	131,732	153,201	203,256	175,563	180,342	164,870	150,137
Depreciation	1,470,031	1,553,709	1,624,166	1,348,890	509,796	403,410	452,962
Total Operating Expenses	10,238,21	11,394,37	11,528,63	10,359,64	8,855,794	9,014,472	8,818,629
OPERATING INCOME (LOSS)	(\$2,456,35	(\$1,874,91	(\$1,560,68	(\$3,938,99	(\$2,031,79	(\$1,500,63	(\$1,171,98

Appendix Q- Non-Operating Income FY 2007-2013

	2007	2008	2009	2010	2011	2012	2013
NONOPERATING REVENUES (EXPENSES):							
State Appropriations	\$1,877,298	\$1,915,008	\$2,072,112	\$1,943,208	\$1,914,713	\$1,941,501	\$1,948,443
Investment Income	161,235	77,672	45,390	7,898	7,733	3,895	5,048
Payments Made on Behalf of the Commission	-	-	-	-	-	-	-
Institutional Debt Service Payments to Commission:	-	133,586	38,879	-	-	-	-
Interest	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Interest on Indebtedness	(1,405)	(78)	-	-	-	-	-
Student Financial Aid Payments made to Institutions	-	-	-	-	-	-	-
Net (loss) gain on sale of equipment	(135,772)	(41,746)	(2,578)	(2,001)	(15,667)	-	-
Other Nonoperating (expenses) revenues - Net	-	-	-	-	-	-	-
Net Nonoperating Revenues	1,901,356	2,084,442	2,153,803	1,949,105	1,906,779	1,945,396	1,953,491
Income (loss) Before other Revenues, Expenses, Gains, or Transfers	(408,579)	645,321	(454,148)	223,001	167,189	(762,306)	(518,374)
State Capital Grants (Federal)	-	-	-	-	-	-	3,342,194
Capital Gifts	-	-	-	-	135,316	587,281	-
Capital Payments and Transfers to Institutions and Outside Entities	-	-	167,283	-	-	255,000	325,000
Increase (Decrease) in Net Assets Before Cumulative Effect	-	-	(286,865)	-	-	-	-
Cumulative Effect of Adoption of Accounting Principle	-	277,525	-	-	-	-	-
Increase (Decrease) in Net Assets/Net Position	(408,579)	922,846	(286,865)	223,001	302,505	79,975	3,148,820
Restatement for July 1, 2014, Pension Liability	-	-	-	-	-	-	-
Restatement for July 1, 2017, OPEB Liability	-	-	-	-	-	-	-
Net (deficit) Assets - Beginning of Year	4,382,329	3,973,750	4,896,596	4,609,731	4,832,732	5,135,237	5,215,212
Net (deficit) Assets - End of Year	\$3,973,750	\$4,896,596	\$4,609,731	\$4,832,732	\$5,135,237	\$5,215,212	\$8,364,032

Appendix R - Non-Operating Income FY 2014-2020

	2014	2015	2016	2017	2018	2019	2020
NONOPERATING REVENUES (EXPENSES):							
State Appropriations	\$1,754,853	\$1,720,914	\$1,628,699	\$1,621,481	\$1,578,941	\$1,681,744	\$1,747,826
Investment Income	4,889	4,946	12,151	23,323	38,463	67,947	50,097
Payments Made on Behalf of the Commission	-	-	-	-	-	91,960	91,787
Institutional Debt Service Payments to Commission:	-	21,576	25,731	-	104,543	-	-
Interest	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Interest on Indebtedness	-	-	-	-	-	-	-
Student Financial Aid Payments made to Institutions	-	-	-	-	-	-	-
Net (loss) gain on sale of equipment	-	-	-	-	-	-	-
Other Nonoperating (expenses) revenues - Net	(20,556)	-	-	-	-	-	-
Net Nonoperating Revenues	1,739,186	1,747,436	1,666,581	1,644,804	1,721,947	1,841,651	1,889,710
Income (loss) Before other Revenues, Expenses, Gains, or Transfers	(717,164)	(127,479)	105,900	(2,308,481)	(309,848)	341,020	717,730
State Capital Grants (Federal)	-	-	-	-	-	-	-
Capital Gifts	-	-	-	-	-	-	-
Capital Payments and Transfers to Institutions and Outside Entities	65,538	-	-	-	-	-	-
Increase (Decrease) in Net Assets Before Cumulative Effect	-	-	-	-	-	-	-
Cumulative Effect of Adoption of Accounting Principle	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets/Net Position	(651,626)	(127,479)	105,900	(2,308,481)	(309,848)	341,020	717,730
Restatement for July 1, 2014, Pension Liability	-	(175,656)	-	-	-	-	-
Restatement for July 1, 2017, OPEB Liability	-	-	-	-	(329,702)	-	-
Net (deficit) Assets - Beginning of Year	8,364,032	7,712,406	7,409,271	7,515,171	5,220,979	4,576,187	4,917,207
Net (deficit) Assets - End of Year	\$7,712,406	\$7,409,271	\$7,515,171	\$5,206,690	\$4,581,429	\$4,917,207	\$5,634,937



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