

**West Virginia Higher Education Fund**  
(A Component Unit of the State of West Virginia)

**Financial Statements and  
Supplementary Information**

**Years Ended June 30, 2014 and 2013**



**CliftonLarsonAllen**

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**Years Ended June 30, 2014 and 2013**

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## INDEPENDENT AUDITORS' REPORT

West Virginia Higher Education  
Policy Commission  
Charleston, WV

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

We have audited the accompanying financial statements of the business-type activities of the West Virginia Higher Education Fund (the "Fund") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of Fairmont State University, Glenville State College, West Virginia Council for Community and Technical College Education, and the West Virginia School of Osteopathic Medicine (collectively, the "Other Institutions") for the year ended June 30, 2014, which represent 19%, 31%, and 5%, respectively, of total assets, total net position, and total revenues of the Fund in 2014. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Other Institutions, is based solely on the report of such other auditors. We, and the auditors for the Other Institutions, conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

***Opinion***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Fund as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

***Other Information***

The 2013 financial statements of the Fund were audited by other auditors whose report dated November 22, 2013, expressed an unmodified opinion on those statements.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Virginia Higher Education Fund's financial statements. The Schedule of Combining Net Position Information, Schedule of Combining Revenues, Expenses, and Changes in Net Position Information, Institution's Discretely Presented Component Units - Statements of Net Assets, and the Institution's Discretely Presented Component Units - Statements of Activities ("Supplementary Information") are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked “unaudited,” was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2015, on our consideration of the Fund’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
March 16, 2015

# **West Virginia Higher Education Fund**

## **Management's Discussion and Analysis**

### **Fiscal Year 2014 (Unaudited)**

#### **Overview of the Financial Statements and Financial Analysis**

The West Virginia Higher Education Fund (the "Fund") is comprised of blended component units comprised of twenty public colleges and universities and two administrative units. The Fund is a discretely presented component unit of the State of West Virginia. The supervision and management of the affairs of each institution is the responsibility of individual Governing Boards, while the West Virginia Higher Education Policy Commission (the "Commission") and the West Virginia Council for Community and Technical College Education (the "Council") are responsible for the development and implementation of a higher education policy agenda.

Governmental Accounting Standards Board (GASB) standards require the audited financial statements of certain institutions' component units to be separately presented as a discrete component unit in the institution's financial statements for the fiscal years ended June 30, 2014 and 2013. These component units are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards. Supplemental information schedules are provided presenting these statements on a combined GASB basis and by individual entity to meet the State of West Virginia reporting requirements.

The following discussion and analysis of the Fund's Financial Statements provides an overview of its financial activities for Fiscal Years 2014 and 2013 and is required supplemental information. The emphasis of discussions about these statements will focus on current year data in comparison to prior year. There are three financial statements presented: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows.

#### **Statements of Net Position**

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

From the data presented, readers of the Statements of Net Position are able to determine the assets available to continue the operations of the Fund. They are also able to determine how much the Fund owes vendors, employees, investors and lending institutions. Finally, the Statements of Net Position provide a picture of the net position (assets and deferred outflows minus liabilities and deferred inflows).

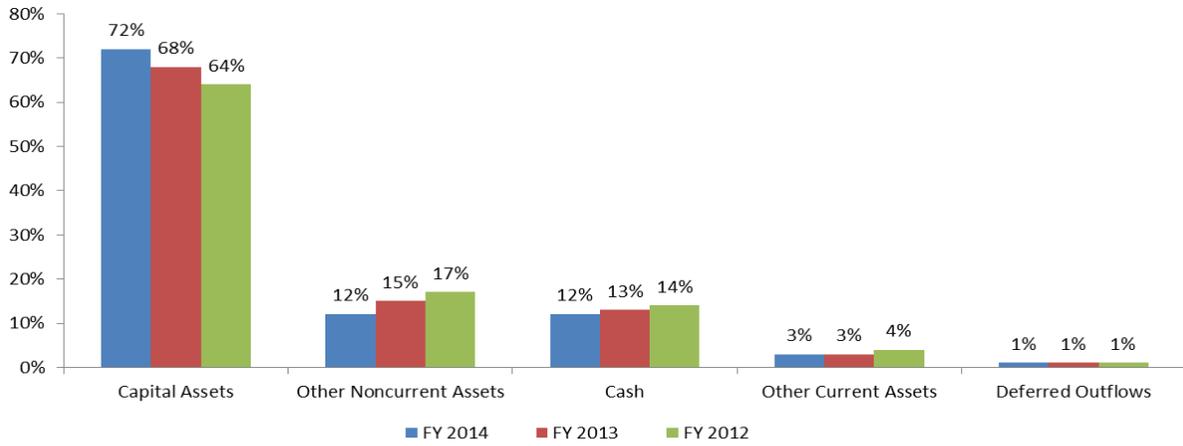
Net position is divided into three major categories. The first category, net investment in capital assets, provides the Fund's equity in land, buildings, furniture, and equipment owned by the Fund less related long-term debt issued to finance capital assets. The next net position category is restricted, which is divided into two categories, nonexpendable and expendable. The nonexpendable restricted category is used for an endowment program where funds are invested and the earnings are available for expenditure but the original principal is not. The expendable restricted category reflects amounts that are available for expenditure by the Fund but have a specific purpose. The final category is unrestricted. The unrestricted category is used to record amounts that are available to be used for any lawful purpose of the Fund.

**Condensed Schedules of Net Position**  
(In thousands of dollars)

	June 30 2014	June 30 2013	June 30 2012	Change From 2014 to 2013
Assets				
Current Assets	\$ 581,362	\$ 599,971	\$ 625,050	\$ (18,609)
Capital Assets, net	2,653,897	2,491,265	2,293,955	162,632
Other Noncurrent Assets	432,444	554,520	599,182	(122,076)
Total Assets	<u>3,667,703</u>	<u>3,645,756</u>	<u>3,518,187</u>	<u>21,947</u>
Deferred Outflows of Resources	<u>34,321</u>	<u>36,345</u>	<u>24,397</u>	<u>(2,024)</u>
Total	<u>\$ 3,702,024</u>	<u>\$ 3,682,101</u>	<u>\$ 3,542,584</u>	<u>\$ 19,923</u>
Liabilities				
Current Liabilities	\$ 289,011	\$ 316,394	\$ 340,735	\$ (27,383)
Noncurrent Liabilities	1,586,564	1,608,540	1,552,447	(21,976)
Total Liabilities	<u>1,875,575</u>	<u>1,924,934</u>	<u>1,893,182</u>	<u>(49,359)</u>
Deferred Inflows of Resources	<u>3,763</u>	<u>3,150</u>	<u>2,969</u>	<u>613</u>
Total	<u>1,879,338</u>	<u>1,928,084</u>	<u>1,896,151</u>	<u>(48,746)</u>
Net Position				
Net Investment in Capital Assets	\$ 1,594,037	\$ 1,553,141	\$ 1,403,775	\$ 40,896
Restricted-expendable	134,666	149,860	153,502	(15,194)
Restricted-nonexpendable	25,468	24,658	17,746	810
Unrestricted	68,515	26,358	71,410	42,157
Total Net Position	<u>1,822,686</u>	<u>1,754,017</u>	<u>1,646,433</u>	<u>68,669</u>
Total	<u>\$ 3,702,024</u>	<u>\$ 3,682,101</u>	<u>\$ 3,542,584</u>	<u>\$ 19,923</u>

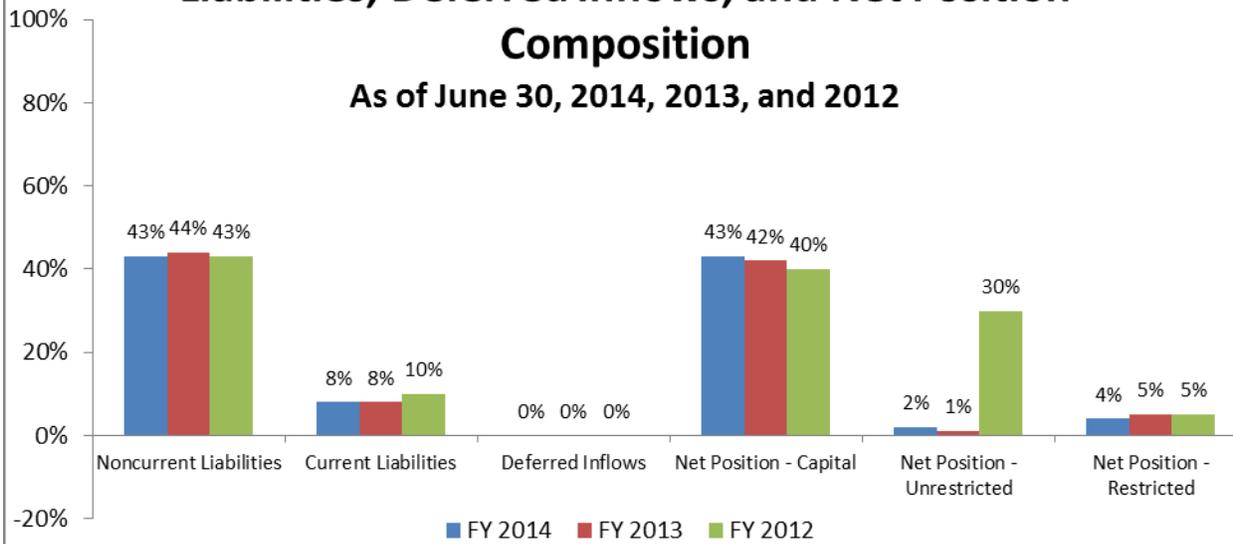
## Assets and Deferred Outflows Composition

As of June 30, 2014, 2013, and 2012



## Liabilities, Deferred Inflows, and Net Position Composition

As of June 30, 2014, 2013, and 2012



Major items of note in the Statement of Net Position include:

- Total current assets of \$581.4 million exceeded total current liabilities of \$289.0 million as of June 30, 2014 for net working capital of \$292.4 million as compared to net working capital of \$283.6 million and \$284.3 million as of June 30, 2013 and 2012, respectively. Current assets decreased by \$18.6 million from 2013 to 2014 and \$25.1 million from 2012 to 2013, while current liabilities decreased by \$27.4 million from 2013 to 2014 and \$24.3 million from 2012 to 2013.
- The major components of current assets include cash and cash equivalents of \$462.3 million, \$485.0 million, and \$497.0 million and net accounts receivable of \$74.5 million, \$71.2 million, and \$83.2 million as of June 30, 2014, 2013, and 2012, respectively. The majority of the cash and cash equivalents represent interest earning assets invested through the office of the West Virginia State Treasurer which invested with Board of Treasury Investments at both June 30, 2014 and 2013.
- The major components of current liabilities include \$67.3 million, \$73.3 million, and \$89.4 million of unearned revenue, \$61.6 million, \$79.9 million, and \$72.8 million in accounts payable, \$56.1 million, \$63.1 million, and \$54.9 million of accrued liabilities, \$41.6 million, \$42.1 million, and \$41.1 million in accrued compensated absences, and \$35.7 million, \$34.4 million, and \$32.3 million in current portion of bonds payable as of June 30, 2014, 2013, and 2012, respectively.
- The changes noted above in the level of current assets and liabilities reflect normal fluctuations in business operations; current construction projects activities, increases in grant activities, and the general growth of the higher education institutions.
- Noncurrent assets total \$3,086.3 million, \$3,045.8 million, and \$2,893.1 million and noncurrent liabilities total \$1,586.6 million, \$1,608.5 million, and \$1,552.4 million as of June 30, 2014, 2013, and 2012, respectively. Noncurrent assets increased by \$40.6 million from 2013 to 2014 and \$152.7 from 2012 to 2013 while noncurrent liabilities decreased by \$22.0 million from 2013 to 2014 and \$56.1 from 2012 to 2013.
- The primary noncurrent asset is \$2,653.9 million, \$2,491.3 million, and \$2,294.0 million of net capital assets as of June 30, 2014, 2013, and 2012, respectively. Also included as noncurrent assets are cash and cash equivalents primarily for capital purposes of \$167.8 million, \$222.7 million, and \$172.8 million, investments for capital purposes totaling \$205.7 million, \$276.1 million, and \$367.2 million, and net loans to students of \$45.6 million, \$46.0 million, and \$46.6 million as of June 30, 2014, 2013, and 2012, respectively.
- Major components of noncurrent liabilities include long-term bonds payable totaling \$1,103.0 million, \$1,140.1 million, \$1,088.8 million, capital leases of \$30.1 million, \$32.4 million, and \$35.5 million, advances from federal sponsors of \$41.1 million, \$41.4 million, and \$41.3 million, notes payable of \$31.8 million, \$28.6 million, and \$29.1 million, and accruals for other post employment benefit liability of \$293.1 million, \$287.1 million, and \$282.0 million as of June 30, 2014, 2013, and 2012, respectively.

- The increases in other post employment benefit liability of \$6.0 million and \$5.1 million, as of 2014 and 2013, respectively, are primarily attributed to continued lack of payments on behalf of West Virginia Higher Education Fund. As a result of 2012 legislation, this liability will continue to increase until FY 2017, when the liability will begin to be reduced as a result of credits applied to previously billed annual required contribution amounts. The liability is estimated to be funded by 2037. The increase for FY 2013 was significantly less than in previous years as a result of plan benefit and actuarial changes, which reduced the cost per policy from \$794/month to \$79/month.
- Deferred outflows of resources increased from \$24.4 million, as of June 30, 2012, to \$36.3 million, as of June 30, 2013, and decreased to \$34.3 million, as of June 30, 2014. The decrease in FY 2014 was attributed to the amortization of deferred losses on refunding of bond issues. The increase in FY 2013 was attributed to new deferred losses on refunding of bond issues.
- The net position of the Fund totaled \$1,822.7 million, \$1,754.0 million, and \$1,646.4 million as of June 30, 2014, 2013, and 2012, respectively, an increase of \$68.7 million from 2013 to 2014 and \$107.6 million from 2012 to 2013.
  - Net investment in capital assets total \$1,594.0 million, \$1,553.1 million, and \$1,403.8 million as of June 30, 2014, 2013, and 2012, respectively.
  - Restricted expendable net position total \$134.7 million, \$149.9 million, and \$153.5 million and include \$30.6 million, \$32.9 million, and \$45.9 million for sponsored projects, \$47.4 million, \$68.3 million, and \$59.3 million for capital projects, and \$27.0 million, \$26.9 million, and \$26.1 million for loan programs as of June 30, 2014, 2013, and 2012, respectively.
  - Unrestricted net position totaled \$68.5 million, \$26.4 million, and \$71.4 million as of June 30, 2014, 2013, and 2012, respectively, and represents net position available to the Fund for any lawful purpose of the Fund.
  - The increases in net position are more fully explained in the following section.

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

Changes in total net position as presented on the Statements of Net Position are based on the activity presented in the Statements of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues of the Fund, both operating and nonoperating, and the expenses of the Fund, operating and nonoperating, and any other revenues, expenses, gains or losses of the Fund.

Operating revenues represent the receipts earned from providing goods and service to the various customers and constituencies served by the Fund, including fees from students and revenue in the form of Federal and State grants used to support operations and various initiatives. Operating expenses are those expenses incurred in the form of staff salaries, benefits and various goods and services to carry out the mission of the Fund. Revenues for which goods and services are not provided are reported as nonoperating revenues. For example, State appropriations are nonoperating because they are provided by the West Virginia State Legislature to the Fund without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Pell grants are reported as non-operating because of specific guidance in the GASB implementation guide.

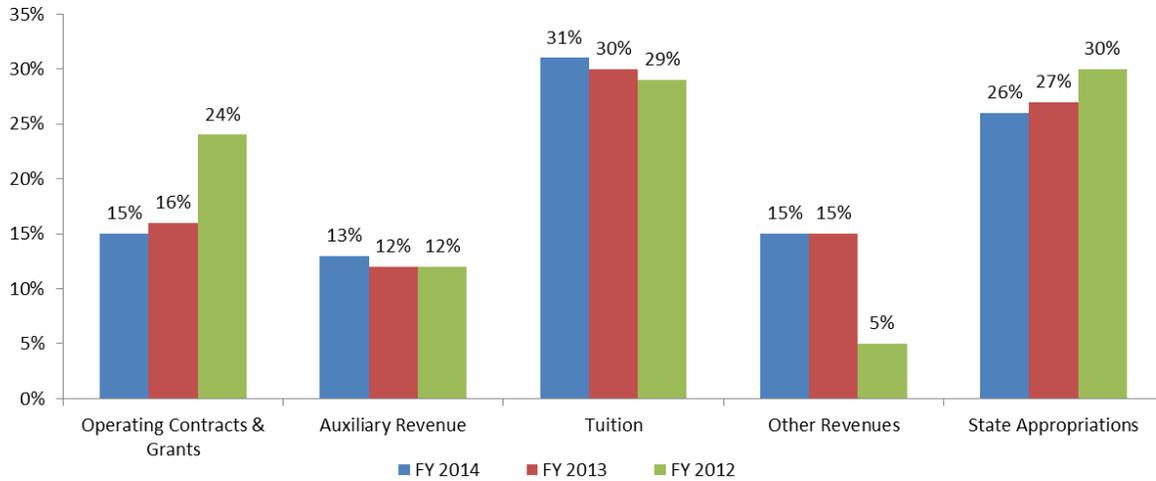
**Condensed Schedules of Revenues, Expenses, and Changes in Net Position  
(In thousands of dollars)**

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	FY 2014	FY 2013	FY 2012
Operating Revenues	\$ 1,135,705	\$ 1,116,808	\$ 1,077,472
Operating Expenses	<u>1,745,060</u>	<u>1,732,447</u>	<u>1,768,803</u>
Operating Loss	(609,355)	(615,639)	(691,331)
Net Nonoperating Revenues	<u>628,449</u>	<u>645,289</u>	<u>614,735</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	19,094	29,650	(76,596)
Capital Grants, Appropriations and Gifts	34,993	39,197	95,759
Capital Bond Proceeds from the State	10,400	19,936	31,302
State Capital Grants (Federal)	<u>4,182</u>	<u>18,801</u>	<u>7,485</u>
Increase in Net Position	68,669	107,584	57,950
Net Position-Beginning of Year	<u>1,754,017</u>	<u>1,646,433</u>	<u>1,588,483</u>
Net Position-End of Year	<u>\$ 1,822,686</u>	<u>\$ 1,754,017</u>	<u>\$ 1,646,433</u>

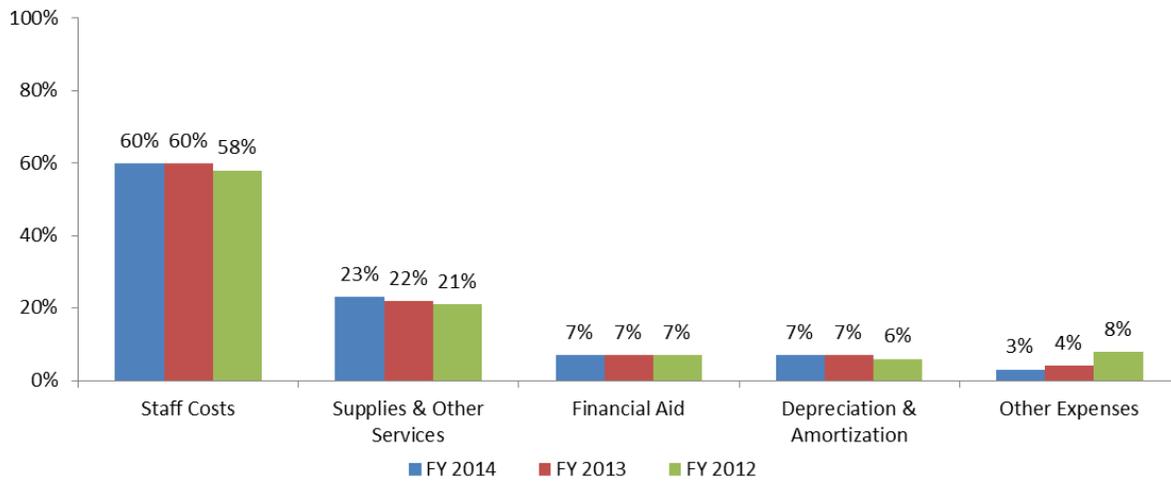
## Total Revenues

As of June 30, 2014, 2013, and 2012



## Total Operating Expenses

As of June 30, 2014, 2013, and 2012



Major items of note in the Statement of Revenue, Expenses and Changes in Net Position include:

- Operating Revenues of the Fund totaled \$1,135.7 million, \$1,116.8 million, and \$1,077.5 million for the years ended June 30, 2014, 2013, and 2012, respectively, an increase of \$18.9 million from 2013 to 2014 and \$39.3 million from 2012 to 2013.
  - Student tuition and fees revenues totaled \$567.6 million in FY 2014, \$545.9 million in FY 2013 and \$516.9 in FY 2012, an increase of \$21.7 million or 4.0% in FY 2014 and \$29.0 million or 5.6% in FY 2013. Tuition is reported net of scholarship allowances totaling \$168.0 million, \$162.5 million, and \$144.3 million for the years ended June 30, 2014, 2013, and 2012, respectively. These increases are a combination of increases in tuition rates offset by a decrease in the number of students.
  - Federal grant and contracts totaled \$127.0 million, \$132.2 million, and \$152.7 million for the years ended June 30, 2014, 2013, and 2012, respectively. The decreases of \$5.2 million in FY 2014 and \$20.5 million in FY 2013 represent the decline in federal research and financial aid support.
  - Auxiliary enterprises generated revenues of \$236.1 million, \$223.7 million, and \$220.0 million, net of \$24.5 million, \$24.1 million, and \$22.7 million of scholarship allowances for the years ended June 30, 2014, 2013, and 2012, respectively. FY 2014 net auxiliary revenues increased by \$12.4 million or 5.5%, reflecting primarily increases in rates. FY 2013 net auxiliary revenues increased by \$3.7 million or 1.7%, reflecting primarily increases in rates.
  - State grants and contracts totaled \$43.3 million, \$68.0 million, and \$42.3 million for the years ended June 30, 2014, 2013, and 2012, respectively, a decrease of \$24.7 million from 2013 to 2014 and an increase of \$25.7 million from 2012 to 2013. Private grants and contracts totaled \$87.0 million, \$75.5 million, and \$67.8 million for the years ended June 30, 2014, 2013, and 2012, respectively, an increase of \$11.5 million from 2013 to 2014 and \$7.7 million from 2012 to 2013. These changes represent normal fluctuations in grant activities.
- Operating expenses totaled \$1,745.1 million, \$1,732.4 million, and \$1,768.8 million for the years ended June 30, 2014, 2013, and 2012, respectively, an increase of \$12.7 million from 2013 to 2014 and a decrease \$36.4 million from 2012 to 2013.
  - Staff salary costs totaled \$820.6 million, \$816.1 million, and \$786.6 million, an increase of \$4.5 million or 1.0% from 2013 to 2014 and \$29.5 million or 3.8% from 2012 to 2013. This increase is attributed to salary increases and an additional year of service of annual increment. Benefit costs decreased by \$2.3 million in FY 2014, or 1% from FY 2013 and is primarily due to decrease in employee insurance benefit costs. Benefit costs decreased by \$70.7 million in FY 2013, or 23.4% from FY 2012 and is primarily due to the decrease in OPEB expenses described above.
  - Supplies and other services totaled \$393.6 million, \$383.2 million, and \$386.8 million for the years ended June 30, 2014, 2013, and 2012, respectively, an increase of \$10.4 million or 2.7 percent from 2013 to 2014 and a decrease of \$3.6 million or less than 1 percent from 2012 to 2013.

- Scholarships and fellowships totaled \$114.9 million, \$120.1 million, and \$126.7 million for the years ended June 30, 2014, 2013, and 2012, respectively, a decrease of \$5.2 million or 4.3% from 2013 to 2014 and \$6.6 million or 5.2% from 2012 to 2013. This is primarily a result of decreases in Pell Grant revenues.
- Depreciation and amortization on capital assets totaled \$124.8 million, \$119.0 million, and \$103.9 million for the years ended June 30, 2014, 2013, and 2012, respectively, an increase of \$5.8 million from 2013 to 2014 and \$15.1 million from 2012 to 2013. The increases are related to the completion of capital projects funded by recent bond issues.
- The result from operations was a net operating loss of \$609.4 million, \$615.6 million, and \$691.3 million for the years ended June 30, 2014, 2013, and 2012, respectively, which excludes State appropriations of \$489.4 million, \$523.3 million, and \$518.9 million and Federal Pell grants of \$129.7 million, \$135.5 million, and \$145.3 million for the years ended June 30, 2014, 2013, and 2012, respectively. The net operating loss decrease of \$6.3 million in FY 2014 was the outcome of the increase in operating expenses of \$12.6 million, offset by the \$18.9 million increase in operating revenue. The net operating loss decrease of \$75.7 million in FY 2013 was the outcome of the decrease in operating expenses of \$36.4 million, plus the \$39.3 million increase in operating revenue.
- Net non-operating revenue totaled \$628.4 million, \$645.3 million, and \$614.7 million for the years ended June 30, 2014, 2013, and 2012, respectively, a decrease of \$16.9 million from 2013 to 2014 and an increase of \$30.6 million from 2012 to 2013.
  - State general revenue and lottery appropriations totaled \$489.4 million, \$523.3 million, and \$518.9 million for the years ended June 30, 2014, 2013, and 2012, respectively, decrease of \$33.9 million from 2013 to 2014 and an increase of \$4.4 million from 2012 to 2013. The FY 2014 decrease is due primarily to appropriation reductions required to balance the State budget. The FY 2013 increase is due primarily to appropriations provided for added employee insurance costs.
  - Interest incurred on indebtedness totaled \$47.0 million, \$45.8 million, and \$51.5 million for the years ended June 30, 2014, 2013, and 2012, an increase of \$1.2 million from 2013 to 2014 and a decrease of \$5.7 million from 2012 to 2013. The FY 2014 change is attributable to bond FY 2013 bond issuances. Total bonds, capital leases and notes indebtedness decreased by \$34.8 million. The FY 2013 change is attributable to the refinancing of higher rate bond issuances as total bonds, capital leases, and notes indebtedness increase by \$50.0 million.
  - Investment income totaled \$22.9 million, \$15.0 million, and \$3.5 million for the years ended June 30, 2014, 2013, and 2012, respectively, an increase of \$7.9 million from 2013 to 2014 and \$11.5 million from 2012 to 2013. These changes are due to improving investment returns realized by the Board of Treasury Investments (BTI) and investments managed by the West Virginia University Foundation.
  - Student financial aid payments to other institutions totaled \$0, \$13.1 million, and \$16.1 million for the years ended June 30, 2014, 2013, and 2012, respectively, a decrease of \$13.1 million from 2013 to 2014 and \$3.0 million from 2012 to 2013.

- Other revenues consist of capital grants and gifts totaling \$35.0 million, \$39.2 million, \$95.8 million for the years ended June 30, 2014, 2013, and 2012, respectively, a decrease of \$4.2 million from 2013 to 2014 and \$56.6 million from 2012 to 2013. The 2012 amount included a donation of right-to-use software in the amount of \$71.2 million from Siemens to West Virginia University. Additionally other revenues consist of capital bond proceeds from the State totaling \$10.4 million from the sale of bonds by the West Virginia Economic Development Authority known as the EAST (Economic, Arts, Science, and Tourism) Bonds for the year ended June 30, 2014, \$19.9 million for the year ended June 30, 2013, and \$31.3 million for the year ended June 30, 2012. This will be further explained in a later section. Finally, State Capital Grants (Federal) totaled \$4.2 million, \$18.8 million, and \$7.5 million, for the years ended June 30, 2014, 2013, and 2012, respectively, a decrease of \$14.6 million from 2013 to 2014 and an increase of \$11.3 million from 2012 to 2013.
- The activity for FY 2014 resulted in an increase of net position totaling \$68.7 million, as compared to the \$107.6 million increase in net position during FY 2013 and a \$58.0 million increase in net position during FY 2012.
- As reported below on a functional expenditure basis, expenditures for Educational and General Expenses were \$1,301.4 million, \$1,294.7 million, and \$1,340.3 million for the years ended June 30, 2014, 2013, and 2012, respectively, an increase of \$6.7 million or 0.5% from FY 2013 and a decrease of \$45.6 million or 3.4% from FY 2012. Cost of instruction constitutes 40.9%, 40.4%, and 39.9% of total educational and general expenses for the years ended June 30, 2014, 2013, and 2012, respectively. Institutional Support remained consistent as a percentage of E & G at 16.3% in FY's 2013 and 2014, and 17% in FY 2012.

**Functional Expenditure Comparisons**  
(in thousands of dollars)

	<b>FY14</b>	<b>% of</b>	<b>FY13</b>	<b>% of</b>	<b>FY12</b>	<b>% of</b>
	<b>Total</b>	<b>E&amp;G Total</b>	<b>Total</b>	<b>E&amp;G Total</b>	<b>Total</b>	<b>E&amp;G Total</b>
Instruction	\$ 532,851	40.9%	\$ 524,038	40.4%	\$ 533,719	39.9%
Research	150,532	11.6%	150,165	11.6%	161,836	12.1%
Public Service	85,990	6.6%	90,047	7.0%	96,802	7.2%
Academic Support	97,593	7.5%	93,595	7.2%	95,398	7.1%
Student Services	90,970	7.0%	91,065	7.0%	90,016	6.7%
Plant Operations	131,549	10.1%	135,369	10.5%	134,401	10.0%
Institutional Support	<u>211,952</u>	<u>16.3%</u>	<u>210,426</u>	<u>16.3%</u>	<u>228,166</u>	<u>17.0%</u>
<b>Total E &amp; G Expenses</b>	<b>1,301,437</b>	<b><u>100.0%</u></b>	<b>1,294,705</b>	<b><u>100.0%</u></b>	<b>1,340,338</b>	<b><u>100.0%</u></b>
Financial Aid	114,070		119,521		125,878	
Auxiliary Enterprises	195,043		190,585		190,169	
Depreciation	124,814		119,009		103,863	
Other	<u>9,696</u>		<u>8,627</u>		<u>8,555</u>	
<b>Total Operating Expenses</b>	<b><u>\$ 1,745,060</u></b>		<b><u>\$ 1,732,447</u></b>		<b><u>\$ 1,768,803</u></b>	

## Statements of Cash Flows

The final statement presented is the Statements of Cash Flows. The Statements of Cash Flows present detailed information about the cash activity of the Fund during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used by the operating activities of the Fund. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items and cash provided by sources used to acquire capital. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth part reconciles the net cash used to the operating loss reflected on the Statements of Revenues, Expenses, and Changes in Net Position.

## Condensed Schedules of Cash Flows (In thousands of dollars)

	FY 2014	FY 2013	FY 2012	Change From 2014 to 2013
Cash (Used In) Provided By:				
Operating Activities	\$ (479,334)	\$ (494,919)	\$ (488,493)	\$ 15,585
Noncapital Financing Activities	639,377	687,806	660,588	(48,429)
Capital Financing Activities	(275,938)	(311,210)	62,775	35,272
Investing Activities	93,236	106,300	(229,145)	(13,064)
Increase (Decrease) in Cash and Cash Equivalents	(22,659)	(12,023)	5,725	(10,636)
Cash and Cash Equivalents, beginning of year	484,983	497,006	491,281	(12,023)
Cash and Cash Equivalents, end of year	<u>\$ 462,324</u>	<u>\$ 484,983</u>	<u>\$ 497,006</u>	<u>\$ (22,659)</u>

Major items of note in the Statement of Cash Flows include:

- Cash provided from operating revenues was exceeded by cash expended for operating activities by \$479.3 million, \$494.9 million, and \$488.5 million for the years ended June 30, 2014, 2013, and 2012, respectively, primarily due to the reporting of State appropriations and Federal Pell grants as noncapital financing activities. Primary sources of cash from Operating Activities during FY 2014, 2013, and 2012, respectively, were Student tuition and fees of \$571.1 million, \$541.5 million, and \$527.4 million; Contracts and grants of \$263.6 million, \$281.0 million, and \$282.0 million; and Auxiliary enterprise charges of \$238.6 million, \$219.8 million, and \$214.8 million. Primary uses of cash for FY 2014, 2013, and 2012, respectively, included payments to and on behalf of employees of \$1,043.2 million, \$1,038.3 million, and \$999.7 million and payments to suppliers of \$391.8 million, \$381.0 million, and \$391.6 million.
- Net cash provided from noncapital financing activities for FY 2014, 2013, and 2012, respectively, totaled \$639.4 million, \$687.8 million, and \$660.6 million, of which \$487.9 million, \$523.8 million, and \$511.6 million was from State General Revenue and Lottery appropriations, \$129.7 million, \$135.9 million, and \$145.7 million was from Federal Pell Grants.

- Net cash used by capital financing activities for FY 2014 totaled \$275.9 million. The largest source was the withdrawals from noncurrent cash and cash equivalents totaling \$109.7 million. Other sources include proceeds from bond issuances and borrowings of \$12.1 million, capital bond proceeds from the State of \$7.6 million, capital grants and gifts received of \$31.3 million and State capital grants (federal) received of \$5.0 million offset by uses of noncurrent cash and cash equivalents totaling \$54.8 million, purchases of capital assets totaling \$291.2 million, principal and interest paid on notes, bonds and leases of \$99.1 million.
- Net Cash used by capital financing activities for FY 2013 totaled \$311.2 million. The largest source was the proceeds of bond issuances totaling \$309.7 million. Other sources include withdrawals from noncurrent cash and cash equivalents of \$119.6 million, capital bond proceeds from the State of \$25.9 million, capital grants and gifts received of \$18.1 million and State capital grants (federal) received of \$11.6 million offset by uses of noncurrent cash and cash equivalents totaling \$169.5 million, purchases of capital assets totaling \$308.5 million, principal and interest paid on notes, bonds and leases of \$124.2 million and the payoff of refinanced bonds defeasance totaling \$192.7 million.
- Net cash provided by investing activities for FY 2014 and 2013 totaled \$93.2 million and \$106.3 million, compared to net cash used by investing activities of \$229.1 million for FY 2012. The FY 2014 change is a result of an increase in the net purchase of investments for funding capital projects primarily from bond proceeds. The fiscal year 2013 change is a result of the decrease in the net purchase of investments for funding capital projects primarily from bond proceeds.
- Net cash for FY 2014 decreased by \$22.7 million compared to a decrease in net cash for FY 2013 of \$12.0. These changes are the net result of all the previous activity discussed.

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

The Fund continued to expand its capital facilities to further its mission of providing quality programs to students and to provide expanded research capabilities. Expenditures for capital assets totaled \$291.2 million in FY 2014, as compared to \$308.5 million in FY 2013. Institutional projects at all the institutions are under way due to institutional bond issues in FY 2003, 2004, 2005, 2006, 2008, 2010, 2012 and 2013, system bond issues in FY 2009, 2010, 2011 and 2012, and a State bond issue in FY 2011. For FY 2014, expenditures at West Virginia University and Marshall University accounted for \$181.5 million of the \$291.2 million total. For FY 2013, expenditures at West Virginia University and Marshall University accounted for \$181.2 million of the \$308.5 million total.

During Fiscal Year 2014, West Virginia University (WVU) engaged in multiple construction projects including the College of Physical Activities and Sports Sciences building, and the Student Health building. WVU also completed the renovation, including asbestos abatement, of the Law Center; several life safety improvement projects at the Health Sciences Center funded by phase IIIB of the Energy Performance contract with Suntrust Equipment Finance & Leasing Corp.; and improvements to the student recreation fields and the PRT communication system. Other on-going capital activity included: construction of the Animal Facility Annex, Advanced Engineering Research building, Agricultural Sciences building, and the Art Museum.

During fiscal year 2014, the WVU executed the following real estate transactions:

- Acquired 9.18 acres of real property from Mon-View, LLC in the Town of Granville, WV for \$2.3 million to construct, operate and maintain a multi-use recreational complex including a baseball park and stadium. The WVU also entered into ground lease, development, sub-lease and lease and use agreements with various parties for the design, construction and operation of the baseball park. As the developer of the ballpark project, WVU expended funds for the construction of the ballpark and then sought reimbursement from the proceeds of the special district excise tax revenue bonds issued by the Monongalia County Commission.
- Acquired parcels of real estate in the Evansdale area from RCL Evansdale Holdings, LLC (“RCL”) for approximately \$1.7 million and from M&J Property Holdings, LLC (“M&J”) for approximately \$278,000 for the construction of University Park (student housing and related amenities). These acquisitions were in addition to last year’s purchase of residential and commercial properties from RCL and M&J for the development of University Park.
- Conveyed real property located at WVU’s Research Park to Morgantown DOE, LLC for \$2.9 million.
- WVU entered into lease, development, management and operating agreements with ACC OP (College Park, WV) LLC (“ACC”) to design, finance and manage the College Park (student residence) project.
- During fiscal year 2014 WVU capitalized costs associated with the implementation of OBIEE (Dataminer) – an Oracle Financial and Human Resources System reporting tool; Office 365 - a hosted suite of online collaborative services including Outlook e-mail and calendaring; eCampus – a learning management system; and eRA – an electronic research administration application.
- WVU received donations of right-to-use software from Schlumberger Corporation and Simio LLC for educational purposes, valued at \$3.3 million and \$55,600, respectively.

The FY 2014 Marshall University (MU) projects included the Veterans Memorial Soccer Complex, as well as various renovation and maintenance projects at the Medical Education building, Forensic Science Center, East Hall, Joan C. Edwards Stadium, Welcome Center, Science Hall, Buskirk Hall, and Twin Towers. New projects that were initiated in FY 2014 were various renovation and maintenance projects. Major construction projects that continued through FY 2014 include the Applied Engineering Complex, the Indoor Athletic Complex and the Visual Arts Center.

At June 30, 2014, MU had outstanding contractual commitments of \$28.7 million for property, plant and equipment expenditures. Most of these commitments will be funded by gifts from fundraising conducted by the MU Foundation as well as other MU funds.

The Commission assesses each public institution of higher education for funds to meet the payment of debt service on various revenue bonds that were issued for the financing of academic and other facilities of the State’s universities and colleges, including certain facilities of MU. The bonds remain as a capital obligation of the Commission; however, \$14.7 million is reported as debt service assessment payable to the Commission by MU.

During FY 2012, MU issued new Series 2011 Bonds to be used for the construction of new facilities including the Applied Engineering Complex, a multi-floor parking structure, an indoor athletic complex and a soccer complex, as well as land acquisition and renovation projects. At June 30, 2014, all of these bond proceeds had been spent and any projects that were not yet completed are being paid from capital gift proceeds raised by the MU Foundation and other MU funds.

Funding for capital projects comes from a variety of sources, including student tuition and other operating revenues, fund raising, bond proceeds, capital lease financing, and other external financing arrangements. The Institutions have participated in a number of System Bonds issued in previous years, with a balance outstanding of \$87.0 million as of June 30, 2014. This includes the State College and University System Bonds prior to the Facilities 2004 System Bonds and the 2007 Refunding Bonds, which are funded from tuition collections at the institutions. The remaining Facilities 2004 System Bonds of \$2.2 million, the Council 2009 Revenue Bonds of \$72.7 million, the Facilities 2010 System bonds of \$72.8 million and the 2012 System Bonds of \$130.3 million are funded from excess lottery revenue. There have been no significant changes in credit ratings or debt limitations that may affect future financing for the Fund. Further details concerning the long-term liabilities of the Fund are included in Notes 7 through 12 of the Notes to the Combined Financial Statements.

Lastly, the Commission entered into an agreement on February 25, 2010 with the Union Carbide Corporation (UCC) a wholly-owned subsidiary of The Dow Chemical Company (Dow) for the donation of property known as Union Carbide Corporation's Technology Park in the City of South Charleston, County of Kanawha, and State of West Virginia. This property consists of 258 acres, several major buildings and infrastructure. On December 15, 2010, the deed for the property transferred to the Commission. The Commission has opened the Tech Park to other business to enhance economic development opportunities. Kanawha Valley Community and Technical College relocated their campus to the site in July, 2012 with the renovation of one of the existing buildings and there will be the construction of an Advanced Technology Center for community college technical training and education. The net value of the capital gifts of equipment, buildings and land is \$21.0 million. The additions to the Tech Park amounted to \$3.5 million in FY 2014 and \$6.4 million in FY 2013. About \$18 million was transferred from Construction in Progress to Building and Improvement balances during FY 2014.

### **Other Factors Impacting the Financial Position and Results of Operations of the Fund**

The mission of the Commission is to align the West Virginia Higher Education System in accordance with the master plan for 2013-2018. The master plan entitled *Leading the Way: Access. Success. Impact* sets forth the overarching goals for West Virginia public higher education and provides the conceptual framework plan. Three areas that are central to meeting current challenges in West Virginia higher education are identified in the plan:

1. Access
2. Success
3. Impact

For each area, a definition of the area, current Commission efforts, strategies for success and goals are provided for West Virginia's public colleges and universities to address in each of the three areas of the public agenda. These plan components for addressing needs in higher education in West Virginia from 2013 to 2018 are the basis for the development of new institutional compacts for the State's four-year public colleges and universities and the West Virginia School for Osteopathic Medicine.

The Council is separate from the Commission and has its own mission and Master Plan. The Council's mission is to promote and provide high-quality, accessible, and responsive education and training opportunities that maximize student learning, improve the standard of living for West Virginians, and contribute to the economic vitality and competitiveness of the state. The Master Plan is entitled Meeting the Challenge 2010-2015. The plan presented goals in four categories:

- Student Success
- Workforce Development
- Access
- Resource Development

Through the attainment of these goals, the Council plans to increase the number of degree holders by increasing graduation rates, continuing to provide affordable access to higher education, and reaching out to adult students through innovative programming.

### **Economic Outlook**

The achievement of the goals for the higher education system as described in the Master Plans is dependent upon many factors, one of which is adequate resources to implement the strategies necessary to achieve the goals. At the present time the Fund maintains a strong financial condition. The net position of the Fund is \$1,822.7 million. The continued success of the Fund is closely tied to the economic strength of the State of West Virginia. Over 26% of operating and nonoperating revenues of the Fund in FY 2014 are from State general revenue and lottery revenues. This funding is critical to the success of the higher education system in meeting the Compact goals.

State appropriations decreased about 6.5% in FY 2014 from FY 2013. State Appropriations for higher education were reduced approximately 2.9% in fiscal year 2015. The decline in the coal industry has resulted in reduced severance tax collections for the State. In addition, sales tax reductions have reduced funds available for state agencies. For fiscal year 2016, the Governor's Office has recommended a 2.6% budget reduction for higher education.

The demographics of the State of West Virginia also have an impact on the future operations of the Fund. The number of high school graduates has declined in recent years and is projected to decline further over the next ten years. Significant efforts are underway to expand the participation rate in higher education by both high school graduating seniors as well as adults to improve the economic environment of the State. Increased attendance by non-resident students is another factor in the future financial stability of the Fund. Net student tuition and fees provide approximately 31.3% of the total revenues of the Fund, an increase of 1% over FY 2013.

One of the key goals of the higher education system is to improve West Virginia's economy. Institutions must assess the changing micro and macroeconomic dynamics and promote the development of a workforce to meet the State's economic and social development goals. The performance of the higher education system will depend upon its ability to respond to students needs and cannot be predicted with any certainty. The current financial condition of the Fund will provide a strong base to meet future challenges.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF NET POSITION**  
**June 30, 2014 and 2013**  
(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 462,324	\$ 484,983
Appropriations due from Primary Government	22,856	27,824
Accounts receivable-net	74,486	71,176
Loans receivable-current position	7,998	7,494
Other current assets	9,628	3,984
Inventories	<u>4,070</u>	<u>4,510</u>
Total current assets	<u>581,362</u>	<u>599,971</u>
<b>NONCURRENT ASSETS</b>		
Cash and cash equivalents	167,766	222,671
Investments	205,655	276,064
Loans receivable-net of allowance \$11,904 and \$11,307 in 2014 and 2013, respectively	45,560	46,043
Other assets	13,463	9,742
Capital assets-net	<u>2,653,897</u>	<u>2,491,265</u>
Total noncurrent assets	<u>3,086,341</u>	<u>3,045,785</u>
Total assets	<u>3,667,703</u>	<u>3,645,756</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	32,905	34,487
Interest rate swap agreement	<u>1,416</u>	<u>1,858</u>
Total deferred outflows of resources	<u>34,321</u>	<u>36,345</u>
<b>TOTAL</b>	<u>\$ 3,702,024</u>	<u>\$ 3,682,101</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF NET POSITION**  
**June 30, 2014 and 2013**  
(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 61,573	\$ 79,944
Due to State of West Virginia	933	262
Accrued liabilities	56,123	63,102
Unearned revenue	67,338	73,348
Deposits	6,252	5,687
Real estate purchase agreements payable-current portion	362	362
Other liabilities-current portion	2,063	653
Compensated absences-current portion	41,571	42,103
Notes payable-current portion	1,333	1,134
Capital lease obligations-current portion	4,217	4,368
Interest payable	11,539	11,054
Bonds payable-current portion	<u>35,707</u>	<u>34,377</u>
Total current liabilities	<u>289,011</u>	<u>316,394</u>
<b>NONCURRENT LIABILITIES</b>		
Advances from federal sponsors	41,130	41,391
Real estate purchase agreement payable	5,725	6,087
Compensated absences	3,877	4,011
Notes payable	31,793	28,578
Capital lease obligations	30,085	32,412
Future interest payable	36,371	35,696
Bonds payable	1,103,043	1,140,078
Other post employment benefit liability	293,115	287,124
Other noncurrent liabilities	<u>41,425</u>	<u>33,163</u>
Total noncurrent liabilities	<u>1,586,564</u>	<u>1,608,540</u>
Total liabilities	<u>1,875,575</u>	<u>1,924,934</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
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**STATEMENTS OF NET POSITION**  
**June 30, 2014 and 2013**  
(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (CONTINUED)</b>		
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Service concession arrangements	\$ 2,632	\$ 2,730
Other	<u>1,131</u>	<u>420</u>
Total deferred inflows of resources	<u>3,763</u>	<u>3,150</u>
Total liabilities and deferred inflows of resources	<u>1,879,338</u>	<u>1,928,084</u>
<b>NET POSITION</b>		
Net investment in capital assets	<u>1,594,037</u>	<u>1,553,141</u>
Restricted for:		
Expendable:		
Scholarships	8,167	7,422
Sponsored projects	30,554	32,856
Loans	26,994	26,881
Capital projects	47,364	68,341
Debt service	16,811	4,512
Other	<u>4,776</u>	<u>9,848</u>
Total restricted expendable	<u>134,666</u>	<u>149,860</u>
Nonexpendable	<u>25,468</u>	<u>24,658</u>
Unrestricted	<u>68,515</u>	<u>26,358</u>
Total net position	<u>1,822,686</u>	<u>1,754,017</u>
<b>TOTAL</b>	<u>\$ 3,702,024</u>	<u>\$ 3,682,101</u>

See accompanying notes to the financial statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**For the Years Ended June 30, 2014 and 2013**  
(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees - net of scholarship allowance of \$168,002 in 2014 and \$162,492 in 2013	\$ 567,628	\$ 545,938
Federal and local land grants	9,301	9,209
Contracts and grants:		
Federal	127,006	132,153
State	43,266	67,995
Local	5,531	3,500
Private	87,017	75,544
Interest on student loans receivable	1,288	1,208
Sales and services of educational activities	26,122	26,688
Auxiliary enterprise revenue - net of scholarship allowance of \$24,468 in 2014 and \$24,108 in 2013	236,073	223,665
Other operating revenues	<u>32,473</u>	<u>30,908</u>
 Total operating revenues	 <u>1,135,705</u>	 <u>1,116,808</u>
 <b>OPERATING EXPENSES</b>		
Salaries and wages	820,648	816,148
Benefits	229,133	231,469
Supplies and other services	393,552	383,243
Utilities	56,678	59,198
Student financial aid - scholarships and fellowships	114,885	120,089
Depreciation and amortization	124,814	119,009
Other operating expenses	<u>5,350</u>	<u>3,291</u>
 Total operating expenses	 <u>1,745,060</u>	 <u>1,732,447</u>
 <b>OPERATING LOSS</b>	 <u>(609,355)</u>	 <u>(615,639)</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	461,884	495,510
State lottery appropriations	27,500	27,806
Federal Pell grants	129,710	135,527
Gifts	29,524	29,618
Investment income (including unrealized gain of \$11,798 in 2014 and \$8,767 in 2013)	22,866	15,043
Interest on indebtedness	<u>(47,027)</u>	<u>(45,820)</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
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**STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**For the Years Ended June 30, 2014 and 2013**  
(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
<b>NONOPERATING REVENUES (EXPENSES) (CONTINUED)</b>		
Payments to other institutions	\$ -	\$ (13,056)
Other nonoperating income - net	<u>3,992</u>	<u>661</u>
Net nonoperating revenues	<u>628,449</u>	<u>645,289</u>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	19,094	29,650
<b>CAPITAL GRANTS, APPROPRIATIONS, AND GIFTS</b>	34,993	39,197
<b>CAPITAL BOND PROCEEDS FROM THE STATE</b>	10,400	19,936
<b>STATE CAPITAL GRANTS (FEDERAL)</b>	<u>4,182</u>	<u>18,801</u>
<b>INCREASE IN NET POSITION</b>	68,669	107,584
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>1,754,017</u>	<u>1,646,433</u>
<b>NET POSITON - END OF YEAR</b>	<u>\$ 1,822,686</u>	<u>\$ 1,754,017</u>

See accompanying notes to the financial statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2014 and 2013**  
(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition and fees	\$ 571,064	\$ 541,503
Federal and local land grants	9,301	8,675
Contracts and grants	263,602	280,953
Payments to and on behalf of employees	(1,043,153)	(1,038,307)
Payments to suppliers	(391,815)	(380,969)
Payments to utilities	(57,217)	(59,970)
Payments for scholarships and fellowships	(117,527)	(124,963)
Loans issued to students	(4,222)	(3,077)
Collection of loans to students	2,371	3,138
Sales and services of educational activities	25,816	25,572
Interest earned on loans to students	898	881
Auxiliary enterprise charges	238,639	219,805
Other receipts - net	22,909	31,840
Net cash used in operating activities	<u>(479,334)</u>	<u>(494,919)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	487,938	523,759
Federal Pell grants	129,674	135,929
Payments to other institutions	(9,661)	(9,866)
Gift receipts	28,708	25,799
Direct lending receipts	459,497	450,029
Direct lending payments	(461,123)	(449,965)
Other nonoperating receipts - net	4,344	12,121
Net cash provided by noncapital financing activities	<u>639,377</u>	<u>687,806</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from bond issuances and borrowings	12,101	309,739
Proceeds from capital asset disposals and sale of natural resources	59	21
Capital bond proceeds from State	7,603	25,929
Payment of bond issuance costs	-	(1,296)
Withdrawals from noncurrent cash and cash equivalents	109,681	119,559
Deposits to noncurrent cash and cash equivalents	(54,774)	(169,453)
Capital grants and gifts received	31,342	18,104
State capital grants (federal) received	5,007	11,558
Purchases of capital assets	(291,207)	(308,469)
Principal paid on notes, bonds, and leases	(45,900)	(77,985)
Payoff of refinanced bonds	-	(192,670)
Interest paid on notes, bonds, and leases	(53,211)	(46,247)
Other	3,361	-
Net cash used in capital financing	<u>(275,938)</u>	<u>(311,210)</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2014 and 2013**  
(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipts from sales/maturities of investments	\$ 119,252	\$ 122,321
Purchases of investments	(32,418)	(22,809)
Investment income	6,402	6,788
Net cash provided by investing activities	<u>93,236</u>	<u>106,300</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(22,659)	(12,023)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>484,983</u>	<u>497,006</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 462,324</u>	<u>\$ 484,983</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (609,355)	\$ (615,639)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	124,814	124,321
Donated/noncapitalized expense	3,443	-
Accretion on bond premium/discount	44	-
Loan cancellations and write-offs	201	-
Expenses paid on behalf of the Fund	295	528
Changes in assets and liabilities:		
Receivables - net	3,672	15,540
Loans receivable - net	(232)	781
Prepaid expenses	315	150
Inventories	303	606
Accounts payable	(6,058)	(9,036)
Accrued liabilities	3,476	(3,319)
Compensated absences	(543)	1,331
Unearned revenue	(1,863)	(15,877)
Deposits	122	(9)
Other post employment benefit liability	2,241	5,085
Advances from federal sponsors	(440)	122
Other	231	497
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>\$ (479,334)</u>	<u>\$ (494,919)</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2014 and 2013**  
(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
<b>SIGNIFICANT NONCASH TRANSACTIONS</b>		
Construction in progress and capital asset additions included in accounts payable and accrued liabilities	\$ 19,565	\$ 22,466
Donated capital assets	\$ 5,863	\$ 18,587
Loss on disposal of fixed assets	\$ 695	\$ 3,754
Capitalized interest	\$ 4,987	\$ 1,600
Unrealized gain on investment	\$ 11,798	\$ -
Bond & real estate agreements payable discounts, premiums, losses	\$ 890	\$ -
Other post employment benefits	\$ 3,267	\$ -
Land swap	\$ 278	\$ -
Gift of noncapital asset	\$ 2,573	\$ 3,833

See accompanying notes to the financial statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 1 - ORGANIZATION**

The West Virginia Higher Education Fund (the "Fund") is comprised of the following blended component units.:

- Bluefield State College
- Concord University
- Fairmont State University ("Fairmont")
- Glenville State College
- Marshall University
- Shepherd University
- West Liberty University
- West Virginia Council for Community and Technical College Education
- West Virginia Higher Education Policy Commission (including West Virginia Network for Educational Telecomputing)
- West Virginia State University
- West Virginia School of Osteopathic Medicine
- West Virginia University (including Potomac State College and West Virginia University Institute of Technology)

The Fund is a discretely presented component unit of the State of West Virginia (the "State").

Each college and university (the "Institutions") in the Fund is governed by its own Governing Board, which is responsible for the general determination, control, supervision, and management of the financial business and educational policies and affairs of its institution. The West Virginia Higher Education Policy Commission (the "Policy Commission"), in accordance with Senate Bill No. 653, is responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda. The Policy Commission is comprised of 10 persons appointed by the Governor with the advice and consent of the Senate. Senate Bill No. 448 gives the West Virginia Council for Community and Technical College Education (the "Council") the responsibility of developing, overseeing, and advancing the State's public policy agenda as it relates to community and technical college education. The Council is comprised of 12 persons appointed by the Governor with the advice and consent of the Senate and is comprised of the following Institutions:

- Blue Ridge Community and Technical College
- Bridgemont Community and Technical College
- Eastern West Virginia Community and Technical College
- Kanawha Valley Community and Technical College
- Mountwest Community and Technical College
- New River Community and Technical College
- Pierpont Community and Technical College ("Pierpont")
- Southern West Virginia Community and Technical College
- West Virginia Northern Community College
- West Virginia University at Parkersburg Community and Technical College

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) as prescribed by Governmental Accounting Standards Board standards (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the Fund’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** - The accompanying financial statements present all Institutions under the authority of the Fund, including the Policy Commission and the Council. The basic criteria for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the ability of the Fund to significantly influence operations and accountability for fiscal matters of related entities. (See Note 22 for condensed financial statements.) These entities are included in the financial statements as blended component units of the Fund. Foundations and other affiliates of the Institutions are not part of the Fund reporting entity and are not included in the accompanying financial statements as the Fund has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of these entities under GASB.

Complete financial statements for any blended component unit can be obtained by contacting the Business Office of the West Virginia Higher Education Policy Commission, 1018 Kanawha Boulevard, E, Suite 700, Charleston, WV 25301.

**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 the Fund as a whole. Net position is classified into four categories according to external donor restrictions or availability of assets for satisfaction of Fund obligations. The Fund’s net position is classified as follows:

*Net Investment in Capital Assets* - This represents the Fund’s total investment in capital assets, net of accumulated 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 net investment in capital assets.

*Restricted Net Position - Expendable* - This includes resources in which the Fund is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

The West Virginia Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education of the West Virginia State Code*. House Bill No. 101 passed in March 2004 simplified the tuition and fees restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the Fund. These restrictions are subject to change by future actions of the West Virginia Legislature.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

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

*Restricted Net Position - Nonexpendable* - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*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 the Fund, and may be used at the discretion of the respective governing boards to meet current expenses for any purpose.

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

**Cash and Cash Equivalents** - For purposes of the statements of net position, the Fund 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, and by the 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 State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

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

The BTI maintains the Consolidated Fund investment fund which consists of eight investment pools and participant-directed accounts, three of which the state and local governmental agencies 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 audited financial report can be obtained from the following address: 1900 Kanawha Blvd. East, Room E-122, Charleston, WV 25305 or <http://www.wvbt.com>.

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

**Investments** - GASB requires the Fund to record certain investment balances at fair value. The Fund's investments maintained by the BTI and the Municipal Bond Commission are determined by the pool's share price, which approximates fair value. Other investments, other than alternative investments, are presented at fair value, based upon quoted market prices.

The alternative investments are also carried at fair value as of June 30, 2014 and 2013. These valuations include assumptions and methods that were reviewed by Fund management and are primarily based on quoted market values or other readily determinable market values for underlying investments. The majority of the underlying investments in the alternative investments have a readily determinable market value. The Fund believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2014 and 2013. Because a portion of alternative investments is not readily marketable, and the estimated value is subject to uncertainty, the reported value may differ from the value that would have been used had a ready market existed.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligation); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements, asset-backed securities; certificates of deposits; state and local government securities (SLGS); 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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

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

The Fund's investments held with the foundations and other agents are governed by investment policies that determine the permissible investments by category. The holdings include appropriately rated U.S. debt and equity securities, foreign debt and equity securities, as well as alternative investments. The respective investment policies outline the acceptable exposure to each category of investment and generally outline a liquidity goal.

Investments are made in accordance with and subject to provisions of the Uniform Prudent Investor Act codified as article six-c, chapter forty-four of the West Virginia Code.

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

**Inventories** - Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out method.

**Noncurrent Cash, Cash Equivalents, and Investments** - Cash, cash equivalents, and investments that are (1) externally restricted to make debt service payments, 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, or (3) held for permanently restricted net position, are classified as noncurrent assets in the statements of net position.

**Capital Assets** - Capital assets include property, plant, and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction and was approximately \$5.0 million and \$1.6 million for the years ended June 30, 2014 and 2013, respectively. 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, 20 years for land improvements, 7 to 20 years for library assets, and 3 to 10 years for furniture and equipment. The estimated useful life of intangible assets varies. The financial statements reflect all adjustments required by GASB.

**Unearned Revenue** - Cash received for programs or activities to be conducted primarily in the next fiscal year is classified as unearned revenue, including items such as football ticket sales, orientation fees, room, and board. Financial aid and other deposits are separately classified as deposits.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

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

**Compensated Absences and Other Post Employment 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 2007, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the Fund was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan and its stand-alone financial statements can be obtained by contacting West Virginia Public Employees Insurance Agency (PEIA), State Capitol complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or <http://www.wvpeia.com>.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable. The Fund's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988 or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired on July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is then provided for under the multiple employer cost-sharing plan sponsored by the State.

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

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

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

**Deferred Outflows of Resources** - Consumption of net position by the Fund that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statements of net position. Deferred outflows are accreted over the periods of the refinancing bond issue related to the deferred loss on refinancing and the interest rate swap agreement.

**Deferred Inflows of Resources** - An acquisition of net position by the Fund that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statements of net position. Deferred inflows related primarily to service concession arrangements are accreted over the periods of the service concession arrangements.

**Risk Management** - The State's Board of Risk and Insurance Management (BRIM) provides general liability, medical malpractice liability, property, and auto insurance coverage to the Fund and its employees. Such coverage is provided to the Fund through a self-insurance program maintained by BRIM for general liability, medical malpractice liability, and auto insurance coverage. BRIM maintains a self-insurance program to pay the first \$1 million of each property insurance claim and purchases excess property insurance from the commercial insurance market to cover individual claims that exceed \$1 million. The BRIM self-insurance programs may involve experience and exposure-related premiums.

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

The West Virginia University's (WVU) and Marshall University's ("Marshall") Schools of Medicine (SOMs) have established a \$250,000 deductible program under BRIM's professional liability coverage for the SOMs effective July 1, 2005. Prior to this date, the SOMs were totally covered by BRIM at a limit of \$1 million per occurrence. Starting July 1, 2005, the SOMs assumed the risk and responsibility for any and all indemnity amounts up to \$250,000 per occurrence and all loss expenses associated with medical malpractice claims and/or suits in exchange for a reduction in its premium for medical malpractice insurance.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

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

Under the program, the SOMs entered into an agreement with BRIM whereby the SOMs have on deposit \$4.9 million and \$4.5 million as of June 30, 2014 and 2013, respectively, in escrow accounts created in the State Treasury from which BRIM may withdraw amounts to pay indemnity costs and allocated expenses in connection with medical malpractice claims against the SOMs. Additionally, the WVU Health Sciences Center also has on deposit \$26.0 million and \$21.8 million as of June 30, 2014 and 2013, respectively, in an investment account with the West Virginia University Foundation to cover the liabilities under this program. Marshall has a receivable from the University Physicians & Surgeons, Inc. for the funding it has agreed to provide for the self-insurance liability of \$7.7 million and \$7.3 million as of June 30, 2014 and 2013, respectively. Based on actuarial valuations of this self-insurance program, the Fund has recorded a liability of \$29.6 million and \$27.9 million to reflect projected claim payments at June 30, 2014 and 2013, respectively, for both WVU's and Marshall's SOMs.

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

**Classification of Revenues** - The Fund 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, (4) federal appropriations for land grant institutions, (5) sales and services of educational activities, and (6) revenue from leasing.

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

*Other Revenues* - Other revenues consist primarily of capital grants and gifts.

**Use of Restricted Net Position** - The Fund 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 assets are available. Generally, the Fund attempts to utilize restricted net position first when practicable. Certain Institutions have adopted a policy to utilize restricted net position first.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

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

**Federal Financial Assistance Programs** - The Fund 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 the institutions within the Fund. Direct student loan receivables are not included in the Fund's statements of net assets. In 2014 and 2013, the Fund received and disbursed, or awarded, approximately \$461 million and \$449 million, respectively, under the Direct Loan Program, which is not included as revenue and expense in the statements of revenues, expenses, and changes in net position.

The Fund 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 2014 and 2013, the Fund received and disbursed approximately \$118 million and \$143 million, respectively, under these federal student aid programs.

**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 the Fund, 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 (NACUBO). 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 allowances, which reduce 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 an institution 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. The Fund 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** - The Fund 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 (IRS).

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

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

**Cash Flows** - Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves have not been included as cash and cash equivalents for the purpose of the statements of cash flows.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows 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 materially 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.

**Newly Adopted Statements Issued by the GASB** – The GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning December 31, 2013. This statement provides guidance on measurement and reporting of combinations and disposals of government operations. The adoption of this statement did not have a material impact on the financial statements.

During fiscal year 2014, the Fund adopted Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for fiscal years beginning after June 15, 2013. This statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. In addition, the Statement requires: (1) a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required. Such factors may include whether the issuer of the guaranteed obligation is experiencing significant financial difficulty or initiating the process of entering into bankruptcy or financial reorganization; (2) an issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released. When a government is released, the government would recognize revenue as a result of being relieved of the obligation; (3) a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The adoption of this statement did not have an impact on the financial statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

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

**Recent Statements Issued by the Governmental Accounting Standards Board** - The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. This statement enhances the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. The Fund has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

The GASB has also issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning after December 31, 2013. This statement provides guidance on measurement and reporting of combinations and disposals of government operations. The Fund has not yet determined the effect that the adoption of GASB Statement No. 69 may have on its financial statements.

The GASB also issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. This statement addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Fund has not yet determined the effect that the adoption of GASB Statement No. 71 may have on its financial statements.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The composition of cash and cash equivalents at June 30, 2014 and 2013, was held as follows (dollars in thousands):

	<b>2014</b>		
	<b><u>Current</u></b>	<b><u>Noncurrent</u></b>	<b><u>Total</u></b>
State Treasurer	\$ 385,042	\$ 33,335	\$ 418,377
Municipal Bond Commission	2,480	1,736	4,216
Trustee	-	129,501	129,501
Bank	44,847	3,194	48,041
Cash equivalents	29,845	-	29,845
On hand	<u>110</u>	<u>-</u>	<u>110</u>
	<b><u>\$ 462,324</u></b>	<b><u>\$ 167,766</u></b>	<b><u>\$ 630,090</u></b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

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

	<b>2013</b>		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
State Treasurer	\$ 420,322	\$ 43,370	\$ 463,692
Municipal Bond Commission	2,600	-	2,600
Trustee	-	164,926	164,926
Bank	40,919	3,311	44,230
Cash equivalents	21,034	-	21,034
Escrowed cash	-	11,064	11,064
On hand	<u>108</u>	<u>-</u>	<u>108</u>
	<u>\$ 484,983</u>	<u>\$ 222,671</u>	<u>\$ 707,654</u>

Amounts held by the Municipal Bond Commission or trustee represent various project revenue, debt service, and other repair and replacement reserve funds required to be escrowed by various bond trust indentures. Other amounts held by the State Treasurer include \$44.2 million and \$19.2 million of restricted cash at June 30, 2014 and 2013, respectively. Cash equivalents are primarily related to amounts held in money markets, repurchase agreements, and savings accounts.

The combined carrying amounts of cash in the bank at June 30, 2014 and 2013, were \$48.0 million and \$44.2 million, as compared with the combined bank balance of \$52.8 million and \$48.0 million, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were secured by financial instruments held as collateral by the State's agent. Regarding federal depository insurance, interest bearing accounts are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000.

Amounts with the State Treasurer as of June 30, 2014 and 2013, are comprised of three investment pools, the WV Money Market Pool, the WV Government Money Market Pool and the WV Short Term Bond Pool.

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

External Pool	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	\$ 128,276	AAAm	\$ 240,938	AAAm
WV Government Money Market Pool	\$ 1,711	AAAm	\$ 2,197	AAAm
WV Short Term Bond Pool	\$ 4,806	Not Rated	\$ 13,438	Not Rated

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

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

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

External Pool	2014		2013	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 128,276	36	\$ 240,938	52
WV Government Money Market Pool	\$ 1,711	37	\$ 2,197	50

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

External Pool	2014		2013	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	\$ 4,806	407	\$ 13,438	358

**Cash in Bank with Trustee**

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

Investment Type	Carrying Value	
	2014 (in Thousands)	2013 (in Thousands)
Money Market Fund	\$ 129,501	\$ 164,926

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

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**NOTE 3 - 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. The Fund’s investment policy limits investment maturities from potential fair value losses due to increasing interest rates. No more than 5% of the money market fund’s total market value may be invested in the obligations of a single issuer, with the exception of the U.S. government and its agencies.

**NOTE 4 - INVESTMENTS**

Investments held were as follows at June 30, 2014 (dollars in thousands):

<u>Investment Type</u>	<u>WVU</u>	<u>Marshall</u>	<u>Other</u>	<u>Fair Value</u>
U.S. Government investments	\$ 21,003	\$ 27,093	\$ -	\$ 48,096
Mutual Bond Funds:				
Brandywine Global Fixed Income	7,837	-	-	7,837
High Quality Bond Fund	-	3,714	-	3,714
Fidelity Floating Rate High Income	3,337	-	-	3,337
iShares Barclays 3-7 yr Treasury	6,743	-	-	6,743
iShares Barclays 7-10 yr Treasury	1,630	-	-	1,630
PIMCO Unconstrained Bond Fund	3,295	-	-	3,295
CF Multi-Strategy Bond Fund	3,363	5,947	-	9,310
CFI Multi-Strategy Bond Investors Fund	1,352	-	-	1,352
Other	595	1,353	-	1,948
Fixed Income Funds:				
Income Research and Management	3,883	-	-	3,883
IR&M Core Bond	930	-	-	930
Mutual Stock Funds:				
Aberdeen Emerging Markets	3,002	-	-	3,002
Common Fund Multi-Strategy Equity Fund	-	16,341	-	16,341
Dodge & Cox International Stock Fund	3,421	-	-	3,421
Dodge & Cox Stock Fund	6,278	-	-	6,278
MFS	4,878	-	-	4,878
MFS International Value Fund	5,751	-	-	5,751
Vanguard Dividend Appreciation	8,344	-	-	8,344
Vanguard Total Stock Market ETF	25,485	-	-	25,485
Oppenheimer International Growth Fund	5,275	-	-	5,275
Other investments	2,371	1,723	445	4,539
Other alternative investments:				
BHR Offshore Fund	-	5,765	-	5,765
Salsman Offshore Fund	-	5,677	-	5,677
Z Capital Loan Op Offshore Fund	-	2,089	-	2,089
Mudricks Dist Opportunity Fund	-	5,276	-	5,276
RBR European Fund	-	2,246	-	2,246
Operating Fund	-	2,008	-	2,008
Mid Term Fund	-	3,591	-	3,591
Other	2,609	1,005	-	3,614
	<u>\$ 121,382</u>	<u>\$ 83,828</u>	<u>\$ 445</u>	<u>\$ 205,655</u>

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**NOTE 4 - INVESTMENTS (CONTINUED)**

Investments held were as follows at June 30, 2013 (dollars in thousands):

<u>Investment Type</u>	<u>WVU</u>	<u>Marshall</u>	<u>Other</u>	<u>Fair Value</u>
U.S. Government investments	\$ 105,146	\$ 50,165	\$ -	\$ 155,311
Mutual Bond Funds:				
Brandywine Global Fixed Income	7,350	-	-	7,350
Common Fund High Quality Bond Fund	-	3,521	-	3,521
Common Fund Multi-Strategy Bond Fund	2,687	4,818	-	7,505
Fidelity Floating Rate High Income	3,302	-	-	3,302
iShares Barclays 3-7 yr Treasury	6,685	-	-	6,685
iShares Barclays 7-10 yr Treasury	1,613	-	-	1,613
PIMCO Unconstrained Bond Fund	3,290	-	-	3,290
Other	1,962	1,244	-	3,206
Fixed Income Funds:				
Income Research and Management	3,702	-	-	3,702
Other	881	-	-	881
Mutual Stock Funds:				
Aberdeen Emerging Markets	2,794	-	-	2,794
Common Fund Multi-Strategy Equity Fund	-	13,987	-	13,987
Dodge & Cox International Stock Fund	1,893	-	-	1,893
Dodge & Cox Stock Fund	3,917	-	-	3,917
MFS	3,987	-	-	3,987
MFS International Value Fund	5,209	-	-	5,209
Vanguard Dividend Appreciation	7,256	-	-	7,256
Vanguard Total Stock Market ETF	20,851	-	-	20,851
Oppenheimer International Growth Fund	4,696	-	-	4,696
Other	3,590	-	-	3,590
Other investments	567	1,385	816	2,768
Other alternative investments:				
BHR Offshore Fund	-	2,654	-	2,654
Harvest Volatility Alpha Fund	-	1,562	-	1,562
Salsman Offshore Fund	-	2,530	-	2,530
Z Capital Loan Op Offshore Fund	-	1,781	-	1,781
Other	223	-	-	223
	<u>\$ 191,601</u>	<u>\$ 83,647</u>	<u>\$ 816</u>	<u>\$ 276,064</u>

Historically, the Fund was unable to invest excess operating funds outside of the State Treasurer. In 2005, the West Virginia State Legislature passed Senate Bill No. 603 (S.B. 603). S.B. 203 granted WVU and Marshall the ability to invest a limited amount of funds with their foundations. The amounts invested with the two foundations at June 30, 2014 and 2013, were approximately \$146,600,000 and \$111,500,000, respectively.

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**NOTE 4 - INVESTMENTS (CONTINUED)**

WVU's investments held with the Foundation are governed by investment policies and an investment management agency agreement that determine the permissible investments by category. The holdings include mutual money market funds, U.S. debt and equity securities, foreign debt and equity securities, and alternative investments. The investment management agency agreement outlines the acceptable exposure to each category of investment and generally outlines a liquidity goal. The agreement also states that at no time will illiquid investment assets (defined as those assets that cannot be converted into cash within 90 days) exceed 10% of any portfolio.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The investment management agency agreement with the WVU Foundation states that each public debt instrument selected for investment shall be subject to proper credit analysis prior to the inclusion in the portfolio. Marshall's investment policy adheres to fiduciary responsibilities in accordance with the provisions of the Uniform Prudent Investor Act (WV State Code 44-6C-1 Prudent Investor Rule). Oversight will occur with care, skill, prudence, and diligence.

At June 30, 2014 and 2013, Standard & Poor's (S&P) credit ratings were as follows:

<u>Investment Type</u>	<u>Standard &amp; Poor's Rating</u>	
	<u>2014</u>	<u>2013</u>
Brandywine Global Fixed Income	BBB+	BBB+
Common Fund Multi-Strategy Bond Fund	A+	AA-
Common Fund Multi-Strategy Bond Investors Fund	A+	A+
Income Research & Management (IRM)	AA	AA-
IR&M Core Bond	AA-	AA-
Intermediate Term Fund	AA	AA
Harbor Bond Fund	A2	-
High Quality Bond Fund	A+	AA-
iShares Barclays 3-7 Year Treasury	AA+	AA
iShares Barclays 7-10 Year Treasury	AA+	AA
Multi-Strategy Commodities Fund	A	AAA
State Street Cash – SSGA Money Market	AAAm	AAAm
U.S. Treasury 2011 Bonds Series B&C	-	AA
U.S. Treasury 2013 Series A Bonds	-	AA

Remaining investments have not been rated.

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**NOTE 4 - INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following tables show the maturities for other investments for West Virginia University at June 30 (dollars in thousands):

**2014**

Investment Type	Investment Maturities				
	Fair Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
U.S Treasury Notes and U.S Govt Backed					
Money Market Funds	\$21,003	\$21,003	\$ -	\$ -	\$ -
Mutual Bond Funds	23,437	6,245	8,100	6,493	2,599
Cash/Mutual Money Market Funds	1,559	-	1,559	-	-
Fixed Income Funds	4,813	321	2,801	929	762
Other Alternative Investments	4,715	863	1,787	1,169	896
	<u>\$55,527</u>	<u>\$28,432</u>	<u>\$14,247</u>	<u>\$8,591</u>	<u>\$4,257</u>

**2013**

Investment Type	Investment Maturities				
	Fair Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
U.S Treasury Notes and U.S Govt Backed					
Money Market Funds	\$105,146	\$83,642	\$21,504	\$ -	\$ -
Mutual Bond Funds	22,923	6,419	11,193	3,666	1,645
Cash/Mutual Money Market Funds	1,475	-	1,475	-	-
Fixed Income Funds	4,582	390	2,224	1,499	469
Other Alternative Investments	3,963	808	1,244	1,253	658
	<u>\$138,089</u>	<u>\$91,259</u>	<u>\$37,640</u>	<u>\$6,418</u>	<u>\$2,772</u>

Interest rate risk is managed by limiting the time period or duration of the specific investment. At June 30, 2014, the U.S. Treasury Notes have maturities through January 31, 2015 and interest rates which range from .5% to 2.63%. At June 30, 2013, the U.S. Treasury Notes have maturities through January 31, 2015 and interest rates which range from .125% to 3.125%.

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**NOTE 4 - INVESTMENTS (CONTINUED)**

Marshall University investment maturities are as follows. At June 30, 2014, the High Quality Bond Fund had an average maturity of 7.12 years, the Intermediate Term Fund had an average maturity of 1.96 years, the Multi-Strategy Bond Fund had an average maturity of 7.20 years, the Multi-Strategy Commodities Fund had an average maturity of .93 years, and the U.S. Government National Mortgage Association Securities had an average maturity of 4 years. At June 30, 2013, the High Quality Bond Fund had an average maturity of 8.4 years, the Intermediate Term Fund had an average maturity of 2.5, the Multi-Strategy Bond Fund had an average maturity of 7.6 years, the Multi-Strategy Commodities Fund had an average maturity of 0.5, and the U.S. Government National Mortgage Association Securities had an average maturity of 3 years.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Since this risk is minimized by the commingled funds structure, concentration risk disclosure is not required for external pooled funds.

At June 30, 2014 and 2013, WVU's investments were not subject to concentration of credit risk.

Marshall's investment portfolio strategy includes three investment pools, the Long Term Investment Pool, the Mid Term Investment Pool, and the Operating Investment Pool. The objective of Marshall's portfolio strategy is to enhance the Investment Pool's long-term viability by maximizing the value with a prudent, balanced level of risk.

**Custodial Credit Risk**

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

For WVU investments, at June 30, 2014, there was custodial credit risk related to the SSgA Money Market, which is uninsured and registered in State Street's name. At June 30, 2013, there was no custodial credit risk.

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**NOTE 4 - INVESTMENTS (CONTINUED)**

**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.

WVU's exposure to foreign currency risk is as follows at June 30 (dollars in thousands):

<u>Currency</u>	<u>2014</u>	<u>2013</u>
Australian Dollar	\$ 756	\$ 1,051
Brazilian Real	959	462
British Pound Sterling	3,927	3,782
Canadian Dollar	273	156
Chilean Peso	654	44
Chinese Yuan Renminbi	217	196
Danish Krone	126	68
Euro	4,983	4,338
Hong Kong Dollar	294	224
Indian Rupee	553	341
Japanese Yen	2,210	1,627
Malaysian Ringgit	220	382
Mexican Peso	1,399	1,268
Polish Zloty	101	566
Russian Ruble	123	84
South African Rand	679	569
South Korean Won	609	500
Swedish Krona	375	148
Swiss Franc	2,304	1,615
Taiwanese Dollar	132	134
Thai Baht	244	168
Turkish Lira	230	203
US Dollar	12,008	7,815
Other	465	2,071
	<u>\$ 33,841</u>	<u>\$ 27,812</u>

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**NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2014 and 2013, were as follows (dollars in thousands):

	<u>2014</u>	<u>2013</u>
Students - net of allowance of \$20,716 and \$16,425 in 2014 and 2013, respectively	\$ 11,457	\$ 11,490
Grants and contracts - net of allowance of \$814 and \$1,421 in 2014 and 2013, respectively	34,480	36,544
Auxiliary services - net of allowance of \$-0- and \$1,811 in 2014 and 2013, respectively	1,704	2,576
Due from State and State agencies	8,001	8,148
Other - net of allowance of \$1,590 and \$42 in 2014 and 2013, respectively	<u>18,844</u>	<u>12,418</u>
	<u>\$ 74,486</u>	<u>\$ 71,176</u>

**NOTE 6 - CAPITAL ASSETS**

The following, for the years ended June 30, 2014 and 2013, is a summary of capital assets transactions for the Fund (dollars in thousands):

	<u>2014</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated or amortized:				
Land	\$ 152,495	\$ 5,262	\$ 411	\$ 157,346
Construction in progress	246,540	245,412	215,325	276,627
Other	<u>132</u>	<u>-</u>	<u>-</u>	<u>132</u>
<b>Total capital assets not being depreciated or amortized</b>	<u>\$ 399,167</u>	<u>\$ 250,674</u>	<u>\$ 215,736</u>	<u>\$ 434,105</u>

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**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

	<b>2014</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Other capital assets:				
Land improvements	\$ 69,786	\$ 10,242	\$ 483	\$ 79,545
Infrastructure	343,324	10,662	153	353,833
Buildings	2,431,072	191,397	2,787	2,619,682
Equipment	354,296	32,496	25,759	361,033
Software	60,505	2,174	309	62,370
Library books	173,602	6,418	1,018	179,002
Intangibles and other	<u>114,237</u>	<u>4,352</u>	<u>972</u>	<u>117,617</u>
Total other capital assets	<u>3,546,822</u>	<u>257,741</u>	<u>31,481</u>	<u>3,773,082</u>
Less accumulated depreciation or amortization for:				
Land improvements	32,694	4,322	477	36,539
Infrastructure	259,658	8,427	23	268,062
Buildings	688,284	53,158	1,292	740,150
Equipment	227,690	28,738	23,253	233,175
Software	51,681	2,979	212	54,448
Library books	144,199	8,112	991	151,320
Intangibles and other	<u>50,518</u>	<u>19,078</u>	<u>-</u>	<u>69,596</u>
Total accumulated depreciation and amortization	<u>1,454,724</u>	<u>124,814</u>	<u>26,248</u>	<u>1,553,290</u>
<b>Other capital assets - net</b>	<u><b>\$2,092,098</b></u>	<u><b>\$132,927</b></u>	<u><b>\$ 5,233</b></u>	<u><b>\$2,219,792</b></u>

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**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

	<b>2014</b>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital asset summary:				
Capital assets not being depreciated or amortized	\$ 399,167	\$ 250,674	\$ 215,736	\$ 434,105
Other capital assets	<u>3,546,822</u>	<u>257,741</u>	<u>31,481</u>	<u>3,773,082</u>
Total cost of capital assets	3,945,989	508,415	247,217	4,207,187
Less accumulated depreciation and amortization	<u>1,454,724</u>	<u>124,982</u>	<u>26,416</u>	<u>1,553,290</u>
<b>Capital assets - net</b>	<u>\$ 2,491,265</u>	<u>\$ 383,433</u>	<u>\$ 220,801</u>	<u>\$ 2,653,897</u>
	<b>2013</b>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated or amortized:				
Land	\$ 110,397	\$ 45,880	\$ 3,782	\$ 152,495
Construction in progress	162,040	224,095	139,595	246,540
Other	<u>132</u>	<u>-</u>	<u>-</u>	<u>132</u>
<b>Total capital assets not being depreciated     or amortized</b>	<u>\$ 272,569</u>	<u>\$ 269,975</u>	<u>\$ 143,377</u>	<u>\$ 399,167</u>
Other capital assets:				
Land improvements	\$ 74,534	\$ 3,221	\$ 7,969	\$ 69,786
Infrastructure	332,841	10,632	149	343,324
Buildings	2,312,283	137,606	18,817	2,431,072
Equipment	333,724	35,774	15,202	354,296
Software	53,398	7,121	14	60,505
Library books	166,589	7,569	556	173,602
Intangibles and other	<u>101,201</u>	<u>13,036</u>	<u>-</u>	<u>114,237</u>
Total other capital assets	<u>3,374,570</u>	<u>214,959</u>	<u>42,707</u>	<u>3,546,822</u>

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**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

	<b>2013</b>			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	
Less accumulated depreciation or amortization for:				
Land improvements	\$ 28,891	\$ 3,937	\$ 134	\$ 32,694
Infrastructure	251,820	8,006	168	259,658
Buildings	642,019	51,036	4,771	688,284
Equipment	213,158	26,541	12,009	227,690
Software	48,786	2,915	20	51,681
Library books	136,310	8,256	367	144,199
Intangibles and other	<u>32,200</u>	<u>18,318</u>	<u>-</u>	<u>50,518</u>
Total accumulated depreciation and amortization	<u>1,353,184</u>	<u>119,009</u>	<u>17,469</u>	<u>1,454,724</u>
<b>Other capital assets - net</b>	<b><u>\$2,021,386</u></b>	<b><u>\$ 95,950</u></b>	<b><u>\$ 25,238</u></b>	<b><u>\$2,092,098</u></b>
Capital asset summary:				
Capital assets not being depreciated or amortized	\$ 272,569	\$269,975	\$143,377	\$ 399,167
Other capital assets	<u>3,374,570</u>	<u>204,172</u>	<u>31,920</u>	<u>3,546,822</u>
Total cost of capital assets	3,647,139	474,147	175,297	3,945,989
Less accumulated depreciation and amortization	<u>1,353,184</u>	<u>119,009</u>	<u>17,469</u>	<u>1,454,724</u>
<b>Capital assets - net</b>	<b><u>\$2,293,955</u></b>	<b><u>\$355,138</u></b>	<b><u>\$157,828</u></b>	<b><u>\$2,491,265</u></b>

The Fund maintains certain collections of inexhaustible assets to which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art, 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.

During August 2010, the West Virginia Development Office issued approximately \$162 million of Education, Arts, Science, and Tourism bonds. The Commission, as provided in the State Code, will receive 60%, or \$97.2 million, of the proceeds to help fund various building and campus renewal projects. As of June 30, 2014, the Fund has recognized \$97.1 million of the total to be received. The West Virginia Development Office is responsible for repayment of the debt.

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**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

The Fund has construction commitments at June 30, 2014, of approximately the following (dollars in thousands):

Bluefield State College	\$	418
Concord University		98
Fairmont State University		357
Marshall University		28,730
Eastern West Virginia Community and Technical College		2,689
Pierpont Community and Technical College		8
West Liberty State College		3,500
West Virginia Higher Education Policy Commission		11,506
West Virginia Northern Community College		158
West Virginia School of Osteopathic Medicine		1,272
West Virginia University		116,300
West Virginia University at Parkersburg		<u>564</u>
	<u>\$</u>	<u>165,600</u>

**NOTE 7 - LONG-TERM LIABILITIES**

The following, for the years ended June 30, 2014 and 2013, is a summary of long-term obligation transactions for the Fund (dollars in thousands):

	<b>2014</b>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds, capital leases, and notes payable:					
Notes payable	\$ 29,712	\$ 4,752	\$ (1,338)	\$ 33,126	\$ 1,333
Capital leases payable	36,780	1,792	(4,270)	34,302	4,217
Bonds payable	<u>1,174,455</u>	<u>6,809</u>	<u>(42,514)</u>	<u>1,138,750</u>	35,707
Total bonds, capital leases, and notes payable	1,240,947	13,353	(48,122)	1,206,178	
Advances from federal sponsors	41,391	-	(261)	41,130	-
Real estate purchase agreements payable	6,449	-	(362)	6,087	362
Accrued compensated absences	46,114	1,992	(2,658)	45,448	41,571
Future interest payable	39,438	4,615	(3,742)	40,311	3,940*
OPEB liability	287,124	10,297	(4,306)	293,115	-
Other noncurrent liabilities	<u>33,816</u>	<u>23,138</u>	<u>(13,466)</u>	<u>43,488</u>	2,063
<b>Total long-term liabilities</b>	<u>\$1,695,279</u>	<u>\$ 53,395</u>	<u>\$ (72,917)</u>	<u>\$1,675,757</u>	

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

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**NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)**

	<b>2013</b>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds, capital leases, and notes payable:					
Notes payable	\$ 30,751	\$ 25,257	\$ (26,296)	\$ 29,712	\$ 1,134
Capital leases payable	39,038	1,595	(3,853)	36,780	4,368
Bonds payable	<u>1,121,064</u>	<u>282,516</u>	<u>(229,125)</u>	<u>1,174,455</u>	34,377
Total bonds, capital leases, and notes payable	1,190,853	309,368	(259,274)	1,240,947	
Advances from federal sponsors	41,266	185	(60)	41,391	-
Real estate purchase agreements payable	29,305	4,018	(26,874)	6,449	362
Accrued compensated absences	44,782	2,871	(1,539)	46,114	42,103
Future interest payable	38,359	4,615	(3,536)	39,438	3,742*
OPEB liability	282,039	6,476	(1,391)	287,124	-
Other noncurrent liabilities	<u>35,999</u>	<u>5,668</u>	<u>(7,851)</u>	<u>33,816</u>	653
<b>Total long-term liabilities</b>	<u>\$ 1,662,603</u>	<u>\$ 333,201</u>	<u>\$ (300,525)</u>	<u>\$ 1,695,279</u>	

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

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS**

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2014, 2013, and 2012, the noncurrent liability related to OPEB costs was \$293.1 million, \$287.1 million, and \$282.0 million, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees were \$31.1 million and \$23.8 million, respectively, during 2014 or 76.5 percent, \$29.6 million and \$24.5 million, respectively, during 2013 or 82.8 percent, and \$104.9 million and \$19.5 million, respectively, during 2012 or 18.6 percent. As of June 30, 2014, 2013, and 2012, there were approximately 1,400, 1,300, and 1,300 retirees receiving these benefits, respectively.

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**NOTE 9 - LEASE OBLIGATIONS**

**Capital** - The Fund leases certain property, plant, and equipment through capital leases. The following is a schedule by year of future annual minimum payments required under the lease obligations existing at June 30, 2014 (dollars in thousands):

Years Ending June 30:

2015	\$	5,170
2016		4,537
2017		9,673
2018		2,989
2019		2,792
2020-2024		11,253
2025-2029		<u>2,728</u>
Future minimum lease payments		39,142
Less interest		<u>4,840</u>
<b>Total</b>		<u><u>\$ 34,302</u></u>

The following is a related-party capital lease:

Marshall has a capital lease agreement with the Marshall University Graduate College Foundation, Inc. (the "MUGC Foundation") for the Marshall University Graduate College's administration facility (the "Facility"). The fair value of the Facility was estimated by independent appraisal during the year ended June 30, 1995, at \$5 million (building \$4.3 million and land \$700,000), and the 21-year lease term commenced with the Marshall University Graduate College's occupancy of the Facility in June 1995. Ownership of the Facility transfers to Marshall at the end of the lease term. During the year ended June 30, 2008, all assets and liabilities of the MUGC Foundation became part of the Marshall University Foundation, Inc. (the "MU Foundation"). This agreement is now with the MU Foundation.

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**NOTE 9 - LEASE OBLIGATIONS (CONTINUED)**

**Operating** - The Fund had entered into various operating lease agreements. Future annual minimum lease payments for years subsequent to June 30, 2014, are as follows (dollars in thousands):

Years Ending June 30:

2015	\$ 10,250
2016	7,765
2017	6,172
2018	5,387
2019	4,632
2020-2024	16,880
2025-2029	12,685
2030-2034	5,544
2035-2039	31
2040-2044	5
2045-2049	5
2050-2054	5
2055-2058	<u>4</u>
<b>Total</b>	<b><u>\$ 69,365</u></b>

Total rent expense for these operating leases for the years ended June 30, 2014 and 2013, was approximately \$12.2 million.

The following is a related-party operating lease:

West Virginia University leases an office building from the West Virginia University Foundation, Incorporated. Rental expense under the operating lease is \$1,975,000 per year through 2031. West Virginia University retains the right to cancel the lease upon giving 30 days' written notice.

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**NOTE 10 - NOTES PAYABLE**

During fiscal year 1997, West Virginia State University signed an agreement with the Educational Direct Loan Mortgage Corporation (Eddie Mac) to have available a line of credit of \$3.5 million to be used to renovate dormitories. As of June 30, 2013, this note was paid in full.

During February 2014, West Virginia State University signed a promissory note with Capital One Equipment Finance Corp borrowing \$2.7 million at an interest rate of 6.65 percent to be used to partially finance the construction of a new athletic complex. The note matures in 2033, with principal payments due annually on October 1 starting in 2014. Interest payments are due annually on April 1 and October 1 starting April 2014. The note balance at June 30, 2014 was \$2.7 million.

In December 2012, the West Virginia Housing Development Fund, West Virginia Economic Development Authority, and West Virginia Infrastructure and Jobs Development Council loans were refinanced with United Bank, Inc., in the principal amount of \$22.1 million at an interest rate, initially 1.90 percent, resetting every five years. Beginning August 2014, the loan agreement allows the West Virginia University Research Corporation to prepay the loan with 60 days' notice and without any penalty or premium, and it allows the bank to "put" all or part of the loan to the West Virginia University Research Corporation with 60 days' notice and without any penalty or premium. The refinanced loan is collateralized by the facilities and revenues as defined in the agreement. The note balance at June 30, 2014 and 2013 was approximately \$21.1 million and \$21.8 million, respectively.

During fiscal year 2008, MURC borrowed the proceeds of a bond issuance by the Cabell County Commission for the construction of an addition to the Marshall University Forensic Science Center. MURC's repayment terms are the same as the bond repayment term. MURC is obligated to make interest payments commencing on October 10, 2008, for the interest due on the loan semiannually and to make annual principal payments starting on April 1, 2009, based on a hypothetical amortization of the then-remaining principal balance at the then-applicable interest rate for the then-remaining years of the original 20-year amortization period ending April 10, 2028. However, any unspent mortgage proceeds would go to pay the first amounts due for interest and principal. Any remaining principal balance shall be payable in full on April 10, 2028. The interest rate on the bonds was 3.2 percent at April 10, 2008, and continued to and included year five, and changes for each subsequent five-year period to the rate per annum equal to 67 percent of the five-year Treasury Constant Maturity in effect on that date, plus 1.67 percent per annum. The rate for the period of April 10, 2013 through April 10, 2018 is 1.6415 percent. The principal balance at June 30, 2014 and 2013, is \$2,254,253 and \$2,415,271, respectively.

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**NOTE 10 - NOTES PAYABLE (CONTINUED)**

During fiscal year 2013, Glenville State College entered into a \$3.1 million note collateralized by a first lien on equipment installed in various buildings on campus. Interest is 3.10% with semiannual principal payments of \$131,907. The note matures June 2028. The note balance at June 30, 2014 and 2013 was \$2,977,926 and \$3,145,518, respectively.

During fiscal year 2012, Glenville State College entered into a \$2.5 million note collateralized by a first lien on various parcels of real estate and a motel building. Interest is 5.54 percent with monthly principal payments of \$17,542. The note matures in June 2031. The note balance at June 30, 2014 and 2013 was \$2,280,740 and \$2,367,373, respectively.

On November 7, 2013, the Commission executed a note payable to the West Virginia Economic Development Authority to finance a new boiler system for the property in the amount of \$1,485,253. The note payable bears interest at 3.42 percent per annum and is collateralized by lease and rental revenues. Payments are due monthly in installments of \$14,632. The note matures in November 2023. The note balance at June 30, 2014 was \$1,411,565.

Annual minimum payments for the years ending after June 30, 2014, are as follows (dollars in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2015	\$ 1,333	\$ 504	\$ 1,837
2016	1,783	548	2,331
2017	1,404	497	1,901
2018	1,438	474	1,912
2019	1,474	449	1,923
2020-2024	7,861	3,241	11,102
2025-2029	7,697	815	8,512
2030-2034	6,364	216	6,580
2035-2038	<u>3,772</u>	<u>-</u>	<u>3,772</u>
<b>Total</b>	<u>\$ 33,126</u>	<u>\$ 6,744</u>	<u>\$39,870</u>

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**NOTE 11 - INSTITUTION BONDS PAYABLE**

The Institutions within the Fund, at June 30, 2014 and 2013, have the following outstanding bonds payable (dollars in thousands):

	<u>Maximum Interest Rate</u>	<u>Annual Installments</u>	<u>Principal Outstanding</u>	
			<u>2014</u>	<u>2013</u>
Fairmont State University – Facilities Improvement Revenue Bonds, 2006 Series, due through 2026	4.18 (10-year reset)	343-611	\$ 5,905	\$ 6,277
Fairmont State University – Revenue Refunding Bonds, 2012, Series A, due through 2032	5.00	730-1,155	18,700	19,430
Fairmont State University – Revenue Refunding Bonds, 2012, Series B, due through 2032	5.00	1,080-1,720	28,005	29,085
Glenville State University – Student Housing Bonds, Series 2011A, due 2030	5.25	170-325	3,940	4,105
Glenville State University – Campus Community Center Bonds, Series 2006, due 2026	4.30 (10-year reset)	55-107	1,080	1,144
Glenville State University – Science Building Bonds, Series 2007, due in 2037	4.68 (10-year reset)	107-237	3,144	3,247
Glenville State University – Goodwin Hall Bonds, Series 2009, due in 2040	Variable	497-1,517	24,601	25,038
Marshall University – University Refunding Revenue Bonds 2010, due through 2030	5.00	915-2,885	33,405	34,835
Marshall University – University Refunding Bonds 2011, due through 2041	5.00	1,190-3,375	51,910	51,910
Mountwest Community and Technical College – Revenue Bonds, 2012, due through 2021	4.13	163-446	3,002	3,337
Shepherd University – Student Fee Revenue Bonds, due through 2033	5.13	105-370	-	4,860
Shepherd University – Infrastructure Revenue Bonds, Series 2004B due through 2024	4.50	125-240	-	2,140
Shepherd University – Refinance Revenue Bonds, due through 2033	4.38	350-460	6,555	-
Shepherd University – Residence Facilities Revenue Bonds, due through 2035	4.50	435-1,450	19,560	20,090
Shepherd University – Wellness Center Facilities Revenue Bonds, Series 2007, due through 2037	5.00	435-1,170	17,130	17,545
West Liberty University – Revenue Refunding Bonds 2013, due through 2028	2.68	580-765	9,230	9,810
West Liberty University – Revenue Bonds 2012, due through 2027	3.25	585-785	9,280	10,000
West Virginia State University – University Refunding and Improvement Series 2012, due through 2030	4.50	50-2,575	8,885	8,930
West Virginia State University – University Revenue Bonds Series 2013, due through 2021	3.00	290-1,000	2,515	2,815
West Virginia University – Revenue Refunding Bonds 2004, Series B, due through 2021	5.00	0-6,685	4,785	9,370

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**NOTE 11 - INSTITUTION BONDS PAYABLE (CONTINUED)**

	<u>Maximum Interest Rate</u>	<u>Annual Installments</u>	<u>Principal Outstanding</u>	
			<u>2014</u>	<u>2013</u>
West Virginia University – Revenue Improvement Bonds 2011, Series A, due through 2026	3.87	35-62	\$ 11,456	\$ 11,914
West Virginia University – Revenue Improvement Bonds 2011, Series B, due through 2037	4.14	0-21,800	177,385	182,630
West Virginia University – Revenue Improvement Bonds 2011, Series C, due through 2042	Variable	0-10,470	50,000	50,000
West Virginia University – Revenue Bonds (Taxable ) 2012, Series A, due through 2042	4.50	35-62	12,896	13,123
West Virginia University - Revenue Bonds (Taxable ) 2012, Series B, due through 2032	Variable	0-50	4,517	4,707
West Virginia University – Revenue Refunding and Improvement Bonds 2013, Series A, due through 2043	3.55	0-13,715	138,325	138,325
West Virginia University – Revenue Refunding and Improvement Bonds (Taxable) 2013, Series B, due through 2043	3.00	995-7,440	<u>71,185</u>	<u>72,180</u>
			717,396	736,847
Less unamortized bond discount			(174)	(213)
Add unamortized bond premium			<u>42,680</u>	<u>44,566</u>
			<u>\$ 759,902</u>	<u>\$ 781,200</u>

The issuance of various bonds during fiscal year 2014 and 2013 resulted in a combined loss of approximately \$461,000 and \$15.1 million, respectively, and a combined economic gain of approximately \$-0-and \$20.2 million, respectively.

A summary of the annual aggregate principal payments for years subsequent to June 30, 2014, is as follows (dollars in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2015	\$ 20,074	\$ 29,169	\$ 49,243
2016	20,595	28,724	49,319
2017	22,903	28,059	50,962
2018	23,672	27,321	50,993
2019	24,511	26,473	50,984
2020-2024	135,966	117,879	253,845
2025-2029	153,753	87,278	241,031
2030-2034	147,372	51,777	199,149
2035-2039	121,940	17,900	139,840
2040-2044	<u>46,610</u>	<u>2,066</u>	<u>48,676</u>
<b>Total</b>	<u>\$717,396</u>	<u>\$416,646</u>	<u>\$1,134,042</u>

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**NOTE 12 - SYSTEM BONDS PAYABLE**

The Fund receives State appropriations to finance its operations. In addition, it is subject to the legislative and administrative mandates of State government. Those mandates affect various aspects of the Fund's operations, its tuition and fee structure, its personnel policies, and its administrative practices.

The State has chartered the Fund 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 within the Fund. Financing for these facilities was provided through revenue bonds issued by various former governing boards which are now administered by the Policy Commission.

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

In June 2012, \$124,190,000 of Series A Bonds (the "2012 Series A Bonds") and \$7,975,000 of Series B Bonds (the "2012 Series B Bonds") were sold. These Bonds were issued to provide funds to (i) advance refund a portion of the 2004 Series B Higher Education Facilities Bonds, (ii) fund certain projects of the Commission, and (iii) pay the costs associated with the issuance of these Bonds. The 2012 Series A Bonds and Series B Bonds outstanding at June 30, 2012, consist of \$82,090,000 and \$5,575,000 serial bonds, respectively, with varying interest rates from 2.00 percent to 5.00 percent and mature serially from April 1, 2013 through April 1, 2029. Additionally, term bonds from the 2012 Series A Bonds of \$42,100,000 and from the 2012 Series B Bonds of \$2,400,000 with an interest rate of 4.00 percent mature April 1, 2034.

On December 17, 2010, \$16,520,000 of Series A Bonds, \$50,265,000 of Series B Bonds, and \$10,080,000 of Series C Bonds were sold. The Bonds were issued to provide funds to (i) fund certain higher education facilities projects, (ii) fund an interest subsidy reserve fund for the benefit of the Series B Bonds, and (iii) pay the costs associated with the issuance of these Bonds. The Series A, Series B, and Series C Bonds outstanding at June 30, 2012, consist of \$3,770,000, \$0, and \$8,740,000 serial bonds, respectively, with varying interests rates from 2.14 percent to 5.28 percent and mature through April 1, 2020. Additionally, term bonds from the Series A Bonds of \$12,750,000 with an interest rate of 5.00 percent mature April 1, 2026. Term bonds from the Series B Bonds of \$10,800,000 with an interest rate of 7.45 percent mature April 1, 2030, and of \$39,465,000 with an interest rate of 7.65 percent mature April 1, 2040.

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**NOTE 12 - SYSTEM BONDS PAYABLE (CONTINUED)**

The Commission, at June 30, 2014 and 2013, has the following outstanding bonds payable (dollars in thousands):

	Maximum Interest Rate	Original Range of Annual Installments	Principal Outstanding	
			2014	2013
Series 2012A — Revenue Refunding Bonds, due through 2034	5.00%	\$1,425–\$42,100	\$ 122,765	\$ 122,765
Series 2012B — Revenue Bonds, due through 2034	5.00	200–2,400	7,540	7,775
Series 2010A — Revenue Bonds, due through 2026	5.00	235–12,750	16,520	16,520
Series 2010B — Revenue Bonds, due through 2040	7.65	10,800–39,465	50,265	50,265
Series 2010C — Revenue Bonds, due through 2018	5.28	1,340–1,580	5,965	7,370
Series 2009A — Community and Technical College Improvement Revenue Bonds, due through 2039	5.25	1,425–4,760	72,670	74,110
Series 2007A — Revenue Refunding Bonds, due through 2027	5.00	185–1,880	19,690	20,900
Series 2004B — Higher Education Facilities Bonds, due through 2034	6.00	2,680–9,520	2,215	6,835
Series 2000A — University System Bonds, due through 2031	6.26	0–3,264	30,270	33,327
Series 1998 — University System Bonds, due through 2028	5.25	1,065–3,625	<u>37,085</u>	<u>38,825</u>
			364,985	378,692
Add bond premium			14,263	14,978
Less bond discount			<u>(400)</u>	<u>(415)</u>
<b>Total</b>			<b><u>\$ 378,848</u></b>	<b><u>\$ 393,255</u></b>

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2014, is as follows (dollars in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2015	\$ 13,990	\$ 21,255	\$ 35,245
2016	14,307	20,928	35,235
2017	13,518	20,539	34,057
2018	13,888	20,165	34,053
2019	14,301	19,748	34,049
2020-2024	78,848	91,407	170,255
2025-2029	85,550	75,142	160,692
2030-2034	78,828	39,578	118,406
2035-2039	40,960	11,512	52,472
2040	<u>10,795</u>	<u>699</u>	<u>11,494</u>
<b>Total</b>	<b><u>\$364,985</u></b>	<b><u>\$320,973</u></b>	<b><u>\$ 685,958</u></b>

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**NOTE 12 - SYSTEM BONDS PAYABLE (CONTINUED)**

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

**NOTE 13 - UNRESTRICTED NET POSITION**

The Fund's unrestricted net position at June 30, 2014 and 2013, includes certain designated net position as follows (dollars in thousands):

	<u>2014</u>	<u>2013</u>
Designated for auxiliaries	\$ 22,746	\$ 11,845
Designated for repair, replacement, and new property	7,877	26,160
Other	1,711	1,828
Undesignated	<u>329,296</u>	<u>273,649</u>
Total unrestricted net assets before OPEB liability	361,630	313,482
Less OPEB liability	<u>293,115</u>	<u>287,124</u>
<b>Total unrestricted net position</b>	<u><b>\$ 68,515</b></u>	<u><b>\$ 26,358</b></u>

**NOTE 14 - RETIREMENT PLANS**

Substantially all full-time employees of the Fund participate in either the West Virginia Teachers' Retirement System (STRS) or the Teachers' Insurance and Annuities Association — College Retirement Equities Fund (TIAA-CREF). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants. Current participants in the STRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan (TDC). Contributions to and participation in the TDC by Fund 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 New Educators Money 401(a) basic retirement plan ("Educators Money"). New hires have the choice of either plan.

The Educators Money is a defined contribution plan in which benefits are based solely upon amounts contributed plus investment earnings. Each employee who elects to participate in this plan is required to make a contribution equal to 6% of total annual compensation. The Fund matches the employees' 6% contributions. Contributions are immediately and fully vested. Employees may elect to make additional contributions to the Educators Money, which are not matched by the Fund.

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**NOTE 14 - RETIREMENT PLANS (CONTINUED)**

Total contributions to Educators Money for the years ended June 30, 2014, 2013, and 2012, were \$1,266,812, \$1,078,000, and \$1,106,600, respectively, which consisted of approximately \$633,287, \$539,000, and \$553,300, from the Fund in 2014, 2013, and 2012, respectively, and approximately \$633,525, \$539,000, and \$553,300, from the covered employees in 2014, 2013, and 2012, respectively.

The STRS is a cost-sharing, defined benefit public retirement system. Employer and employee contribution rates are established annually by the State Legislature. The contractual maximum contribution rate is 15%. The Fund accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for both years ended June 30, 2014 and 2013. Required employee contributions are at the rate of 6% of total annual salary for both years ended June 30, 2014 and 2013. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years' salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2014, 2013, and 2012, were approximately \$4,633,291, \$5,217,700, and \$5,735,400, respectively, which consisted of approximately \$3,230,430, \$3,709,800, and \$4,079,800, from the Fund in 2014, 2013, and 2012, respectively, and approximately \$1,402,861, \$1,507,900, and \$1,655,600, from the covered employees in 2014, 2013, and 2012, respectively.

The contribution rate is set by the State Legislature on an overall basis, and the STRS does not perform a calculation of the contribution requirement for individual employers, such as the institutions within the Fund. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of the report may be obtained by writing to the Consolidated Public Retirement Board, Building 5, Room 1000, Charleston, WV 25305.

The TIAA-CREF is a defined contribution plan in which benefits are based solely upon amounts contributed plus investment earnings. Employees who elect to participate in this plan are required to make a contribution equal to 6% of total annual compensation. The Fund matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF which are not matched by the Fund.

Total contributions to the TIAA-CREF for the years ended June 30, 2014, 2013, and 2012, were approximately \$84.0 million, \$83.0 million, and \$79.3 million, respectively, which consisted of approximately \$42.0 million, \$41.5 million, and \$39.6 million from the Fund in 2014, 2013, and 2012, respectively, and approximately \$42.0 million, \$41.5 million, and \$39.7 million, from the covered employees in 2014, 2013, and 2012, respectively.

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**NOTE 14 - RETIREMENT PLANS (CONTINUED)**

The Fund's total payroll for the years ended June 30, 2014, 2013, and 2012, was approximately \$818.7 million, \$810.8 million, and \$783.9 million, respectively, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were approximately \$23.1 million, \$337.4 million, and \$10.5 million for the year ended June 30, 2014; \$32.7 million, \$693.5 million, and \$8.9 million for the year ended June 30, 2013; and \$34.0 million, \$666.3 million, and \$14.3 million for the year ended June 30, 2012.

**NOTE 15 - FOUNDATIONS**

Various foundations have been established as separate nonprofit organizations incorporated in the State of West Virginia having as their purpose "... to aid, strengthen, and further in every proper and useful way, the work and services of the (individual institutions within the Fund), and their affiliated nonprofit organizations ..." Oversight of each of the foundations is the responsibility of separate and independently elected Boards of Directors, not otherwise affiliated with the Fund. In carrying out its responsibilities, the Boards of Directors of the foundations employ management, form policy, and maintain fiscal accountability over funds administered by the foundations. Although the individual institutions within the Fund do not control the timing or amount of receipts from the foundations, the majority of resources, or income thereon, that the foundations hold and invest are restricted to the activities of the individual institutions within the Fund by donors. Because these restricted resources held by the foundations as detailed in the financial statements can only be used by, or for the benefit of, the individual institutions within the Fund, the foundations are considered component units of the individual Institutions and are, therefore, discretely presented with the Institution's financial statements in accordance with GASB discretely presented component unit requirements. In accordance with GASB, the foundations are not included in the financial statements of the Fund.

The West Virginia University Foundation, Inc. is appropriately not included as a discretely presented component unit of West Virginia University as the economic resources held do not entirely or almost entirely benefit the West Virginia University, and its net assets (including unrealized gains) totaled \$764.5 million and \$672.7 million at June 30, 2014 and 2013, respectively. The Blue Ridge Community and Technical College Foundation, Inc., The Bridgemont Community and Technical College Foundation, Inc., The Eastern West Virginia Community and Technical College Foundation, Inc., The Kanawha Valley Community and Technical College Foundation, Inc., Mountwest Foundation, Inc., and Tech Foundation, Inc. are not included for the years ended June 30, 2014 and 2013 within the individual Institution's financial statements, because they were not significant to their Institutions. The Higher Education Foundation is not included for the years ended June 30, 2014 and 2013, because it was not significant to the Fund.

Complete financial statements for any foundation can be obtained by contacting the Business Office of the West Virginia Higher Education Policy Commission, 1018 Kanawha Boulevard, E, Suite 700, Charleston, WV 25301.

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**NOTE 16 - OTHER RELATED ENTITIES**

In addition to the Foundations included as discretely presented component units of the individual Institutions, the individual Institutions have two other component units, Bluefield State College Research and Development Corporation and Provident Group-Marshall Properties, LLC, which are material to their institutions and entirely or almost entirely for the benefit of the individual Institutions as of each year end. Oversight of the other entities is the responsibility of separate and independently elected Boards of Directors, not otherwise affiliated with the Fund.

**NOTE 17 - AFFILIATED ORGANIZATIONS**

The Institutions have various separately incorporated affiliated organizations, including alumni and other associations. Oversight responsibility for these organizations rests with independent boards and management not otherwise affiliated with the Fund. Accordingly, the financial statements of these organizations are not included in the Fund's accompanying financial statements under the blended component unit requirements. They are not included in the Fund's accompanying financial statements as discretely presented component units as they are (1) not significant or (2) have dual purpose (i.e., not entirely or almost entirely for the benefit of the Fund).

**NOTE 18 - CONTINGENCIES AND COMMITMENTS**

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

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. Management believes disallowances, if any, would not have a significant financial impact on the Fund's financial position.

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements at June 30, 2014 or 2013.

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**NOTE 18 - CONTINGENCIES AND COMMITMENTS (CONTINUED)**

The Fund and Institutions within the Fund own various buildings that are known to contain asbestos. The Fund is not required by federal, state, or local law to remove the asbestos from the buildings. The Fund is required by federal environmental, health, and safety regulations to manage the presence of asbestos in the buildings in a safe condition. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. The Fund also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe condition.

**Commitments** - West Virginia University has signed an agreement providing for the purchase of steam through the year 2030 from a nearby facility that commenced operations in late 1992. Under the agreement, West Virginia University has an annual minimum steam purchase requirement, purchased at an operating rate calculated in accordance with the agreement. This operating rate is adjusted quarterly based on actual production costs and other cost indices. Management believes that the rate is comparable to market rates. An additional \$0.8 million and \$1.0 million was accrued at June 30, 2014 and 2013, respectively, to record the West Virginia University's liability to meet the minimum steam purchase requirement for the contract years ended September 30, 2014 and 2013. West Virginia University anticipates substantially meeting the minimum steam purchase requirement for the remaining term of its commitment; however, payments in future years will be dependent on actual operating costs and other cost indices in those years.

West Virginia University has consented to the reduction of its distributions from future Big 12 revenues (of which \$5 million of unearned revenue is recorded as of June 30, 2014 and 2013), if the West Virginia University Foundation, Inc. does not make required payments under its \$10 million promissory note with the Big 12.

**NOTE 19 - SUBSEQUENT EVENTS**

Fairmont State's Board of Governors approved an Early Retirement Incentive Plan effective beginning in fiscal year 2015 for those who elect to participate. Eligible faculty and staff members elect to participate in the plan during a specified period. In total, 22 Fairmont State faculty and staff members have elected to participate and began the severance period on August 17, 2014. The severance dates extend to July 1, 2016 for a limited number of employees. Employees with 25 years of benefit-eligible service and any combination of age, for a total of 85 years or greater, qualify for 100% of their current base salary to be paid over a two-year period. Qualifying faculty and staff members with 15 to 24 years of benefit-eligible service qualify for a pro-rated amount of their current base salary to be paid over a two-year period. Fairmont State estimates that the total cost of the severance plan will be approximately \$1.4 million and estimates an initial annual budget savings of \$515,705 due to the difference between current costs and replacement salary costs.

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**NOTE 19 - SUBSEQUENT EVENTS (CONTINUED)**

On September 9, 2014, West Virginia University entered into a lease purchase agreement with WesBanco for \$13,250,000 to finance the purchase of real property located adjacent to the Evansdale campus. A student housing facility, University Park, will be constructed on this land as part of the public-private partnership. The proceeds of this lease purchase were used to reimburse the University for the cost of the real property as well as pay the costs of issuance. The Board approved this financing at its meeting on March 27, 2013.

On September 17, 2014, West Virginia University (Aa3/A) issued \$189.2 million in bonds with a closing on September 30, 2014. The \$60 million 2014 Series A tax-exempt bonds were structured as two term bonds both coming due in 2044 with 5.00% and 4.00% coupons, yielding 3.65% and 4.03%, respectively. Proceeds of the 2014 Series A bonds will be used in Phase II of the Personal Rapid Transit renovations. The bonds sold with a net premium of \$5,562,000.

The \$79.05 million 2014 Series B taxable bonds were structured with one term bond with a final maturity in 2042 and yield of 4.471%. Proceeds of the 2014 Series B bonds will be used to fund the Athletics Facilities Plan. West Virginia University achieved a tax-exempt fixed all-in True Interest Cost (TIC) of 4.29%, a taxable fixed All-in TIC of 4.49%. The bonds were sold at par.

The \$50.19 million 2014 Series B tax-exempt Floating Rate Notes (FRNs) were structured with a 5-year hard put feature and priced as SIFMA plus 0.53%. The proceeds of these bonds will be used to refund West Virginia University's 2011 Series C FRNs, which were originally structured with a 3-year hard put as SIFMA plus 0.65%.

The West Virginia State University Foundation is entering into an uncompleted bond transaction with the Kanawha County commission to build a new residence hall for the University with a total cost not to exceed \$30,000,000. The University will manage and operate the residence hall for the Foundation, and the bond payments will be paid from revenue generated from student housing fees based on agreements established with the Foundation.

During the State's 2013 legislative session, legislators passed Senate Bill No. 438 allowing for the consolidation of Bridgemont and Kanawha Valley pending approval by the Higher Learning Commission (HLC). The HLC approved the consolidation at its February 2014 meeting. Effective March 20, 2014, BridgeValley Community and Technical College (BridgeValley) was officially recognized by the HLC; this is considered to be the founding date for BridgeValley. Effective July 1, 2014, BridgeValley began operating as a single college for state financial reporting purposes. For audit purposes, fiscal year 2014 is the last year that each college (Bridgemont and Kanawha Valley) will have separate audits. This consolidation is having a positive impact as both institutions were small and could not afford to duplicate management, as is evidenced by the fund balances at each institution. Moreover, with the close geographical proximity, less than 35 miles, each institution competed with the other, especially in workforce industry training. The impact of these efficiencies began to be realized in 2014 and will continue in 2015.

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**NOTE 19 - SUBSEQUENT EVENTS (CONTINUED)**

As of June 30, 2014, Pierpont and Fairmont were in disagreement concerning the use of certain fees (Infrastructure Fees and Education & General (E&G) Capital Fees) assessed as part of the Separation of Assets and Liabilities Agreement. At June 30, 2014, assessments due from Pierpont for Infrastructure Fees in the amount of \$218,694 and for E&G Capital Fees in the amount of \$619,750 comprise the disputed amount. These fees are due to the BOG Support Fund (BOG Support), which is shared by Fairmont and Pierpont, for the repairs and maintenance of shared infrastructure and buildings. At June 30, 2014, Pierpont's ownership percentage in BOG Support is 34.10%. Accordingly, the amounts due to BOG Support for 2014 for Infrastructure Fees and E&G Capital Fees are \$74,575 and \$211,335, respectively. Additionally, the amounts recorded as due to Fairmont and Pierpont's (and the Council's) financial statements for 2014 for Infrastructure Fees and E&G Capital Fees are \$144,119 and \$408,415, respectively. Pierpont's and Fairmont's Boards of Governors and Administration agreed to enter into a negotiation period to attempt to resolve the dispute. The respective Boards of Governors and Administration agreed to a settlement in December 2014 in which Pierpont would pay Fairmont the abovementioned amounts, and Fairmont would transfer \$1,000,000 to Pierpont over a period of time to help pay for construction of the Advanced Technology center. Payments of \$500,000 in fiscal year 2015, \$250,000 on July 1, 2015, and \$250,000 on July 1, 2016 comprise the settlement amount to be transferred from Fairmont to Pierpont. The payments are contingent upon continued efforts by Pierpont and Fairmont to fulfill their respective obligations and to comply with the express terms of the Separation of Assets and Liabilities Agreement.

**NOTE 20 - SEGMENT INFORMATION**

Under the auspices of the State of West Virginia and former governing boards, the Fund issued revenue bonds to finance certain of its auxiliary enterprise activities. Investors in those bonds rely solely on the revenues generated by the activities of the auxiliaries for repayment.

Descriptive information for each of the Fund's segments is shown below:

**West Virginia Board of Governors Refunding and Improvement Revenue Bonds 2013 Series A; 2013 Series B (Taxable) (Collectively the "2013 Bonds")** - February 13, 2013, the West Virginia University Board of Governors (the "Board") issued the 2013 Series A bonds in the amount of \$138,325,000 and the 2013 Series B bonds in the amount of \$72,180,000. The bonds were issued pursuant to a Resolution adopted by the Board on December 13, 2012, and pursuant to a resolution of the Commission adopted on December 7, 2012, approving the issuance of such bonds. The bonds were issued under a Bond Trust Indenture dated as of November 1, 2004, as supplemental and amended by a First Supplemental Indenture dated August 1, 2011, a Second Supplemental Indenture dated as of October 1, 2011, a Third Supplemental Indenture dated as of June 1, 2012, a Fourth Supplemental Indenture dated as of December 1, 2012, and a Fifth Supplemental Indenture dated as of February 1, 2013.

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**NOTE 20 - SEGMENT INFORMATION (CONTINUED)**

The 2013 Series A bonds were issued to (a) advance refund a portion of the University Revenue Improvement Bonds 2004 Series C, dated December 2, 2004, and issued in the original principal amount of \$138,710,000, (b) advance refund a portion of the University Revenue Refunding Bonds 2004 Series B, dated December 2, 2004 maturing on and after October 1, 2015 and issued in the original principal amount of \$55,430,000, (c) finance a portion of the costs of the 2013 A project at the University including reimbursement to the University for certain capital expenditures made on the 2013 Series A projects prior to the issuance of the 2013 Series A bonds, and (d) pay for costs of issuance of the 2013 Series A bonds.

The 2013 Series B bonds were issued to (a) advance refund that portion of the 2004 Series C bonds not refunded with the proceeds of the 2013 Series A bonds, (b) finance a portion of the costs of the 2013 Series B projects including reimbursement to the West Virginia University for certain capital expenditures made on the 2013 Series B projects prior to the issuance of the 2013 Series B bonds, and (c) pay the costs of issuance of the 2013 Series B bonds.

The 2013 bonds are secured by and payable from pledged revenues which have been pledged to the payment of such bonds and certain funds held by the bond trustee under the indenture. The 2013 bond are also payable from (but not secured by) other monies legally available to be used for such purposes.

**West Virginia University Board of Governors Revenue Bonds 2012, Series A (Taxable) (Collectively the "2012 Bonds")** - During fiscal year 2013, the Board also issued revenue bonds to finance the acquisition of the Suncrest Plaza and the Loop. The 2012 Series A (taxable) bonds were issued on July 26, 2012 in the amount of \$13,270,555 to finance the acquisition of the Suncrest Plaza. These bonds were a private placement bond issue with the Huntington Investment Company. The 2012 Series B (taxable) bonds were issued on December 13, 2012 in the amount of \$4,800,000 to finance the acquisition of the Loop. These bonds were a private placement bond issue with First United Bank & Trust. The bonds were issued pursuant to a Resolution adopted by the Board on June 7, 2012 and September 28, 2012. The bonds were issued under a Bond Trust Indenture dated as of November 1, 2004, as supplemented and amended by a First Supplemental Indenture dated as of August 1, 2011, a Second Supplemental Indenture dated as of October 1, 2011, a Third Supplemental Indenture dated as of June 1, 2012, and a Fourth Supplemental Indenture dated as of December 1, 2012.

The 2012 bonds are secured by and payable from pledged revenues which have been pledged to the payment of such bonds and certain funds held by the bond trustee under the indenture. The 2012 bonds are also payable from (but not by) secured other monies legally available to be used for such purposes.

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**NOTE 20 - SEGMENT INFORMATION (CONTINUED)**

**West Virginia University Board of Governors University Improvement Revenue Bonds 2011 Series A; University Improvement Revenue Bonds 2011 Series B; University Improvement Variable Rate Revenue Bonds 2011 Series C (Collectively the "2011 Bonds")** - During fiscal year 2012, the Board issued revenue improvement bonds to finance the acquisition of multi-story apartment complex known as "The Augusta on the Square" and other lots, buildings, houses and structures which were subject to liens thereupon. The 2011 Series A bonds were issued on August 1, 2011 in the amount of \$12,710,197. The bonds were issued as the First Supplemental Indenture, supplementing and amending the Bond Trust Indenture, dated November 1, 2004.

Also during fiscal year 2012, the Board issued revenue improvement bonds (a) University Improvement Revenue Bonds (West Virginia University Projects) 2011 Series B, in the aggregate principal amount of \$187,605,000 (the "2011 B Bonds") and (b) University Improvement Variable Rate Revenue Bonds (West Virginia University Projects) 2011 Series C, in the aggregate principal amount of \$50,000,000 (the "2011 C Bonds" and together with the 2011 B Bonds, the "2011 Bonds"). The 2011 Bonds were issued pursuant to a Resolution adopted by the Board on June 3, 2011, and pursuant to a resolution of the Commission adopted on August 5, 2011, approving the issuance of such Bonds. The 2011 Bonds were issued under and secured by a Bond Trust Indenture dated as of November 1, 2004 between the Issuer and United Bank, Inc., as Bond Trustee (the "Bond Trustee"), as supplemented by a First Supplemental Bond Indenture dated as of August 1, 2011 and Second Supplemental Bond Indenture dated as of October 1, 2011. The proceeds of the 2011 Bonds were used to (a) finance a portion of the costs of certain capital projects at the University, including reimbursement to the University for certain capital expenditures related thereto made prior to the issuance of the 2011 Bonds (the "2011 Projects"), (b) refinance certain tax-exempt lease-purchase agreements entered into by the University (the "Refinancing") and (c) pay the costs of issuance of the 2011 Bonds.

The 2011 Series A, B and C Bonds are limited obligations of the Board, payable from and secured by a pledge of Fees and Gross Operating Revenues received by the Board, any interest earnings thereon and on the funds and accounts held by the Bond Trustee, and funds representing capitalized interest. Fees include Institutional Capital Fees, Auxiliary Fees, and Auxiliary Capital Fees. Gross Operating Revenues include all rents fees, charges and other income received by or accrued to the University from the operation and use of the Auxiliary Facilities. The 2011 Series A, B and C Bonds are also payable from (but not secured by) other monies legally available to be used for such purposes.

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**NOTE 20 - SEGMENT INFORMATION (CONTINUED)**

**West Virginia University Board of Governors Auction Rate Certificates, Federally Taxable University Revenue Refunding, and Improvement Bonds 2004 Series A; University Revenue Refunding Bonds 2004 Series B; and the University Revenue Improvement Bonds 2004 Series C (Collectively, the "2004 Bonds")** - On November 1, 2004, the Board issued \$25,900,000 of the 2004 Series A Bonds. The 2004 Series A Bonds are being used (1) to advance refund the \$13,710,000 State of West Virginia, University of West Virginia Board of Trustees, Dormitory Refunding Revenue Bond 1997 Series A, and the \$3,250,500 State of West Virginia, University of West Virginia Board of Trustees, Refunding Revenue Bonds 1997 Athletic Facilities Series A; (2) to finance a portion of the costs of certain capital projects at West Virginia University, including reimbursement to West Virginia for certain capital expenditures made prior to the issuance of the 2004 Series A Bonds; and (3) to pay all or a portion of the costs relating to the issuance of the 2004 Series A Bonds.

On November 1, 2004, the Board also issued 2004 Series B and C Bonds in the amounts of \$55,430,000 and \$138,710,000, respectively. The 2004 Series B Bonds are being used (1) to advance refund the \$4,250,000 State of West Virginia, University of West Virginia Board of Trustees, Revenue Bonds 1997 Athletic Facilities Series B; the \$10,735,000 State of West Virginia, University of West Virginia Board of Trustees, Dormitory Revenue Bonds 1997 Series B; the \$3,000,000 State of West Virginia, University of West Virginia Board of Trustees, Refunding Revenue Bonds 1997 Student Union Series A; and the \$38,000,000 State of West Virginia, University of West Virginia Board of Trustees, Revenue Bonds 1997 Student Union Series B, and (2) to pay the costs of issuance of the 2004 Series B Bonds. The 2004 Series C Bonds are being used to finance a portion of the costs of certain improvements at West Virginia University, including capitalized interest and reimbursement to West Virginia University for certain capital expenditures made prior to the issuance of the 2004 Series C Bonds, and to pay the cost of issuance.

The 2004 Bonds are limited obligations of the Board, payable from and secured by a pledge of Fees and Gross Operating Revenues received by the Board, any interest earnings thereon and on the funds and accounts held by the Bond Trustee, and the funds representing capitalized interest. Fees include Institutional Capital Fees, Auxiliary Fees, and Auxiliary Capital Fees. Gross Operating Revenues include all rent fees, charges, and other income received by or accrued to West Virginia University from the operation and use of the Auxiliary Facilities. The 2004 Bonds are also payable from (but not secured by) other moneys legally available to be used for such purposes.

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**NOTE 20 - SEGMENT INFORMATION (CONTINUED)**

**Board of Governors of Marshall University, University Revenue Bonds, Series 2011** - In November 2011, the Marshall University Board sold \$51,910,000 of University Revenue Bonds, Series 2011 (the "2011 Bonds"). The 2011 Bonds were issued under the authority contained in Chapter 18, Article 18B of the Code of West Virginia, 1931, as amended, and the 2011 Bonds are secured pursuant to a Trust Indenture dated as of November 1, 2011, between the Board and United Bank, Inc., Charleston, West Virginia, as the Trustee. The 2011 Bonds were issued on parity with the 2010 Bonds and are secured by and payable from certain revenues as defined in the Trust Indenture. The proceeds of the 2011 Bonds are being used to (1) finance various capital improvements, (2) pay capitalized interest on the bonds, and (3) pay the costs of issuance of the 2011 Bonds.

**Board of Governors of Marshall University, University Refunding Revenue Bonds, Series 2010** - In November 2010, the Marshall University Board sold \$37,140,000 of Marshall University Refunding Revenue Bonds, Series 2010 (the "2010 Bonds"). The 2010 Bonds were issued under the authority contained in Article 10, Chapter 18B of the Code of West Virginia, 1931, as amended, and the 2010 Bonds will be secured pursuant to an indenture dated as of November 1, 2010, by and between the Trustee. The 2010 Bonds are secured by and payable from auxiliary fees as defined in the Indenture. The proceeds of the 2010 Bonds are being used to (1) advance refund \$40,690,000 of State of West Virginia, Higher Education Interim Governing Board, University Facilities Revenue Bonds, Series 2001A and (2) pay the costs of issuance of the 2010 Bonds. The issuance of the 2010 Bonds resulted in a savings of \$1.7 million that will be realized on the first two years of the bond amortization schedule via reduced payments.

**The County Commission of Gilmer County, West Virginia, Commercial Development Revenue Bonds, Glenville State College Housing Corporation Project, Series 2009A** - In December 2009, Glenville State College sold \$25,500,000 of Commercial Development Revenue Bonds, Housing Facilities Series 2009 Bonds. The bonds are secured by and payable from the revenues of Glenville State College's student housing facilities and certain funds held under the Indenture. The proceeds of the bonds are being used (1) to pay all or part of the cost of constructing a 484-bed student residence hall and (2) to pay a portion of the cost of issuing the bonds.

**Board of Governors of Glenville State College, Student Fee Revenue Bonds, Glenville State College Science Building Project, Series 2007** - In December 2007, Glenville State College sold \$4,125,000 of revenue bonds, 2007 Student Fee Revenue Bonds, Series 2007. The bonds are secured by and payable from the revenues of Glenville State College education and general capital fees and certain funds held under the Indenture. The proceeds of the bonds are being used (1) to finance all or part of the cost of renovating the science building, (2) to reimburse the Board for cash amounts previously expended to pay renovation costs, and (3) to pay the cost of issuing the bonds.

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**NOTE 20 - SEGMENT INFORMATION (CONTINUED)**

**Board of Governors of Glenville State College, Facilities Improvement Revenue Bonds, Series 2006** - In November 2006, Glenville State College sold \$1,500,000 of revenue bonds, 2006 Facilities Improvement Revenue Bonds, Series 2006. The bonds are secured by and payable from the revenues of Glenville State College's auxiliary and auxiliary capital fee and certain funds held under the Indenture. The proceeds of the 2006 Bonds are being used (1) to finance all or part of the cost of renovating the student center (Mollohan Campus Community Center), (2) to reimburse the Board for cash amounts previously expended to pay renovation costs, and (3) to pay the cost of issuing the bonds.

**The County Commission of Gilmer County, West Virginia, Commercial Development Revenue Bonds, Glenville State College Housing Corporation Project (the "Corporation"), Series 2000A** - In September 2001, the Corporation sold \$4,990,000 of revenue bonds, 2000 Housing Facilities Series A Bonds. The bonds are secured by and payable from the revenues of the student housing facilities and certain funds held under the Indenture. The proceeds of the Bonds are being used (1) to pay all or part of the cost of constructing two ten-story apartment buildings, each containing four units to be used as student housing and (2) to pay a portion of the cost of issuing the bonds.

In June 2011, the Corporation took advantage of an opportunity to refinance the 2000 Housing Facilities Series A Bonds at a more favorable interest rate. The 2011 Housing Facilities Series A Bonds were issued without extending the original maturity date of the 2000 Series Bonds.

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

**Fairmont State Facilities Improvement Revenue Bonds, 2006 Series** - On May 9, 2006, Fairmont State issued Facilities Improvement Revenue Bonds (the "2006 Bonds") amounting to \$8,500,000. The 2006 Bonds were issued to (1) finance the design, acquisition, construction, and equipping of certain necessary improvements in the facilities of the main campus of Fairmont State University, including, but not limited to, a technology wing addition/renovation and elevator/HVAC improvements to infrastructure improvements, all of which will be owned by the Board and (2) pay the costs of issuance of the 2006 Bonds and related costs.

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**NOTE 20 - SEGMENT INFORMATION (CONTINUED)**

**Shepherd University, Refunding Revenue Bonds** – On December 2, 2013, Shepherd University issued \$6.7 million in General Obligation Bonds with an average interest rate of 3.69 percent to advance refund \$7.1 million of outstanding 2003 and 2004 series bonds with an average interest rate of 4.27%. As a result, both 2003 series bonds and 2004 series bonds are considered to be defeased and the liability for both of those bonds has been removed from the statement of net position.

**State of West Virginia, Shepherd University, Wellness Center Facilities Revenue Bonds, Series 2007** - In October 2007, \$20,090,000 of Shepherd University Wellness Center Revenue Bonds, Series 2007 were sold. The bonds were issued to finance the costs of planning, design, acquisition, construction, and equipping of a new wellness center on the Shepherd University's campus and other capital improvements for use by Shepherd University; and to pay the costs of issuance of the bonds and related costs.

**State of West Virginia, Shepherd University, Residence Facilities Revenue Bonds, Series 2005** - In May 2005, \$22,925,000 of Shepherd University Revenue Bonds (Shepherd University Residence Facilities Projects) Series 2005 were sold. These bonds were issued to (1) finance the costs of planning, design, acquisition, construction, and equipping of a 300-bed apartment style residence complex on the West Campus of Shepherd University; (2) fund capitalized interest on the Series 2005 Bonds to January 1, 2007; (3) refund the Issuer's \$1,865,000 University Facilities Revenue Notes, Series 2004A, which were issued to finance temporarily a portion of the costs of planning, design, acquisition, construction, and equipping of certain renovations and improvements to Shaw Hall and Thatcher Hall and other capital renovations and improvements to Shepherd University's residence facilities pending issuance of the Series 2005 Bonds; and (4) to pay the costs of issuance of the Series 2005 bonds.

**State of West Virginia, Shepherd University, Infrastructure Revenue Bonds, Series 2004** - In September 2004, \$3,405,000 of Shepherd University Infrastructure Revenue Bonds, Series 2004 were sold. These bonds were issued to (1) finance the costs of planning, design, acquisition, construction, and equipping of certain capital improvements for Shepherd University, including certain roads, water and sewer system expansion, extensions and improvements and other infrastructure projects on the West Campus of Shepherd University and other capital renovations and improvements to Shepherd University's campus, and (2) to pay the costs of issuance of these bonds and related costs.

**State of West Virginia, Shepherd University, Student Fee Revenue Bonds, Series 2003** - In January 2003, \$5,990,000 of Shepherd University Student Fee Revenue Bonds, Series 2003 were sold. These bonds were issued to (1) finance the costs of planning, designing, acquiring equipment and constructing of certain capital improvements, including the Field House, the expansion and improvement of the Arts Center, a new parking lot and other capital renovations, repairs and improvements, (2) to establish a debt serve reserve fund, (3) to establish a capitalized interest fund to pay interest on these bonds due on December 1, 2003, and (4) to pay the costs of issuance of the bonds and related costs.

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**NOTE 20 - SEGMENT INFORMATION (CONTINUED)**

**State of West Virginia, Board of Governors of West Virginia State University, Revenue Bonds, 2013 Series A** - On February 20, 2013, the West Virginia State University issued \$2,815,000 of Revenue Bonds, 2013 Series A. These bonds are secured by and payable from fees assessed to the students of West Virginia State University held under the Indenture. The proceeds of these Bonds are being used to (1) refund 2002 Series A, (2) acquire equipment, and (3) pay costs of issuance of 2013 Bonds and related costs.

**State of West Virginia, Board of Governors of West Virginia State University, Revenue Bonds, 2012 Series** - On December 20, 2012, West Virginia State University issued \$8,930,000 of Revenue Bonds, 2012 Series. These bonds are secured by and payable from fees assessed to the students of West Virginia State University held under the Indenture. The proceeds of these bonds are being used to (1) refund 1996-1 note from Educational Direct Loan Mortgage Corporation, (2) fund various capital projects, and (3) pay the costs of issuance of these bonds and related costs.

**State of West Virginia, West Virginia State College, Student Union Revenue Bonds, 2002 Series A** - On August 1, 2002, the West Virginia State College issued Student Union Revenue Bonds 2002 Series A, of serial and term bonds in the amount of \$5,500,000. The bonds were issued to (1) finance the costs of renovation of, construction of an addition to and acquisition of equipment for the College Union, (2) to establish a debt service reserve fund, and (3) to pay the costs of issuance of the Bonds and related costs. These bonds were paid off with the issuance of the 2013 Bonds.

**Board of Governors of West Liberty University, Revenue Refunding Bonds 2013 Series** - On March 6, 2013, West Liberty University issued University Revenue Refunding Bonds, Series 2013, amounting to \$9,810,000. The Series 2013 Bonds were issued to (1) currently refund in full the outstanding Series 2003A, 2003B and 2003C Bonds, and (2) pay the costs of issuance of the Series 2013 Bonds and related costs.

**Board of Governors of West Liberty University, Capital Improvement Revenue, 2012 Series** - On May 1, 2012, West Liberty University (formerly West Liberty State College) issued Capital Improvement Revenue Bonds 2012, amounting to \$10,000,000 to finance certain capital improvements and pay costs of issuance.

**Board of Governors of West Liberty State College, Capital Improvements, 2003 Series A, B, and C** - On September 3, 2003, the West Liberty State College issued Dormitory Revenue Bonds 2003 Series A, amounting to \$8,870,000. The bonds were issued (1) to finance certain capital improvements consisting of repairs and renovations to West Liberty State College's (the "College") existing residence halls, including electrical upgrades, renovations of bathrooms, roof repairs, acquisition of new furniture, and upgrades to elevators; (2) to fund a Debt Service Reserve Fund for the 2003 Series A Bonds, and (3) to pay costs of issuance of the 2003 Series Bonds and related costs.

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**NOTE 20 - SEGMENT INFORMATION (CONTINUED)**

On September 3, 2003, the West Liberty State College issued College Union Revenue Bonds 2003 Series B, amounting to \$1,145,000. The bonds were issued (1) to finance certain capital improvements consisting of improvements to the College's existing student union building located on the campus of the College known as the "College Union," including improvements to existing offices and meeting areas, the upgrading of entryways and facades, and parking lot and walking area upgrades, (2) to fund a Debt Service Reserve Fund for the 2003 Series B Bonds, and (3) to pay costs of issuance of the 2003 Series B Bonds and related costs.

On September 3, 2003, the West Liberty State College issued Capital Improvement Revenue Bonds 2003 Series C, amounting to \$3,890,000. The bonds were issued (1) to finance certain capital improvements consisting of constructing a new communications wing and structural repairs to the roof and south facade of the College's Hall of Fine Arts, and to make certain improvements to roads, sidewalks, and parking areas on the College's campus, (2) to fund a Debt Service Reserve Fund for the 2003 Series C Bonds, and (3) to pay costs of issuance of the 2003 Series C Bonds and related costs.

These 2003 Series A, B, and C bonds were paid off with the issuance of the 2013 Bonds.

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**NOTE 20 - SEGMENT INFORMATION (CONTINUED)**

Condensed financial information for the Fund's segments as of June 30, 2014 and 2013, is as follows (dollars in thousands):

	2014															
	WVU Auxiliaries	Marshall Revenue Series 2010 and 2011	Glenville Housing Series A	Glenville 2006 Facilities	Glenville 2007 Student Fees	Glenville 2009 Revenue	Fairmont Refunding 2012	Fairmont Improvement Series 2006	Shepherd 2003 Student Fee	Shepherd Infrastructure 2004	Shepherd Residence Facilities 2005	Shepherd Wellness Center 2007	Shepherd Revenue Refunding 2013	WV State Capital, Housing, Student Union, 2013 Series A	West Liberty Revenue Refunding 2012	West Liberty Capital Improvement 2012
<b>CONDENSED STATEMENT OF NET POSITION</b>																
Assets:																
Current assets	\$ 44,570	\$ 14,733	\$ 75	\$ 337	\$ 66	\$ 503	\$ 12,500	\$ -	\$ -	\$ 6,178	\$ 1,081	\$ 2,241	\$ 929	\$ 6,476	\$ 569	
Noncurrent assets	707,078	93,976	3,705	8,353	8,423	25,211	54,570	7,346	-	20,636	17,545	4,742	14,392	10,848	9,900	
Total assets	751,648	108,709	3,780	8,690	8,489	25,714	67,070	7,346	-	28,814	18,626	6,983	15,321	17,324	10,469	
Deferred outflows of resources	14,480	1,316	-	-	-	-	1,262	-	-	-	-	-	-	-	-	
<b>TOTAL</b>	<b>\$ 766,128</b>	<b>\$ 110,025</b>	<b>\$ 3,780</b>	<b>\$ 8,690</b>	<b>\$ 8,489</b>	<b>\$ 25,714</b>	<b>\$ 68,332</b>	<b>\$ 7,346</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,814</b>	<b>\$ 18,626</b>	<b>\$ 6,983</b>	<b>\$ 15,321</b>	<b>\$ 17,324</b>	<b>\$ 10,469</b>
Liabilities:																
Current liabilities	\$ 42,556	3,061	163	109	107	497	2,708	429	-	-	2,001	582	373	725	625	626
Noncurrent liabilities	549,117	88,536	3,675	1,013	3,037	25,520	47,084	5,518	-	-	20,348	16,606	6,243	11,060	8,640	8,695
Total liabilities	591,673	91,597	3,838	1,122	3,144	26,017	49,792	5,947	-	-	22,349	17,188	6,616	11,785	9,265	9,321
Deferred inflows of resources	-	1,173	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	591,673	92,770	3,838	1,122	3,144	26,017	49,792	5,947	-	-	22,349	17,188	6,616	11,785	9,265	9,321
Net position:																
Net investment in capital assets	211,214	6,010	(303)	7,273	5,279	(2,311)	7,392	1,399	-	-	(81)	509	(1,856)	10,552	1,618	620
Restricted/designated	128,293	-	170	-	-	1,505	11,148	-	-	-	-	-	-	533	-	-
Unrestricted	(165,052)	11,245	75	295	66	503	-	-	-	-	6,546	929	2,223	(7,549)	6,441	528
Total net position	174,455	17,255	(58)	7,568	5,345	(303)	18,540	1,399	-	-	6,465	1,438	367	3,536	8,059	1,148
<b>TOTAL</b>	<b>\$ 766,128</b>	<b>\$ 110,025</b>	<b>\$ 3,780</b>	<b>\$ 8,690</b>	<b>\$ 8,489</b>	<b>\$ 25,714</b>	<b>\$ 68,332</b>	<b>\$ 7,346</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,814</b>	<b>\$ 18,626</b>	<b>\$ 6,983</b>	<b>\$ 15,321</b>	<b>\$ 17,324</b>	<b>\$ 10,469</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>																
Operating:																
Operating revenues	\$ 122,806	\$ 26,039	\$ 650	\$ 389	\$ 415	\$ 2,199	\$ 10,841	\$ 631	\$ 492	\$ -	\$ 16,681	\$ 2,471	\$ 468	\$ 3,474	\$ 1,695	\$ 995
Operating expenses	(127,880)	(15,298)	(444)	(618)	(241)	(1,334)	(5,912)	-	(70)	(324)	(14,701)	(1,554)	(98)	(1,407)	-	-
Other	31,280	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net operating income	26,206	10,741	206	(229)	174	865	4,929	631	422	(324)	1,980	917	370	2,067	1,695	995
Nonoperating:																
Transfers (to) from Institution	(28,213)	(1,474)	-	-	(341)	-	-	-	-	-	-	-	-	-	-	-
Nonoperating revenues	14,234	417	-	-	1	18	-	-	-	-	9	2	-	4	-	-
Nonoperating expenses	(22,415)	(4,810)	(175)	(49)	(152)	(1,093)	(3,739)	(572)	(608)	(38)	(978)	(823)	(3)	(717)	(479)	(248)
<b>(DECREASE) INCREASE IN NET POSITION</b>	<b>(10,188)</b>	<b>4,874</b>	<b>31</b>	<b>(278)</b>	<b>(319)</b>	<b>(227)</b>	<b>1,208</b>	<b>59</b>	<b>(186)</b>	<b>(362)</b>	<b>1,011</b>	<b>96</b>	<b>367</b>	<b>1,354</b>	<b>1,216</b>	<b>747</b>
<b>NET POSITION - Beginning of year</b>	<b>184,643</b>	<b>12,381</b>	<b>(89)</b>	<b>7,846</b>	<b>5,664</b>	<b>(76)</b>	<b>17,332</b>	<b>1,340</b>	<b>186</b>	<b>362</b>	<b>5,454</b>	<b>1,342</b>	<b>-</b>	<b>2,182</b>	<b>6,843</b>	<b>401</b>
<b>NET POSITION - End of year</b>	<b>\$ 174,455</b>	<b>\$ 17,255</b>	<b>\$ (58)</b>	<b>\$ 7,568</b>	<b>\$ 5,345</b>	<b>\$ (303)</b>	<b>\$ 18,540</b>	<b>\$ 1,399</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,465</b>	<b>\$ 1,438</b>	<b>\$ 367</b>	<b>\$ 3,536</b>	<b>\$ 8,059</b>	<b>\$ 1,148</b>
<b>CONDENSED STATEMENT OF CASH FLOWS:</b>																
Net cash provided by operating activities	\$ 27,824	\$ 2,959	\$ 284	\$ 16	\$ 370	\$ 1,240	\$ 4,591	\$ -	(1) \$ 318	\$ (324)	\$ 4,164	\$ 729	\$ 448	\$ 707	\$ 1,695	\$ 995
Net cash used in capital financing activities	(17,122)	(9,097)	(344)	(113)	(596)	(1,529)	(4,409)	-	(384)	(45)	(1,914)	(1,267)	(272)	(713)	(796)	(945)
Net cash provided by (used in) investing activities	282	-	-	-	-	16	-	-	(1,356)	(279)	(924)	-	2,045	-	-	-
<b>INCREASE (DECREASE) IN CASH</b>	<b>10,984</b>	<b>(6,138)</b>	<b>(60)</b>	<b>(97)</b>	<b>(226)</b>	<b>(289)</b>	<b>198</b>	<b>-</b>	<b>(1,422)</b>	<b>(648)</b>	<b>1,326</b>	<b>(538)</b>	<b>2,221</b>	<b>(6)</b>	<b>899</b>	<b>50</b>
<b>CASH - Beginning of year</b>	<b>136,864</b>	<b>20,656</b>	<b>253</b>	<b>411</b>	<b>285</b>	<b>1,989</b>	<b>10,881</b>	<b>-</b>	<b>1,422</b>	<b>648</b>	<b>6,407</b>	<b>944</b>	<b>-</b>	<b>858</b>	<b>5,576</b>	<b>519</b>
<b>CASH - End of year</b>	<b>\$ 147,848</b>	<b>\$ 14,518</b>	<b>\$ 193</b>	<b>\$ 314</b>	<b>\$ 39</b>	<b>\$ 1,700</b>	<b>\$ 11,079</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,733</b>	<b>\$ 406</b>	<b>\$ 2,221</b>	<b>\$ 852</b>	<b>\$ 6,475</b>	<b>\$ 569</b>

\*The cash of WVU, Marshall, Glenville, and Fairmont includes current and noncurrent cash.  
(1) Activity netted to zero.

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**NOTE 20 - SEGMENT INFORMATION (CONTINUED)**

2013

	WVU Auxiliaries	Marshall Revenue Series 2010 and 2011	Glennville Housing Series A	Glennville 2006 Facilities	Glennville 2007 Student Fees	Glennville 2009 Revenue	Fairmont Refunding 2012	Fairmont Improvement Series 2006	Shepherd 2003 Student Fee	Shepherd Infrastructure 2004	Shepherd Residence Facilities 2005	Shepherd Wellness Center 2007	WV State Capital, Housing, Student Union, 2013 Series A	West Liberty Revenue Refunding 2012	West Liberty Capital Improvement 2012
<b>CONDENSED STATEMENT OF NET POSITION</b>															
Assets:															
Current assets	\$ 49,944	\$ 13,185	\$ 134	\$ 431	\$ 288	\$ 1,036	\$ 11,839	\$ -	\$ 1,422	\$ 649	\$ 7,181	\$ 949	\$ 858	\$ 5,576	\$ 519
Noncurrent assets	725,612	94,738	3,777	8,562	8,623	25,790	55,670	7,661	3,688	1,860	20,407	18,005	14,572	11,115	9,926
Total assets	775,556	107,923	3,911	8,993	8,911	26,826	67,509	7,661	5,110	2,509	27,588	18,954	15,430	16,691	10,445
Deferred outflows of resources	15,033	1,457	-	-	-	-	1,332	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 790,589</b>	<b>\$ 109,380</b>	<b>\$ 3,911</b>	<b>\$ 8,993</b>	<b>\$ 8,911</b>	<b>\$ 26,826</b>	<b>\$ 68,841</b>	<b>\$ 7,661</b>	<b>\$ 5,110</b>	<b>\$ 2,509</b>	<b>\$ 27,588</b>	<b>\$ 18,954</b>	<b>\$ 15,430</b>	<b>\$ 16,691</b>	<b>\$ 10,445</b>
Liabilities:															
Current liabilities	\$ 45,763	\$ 5,311	\$ 112	\$ 67	\$ 103	\$ 443	\$ 2,339	\$ 416	\$ 170	\$ 167	\$ 1,900	\$ 592	\$ 1,848	\$ 618	\$ 764
Noncurrent liabilities	560,183	90,265	3,888	1,080	3,144	26,459	49,170	5,905	4,754	1,980	20,234	17,020	11,400	9,230	9,280
Total liabilities	605,946	95,576	4,000	1,147	3,247	26,902	51,509	6,321	4,924	2,147	22,134	17,612	13,248	9,848	10,044
Deferred inflows of resources	-	1,423	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	605,946	96,999	4,000	1,147	3,247	26,902	51,509	6,321	4,924	2,147	22,134	17,612	13,248	9,848	10,044
Net position:															
Net investment in capital assets	216,871	2,860	(386)	7,418	5,375	(2,283)	5,809	1,326	(1,616)	(279)	(441)	569	1,691	1,302	(73)
Restricted/designated	91,883	-	167	-	289	1,177	11,523	14	387	-	-	773	6,546	-	-
Unrestricted	(124,111)	9,521	130	428	-	1,030	-	-	1,415	641	5,895	-	(6,055)	5,541	474
Total net position	184,643	12,381	(89)	7,846	5,664	(76)	17,332	1,340	186	362	5,454	1,342	2,182	6,843	401
<b>TOTAL</b>	<b>\$ 790,589</b>	<b>\$ 109,380</b>	<b>\$ 3,911</b>	<b>\$ 8,993</b>	<b>\$ 8,911</b>	<b>\$ 26,826</b>	<b>\$ 68,841</b>	<b>\$ 7,661</b>	<b>\$ 5,110</b>	<b>\$ 2,509</b>	<b>\$ 27,588</b>	<b>\$ 18,954</b>	<b>\$ 15,430</b>	<b>\$ 16,691</b>	<b>\$ 10,445</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>															
Operating:															
Operating revenues	\$ 117,998	\$ 25,802	\$ 686	\$ 406	\$ 427	\$ 2,208	\$ 11,206	\$ 631	\$ 483	\$ 340	\$ 16,460	\$ 2,504	\$ 1,871	\$ 1,769	\$ 522
Operating expenses	(137,814)	(15,610)	(615)	(562)	(200)	(1,512)	(5,401)	-	(319)	(294)	(16,718)	(1,748)	(1,477)	-	-
Other	29,379	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net operating income	9,563	10,192	71	(156)	227	696	5,805	631	164	46	(258)	756	394	1,769	522
Nonoperating:															
Transfers (to) from Institution	(17,118)	21	278	352	(247)	1,386	17	-	-	-	-	-	-	3	-
Nonoperating revenues	12,397	522	-	-	-	-	-	-	22	-	10	-	5	-	-
Nonoperating expenses	(20,383)	(6,874)	(181)	(51)	(155)	(1,110)	(3,805)	(587)	(250)	(95)	(1,325)	(1,154)	(410)	(966)	(47)
<b>(DECREASE) INCREASE IN NET POSITION</b>	<b>(15,541)</b>	<b>3,861</b>	<b>168</b>	<b>145</b>	<b>(175)</b>	<b>972</b>	<b>2,017</b>	<b>44</b>	<b>(64)</b>	<b>(49)</b>	<b>(1,573)</b>	<b>(398)</b>	<b>(11)</b>	<b>806</b>	<b>475</b>
<b>NET POSITION - Beginning of year</b>	<b>200,184</b>	<b>8,520</b>	<b>(257)</b>	<b>7,701</b>	<b>5,839</b>	<b>(1,048)</b>	<b>15,315</b>	<b>1,296</b>	<b>250</b>	<b>411</b>	<b>7,027</b>	<b>1,740</b>	<b>2,193</b>	<b>6,037</b>	<b>(74)</b>
<b>NET POSITION - End of year</b>	<b>\$ 184,643</b>	<b>\$ 12,381</b>	<b>\$ (89)</b>	<b>\$ 7,846</b>	<b>\$ 5,664</b>	<b>\$ (76)</b>	<b>\$ 17,332</b>	<b>\$ 1,340</b>	<b>\$ 186</b>	<b>\$ 362</b>	<b>\$ 5,454</b>	<b>\$ 1,342</b>	<b>\$ 2,182</b>	<b>\$ 6,843</b>	<b>\$ 401</b>
<b>CONDENSED STATEMENT OF CASH FLOWS:</b>															
Net cash provided by operating activities	\$ 3,492	\$ 8,360	\$ 138	\$ 53	\$ 412	\$ 1,092	\$ 5,478	\$ -	\$ 453	\$ 339	\$ 1,206	\$ 1,241	\$ 1,225	\$ 1,769	\$ 522
Net cash provided by (used in) capital financing activities	83,867	(6,317)	(97)	238	(502)	(63)	(4,067)	-	(622)	(251)	(3,765)	(2,120)	(343)	(340)	(3)
Net cash provided by investing activities	467	-	-	-	-	-	16	-	251	-	1,022	821	-	-	-
<b>INCREASE (DECREASE) IN CASH</b>	<b>87,826</b>	<b>2,043</b>	<b>41</b>	<b>291</b>	<b>(90)</b>	<b>1,029</b>	<b>1,427</b>	<b>-</b>	<b>82</b>	<b>88</b>	<b>(1,537)</b>	<b>(58)</b>	<b>882</b>	<b>1,429</b>	<b>519</b>
<b>CASH - Beginning of year</b>	<b>49,038</b>	<b>18,613</b>	<b>212</b>	<b>120</b>	<b>355</b>	<b>960</b>	<b>9,454</b>	<b>-</b>	<b>1,340</b>	<b>560</b>	<b>7,944</b>	<b>1,002</b>	<b>(24)</b>	<b>4,147</b>	<b>-</b>
<b>CASH - End of year</b>	<b>\$ 136,864</b>	<b>\$ 20,656</b>	<b>\$ 253</b>	<b>\$ 411</b>	<b>\$ 265</b>	<b>\$ 1,989</b>	<b>\$ 10,881</b>	<b>\$ -</b>	<b>\$ 1,422</b>	<b>\$ 648</b>	<b>\$ 6,407</b>	<b>\$ 944</b>	<b>\$ 858</b>	<b>\$ 5,576</b>	<b>\$ 519</b>

\*The cash of WVU, Marshall, Glennville, and Fairmont includes current and noncurrent cash.  
(1) Activity netted to zero.

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**NOTE 21 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

For the years ended June 30, 2014 and 2013, the following tables represent operating expenses within both natural and functional classifications (dollars in thousands):

	<b>2014</b>							<b>Total</b>
	<b>Salaries And Wages</b>	<b>Benefits</b>	<b>Supplies and Other Services</b>	<b>Utilities</b>	<b>Scholarships and Fellowships</b>	<b>Depreciation and Amortization</b>	<b>Other</b>	
Instruction	\$ 370,466	\$ 97,803	\$ 62,817	\$ 525	\$ -	\$ -	\$ 1,240	\$ 532,851
Research	72,452	30,129	47,156	642	-	-	153	150,532
Public service	50,062	12,250	23,038	363	16	-	261	85,990
Academic support	53,326	13,120	30,666	173	-	-	308	97,593
Student services	50,246	15,783	24,677	95	-	-	169	90,970
Operations and maintenance of plant	39,554	14,220	42,374	35,354	-	-	47	131,549
General institutional support	<u>112,971</u>	<u>29,593</u>	<u>67,607</u>	<u>807</u>	<u>792</u>	<u>-</u>	<u>182</u>	<u>211,952</u>
Total education and general	749,077	212,898	298,335	37,959	808	-	2,360	1,301,437
Student financial aid	-	57	-	-	114,013	-	-	114,070
Auxiliary enterprises	70,760	15,930	92,780	15,136	64	-	373	195,043
Depreciation and amortization	-	-	-	-	-	124,814	-	124,814
Administration of leasing activities	811	248	1,734	3,583	-	-	-	6,376
Other	-	-	703	-	-	-	2,617	3,320
<b>Total</b>	<b><u>\$ 820,648</u></b>	<b><u>\$ 229,133</u></b>	<b><u>\$ 393,552</u></b>	<b><u>\$ 56,678</u></b>	<b><u>\$ 114,885</u></b>	<b><u>\$ 124,814</u></b>	<b><u>\$ 5,350</u></b>	<b><u>\$1,745,060</u></b>

	<b>2013</b>							<b>Total</b>
	<b>Salaries And Wages</b>	<b>Benefits</b>	<b>Supplies and Other Services</b>	<b>Utilities</b>	<b>Scholarships and Fellowships</b>	<b>Depreciation and Amortization</b>	<b>Other</b>	
Instruction	\$ 365,368	\$ 98,197	\$ 58,163	\$ 478	\$ 147	\$ -	\$ 1,685	\$ 524,038
Research	73,274	28,394	47,463	1,034	-	-	-	150,165
Public service	51,770	12,435	25,347	426	32	-	37	90,047
Academic support	53,888	13,770	25,794	143	-	-	-	93,595
Student services	49,882	18,055	23,051	51	26	-	-	91,065
Operations and maintenance of plant	40,979	14,443	43,533	36,414	-	-	-	135,369
General institutional support	<u>111,014</u>	<u>28,800</u>	<u>68,451</u>	<u>1,149</u>	<u>650</u>	<u>-</u>	<u>362</u>	<u>210,426</u>
Total education and general	746,175	214,094	291,802	39,695	855	-	2,084	1,294,705
Student financial aid	72	119	109	-	119,221	-	-	119,521
Auxiliary enterprises	69,001	17,063	88,707	15,496	13	-	305	190,585
Depreciation and amortization	-	-	-	-	-	119,009	-	119,009
Administration of leasing activities	900	193	1,717	4,007	-	-	-	6,817
Other	-	-	908	-	-	-	902	1,810
<b>Total</b>	<b><u>\$ 816,148</u></b>	<b><u>\$ 231,469</u></b>	<b><u>\$ 383,243</u></b>	<b><u>\$ 59,198</u></b>	<b><u>\$ 120,089</u></b>	<b><u>\$ 119,009</u></b>	<b><u>\$ 3,291</u></b>	<b><u>\$1,732,447</u></b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 22 - CONDENSED BLENDED COMPONENT UNIT INFORMATION**

Condensed combining information for the Fund's blended component units, for the years ended June 30, 2014 and 2013, is as follows:

**Condensed Combining Statements of Net Position**  
**June 30, 2014**  
(dollars in thousands)

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glennville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating Entries	Total
<b>Assets</b>														
Inter Entity Receivables	\$ 330	\$ 65	\$ -	\$ -	\$ -	\$ 3,948	\$ -	\$ 3,522	\$ -	\$ 7	\$ 93,039	\$ 1,522	\$ (102,433)	\$ -
Other Current Assets	4,614	8,196	8,228	17,812	5,748	34,236	4,395	186,933	108,639	69,123	53,073	80,365	-	581,362
Capital Assets, Net	19,172	54,570	75,090	135,101	83,820	111,513	58,316	1,351,814	414,830	57,048	71,272	221,353	-	2,653,897
Other Noncurrent Assets	624	5,922	2,921	287	1,881	1,211	4,102	267,034	100,703	5,959	38,291	3,509	-	432,444
<b>Total Assets</b>	<b>24,740</b>	<b>68,753</b>	<b>86,239</b>	<b>153,199</b>	<b>91,448</b>	<b>150,908</b>	<b>66,813</b>	<b>1,809,303</b>	<b>624,172</b>	<b>132,137</b>	<b>255,674</b>	<b>306,750</b>	<b>(102,433)</b>	<b>3,667,703</b>
<b>Deferred Outflows of Resources</b>														
	-	-	95	-	1,518	1,262	-	14,480	1,316	-	15,650	-	-	34,321
<b>Total Assets and Deferred Outflows</b>	<b>\$ 24,740</b>	<b>\$ 68,753</b>	<b>\$ 86,334</b>	<b>\$ 153,199</b>	<b>\$ 92,966</b>	<b>\$ 152,171</b>	<b>\$ 66,813</b>	<b>\$ 1,823,783</b>	<b>\$ 625,488</b>	<b>\$ 132,137</b>	<b>\$ 271,324</b>	<b>\$ 306,750</b>	<b>\$ (102,433)</b>	<b>\$ 3,702,024</b>
<b>Liabilities</b>														
Inter Entity Payables	369	423	2,279	-	965	1,969	2	67,475	16,209	-	1,421	11,321	(102,433)	-
Other Current Liabilities	2,351	4,470	5,899	7,300	6,198	8,555	5,976	140,543	40,181	4,271	30,902	32,365	-	289,011
Other Long-Term Liabilities	5,654	12,918	24,893	53,810	44,148	63,223	26,946	759,467	151,609	8,202	405,808	29,885	-	1,586,564
<b>Total Liabilities</b>	<b>8,373</b>	<b>17,811</b>	<b>33,071</b>	<b>61,110</b>	<b>51,311</b>	<b>73,747</b>	<b>32,924</b>	<b>967,485</b>	<b>208,000</b>	<b>12,473</b>	<b>438,131</b>	<b>73,572</b>	<b>(102,433)</b>	<b>1,875,575</b>
<b>Deferred Inflows of Resources</b>														
	-	1,019.28	76.58	-	-	-	-	642.00	1,282.08	489	-	254	-	3,763
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>8,373</b>	<b>18,830</b>	<b>33,147</b>	<b>61,110</b>	<b>51,311</b>	<b>73,747</b>	<b>32,924</b>	<b>968,127</b>	<b>209,282</b>	<b>12,962</b>	<b>438,131</b>	<b>73,826</b>	<b>(102,433)</b>	<b>1,879,338</b>
<b>Net Position</b>														
Net Investment in Capital Assets	18,804	50,226	56,471	90,373	40,961	59,615	49,064	867,614	301,073	57,048	69,860	205,494	(272,564)	1,594,037
Restricted														
Nonexpendable	486	2,664	-	-	-	-	-	7,045	15,176	46	-	50	-	25,468
Expendable	501	1,507	39	199	3,904	4,541	781	23,586	19,061	8,456	58,980	13,111	-	134,666
Unrestricted	(3,424)	(4,475)	(3,323)	1,518	(3,209)	14,267	(15,957)	(42,589)	80,897	53,625	(295,647)	14,268	272,564	68,515
<b>Total Net Position</b>	<b>\$ 16,367</b>	<b>\$ 49,922</b>	<b>\$ 53,187</b>	<b>\$ 92,089</b>	<b>\$ 41,655</b>	<b>\$ 78,424</b>	<b>\$ 33,889</b>	<b>\$ 855,656</b>	<b>\$ 416,206</b>	<b>\$ 119,175</b>	<b>\$ (166,807)</b>	<b>\$ 232,923</b>	<b>\$ -</b>	<b>\$ 1,822,686</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 22 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statements of Net Position**  
**June 30, 2013**  
(dollars in thousands)

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glenville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating Entries	Total
<b>Assets</b>														
Inter Entity Receivables	\$ 269	\$ 5	\$ -	\$ -	\$ -	\$ 4,205	\$ -	\$ 4,623	\$ -	\$ 3	\$ 102,865	\$ 2,526	\$ (114,496)	\$ -
Other Current Assets	7,068	9,306	11,034	17,926	7,043	35,143	9,128	181,523	124,441	67,114	45,473	84,772	-	599,971
Capital Assets, Net	16,519	52,981	63,154	137,135	73,879	110,447	47,167	1,306,753	361,737	54,523	59,402	207,569	-	2,491,265
Other Noncurrent Assets	612	6,118	10,795	734	8,963	1,239	6,734	318,082	106,839	5,489	84,808	4,106	-	554,520
<b>Total Assets</b>	<b>24,468</b>	<b>68,410</b>	<b>84,983</b>	<b>155,795</b>	<b>89,885</b>	<b>151,033</b>	<b>63,030</b>	<b>1,810,981</b>	<b>593,017</b>	<b>127,129</b>	<b>292,548</b>	<b>298,972</b>	<b>(114,496)</b>	<b>3,645,756</b>
<b>Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>103</b>	<b>-</b>	<b>1,967</b>	<b>1,332</b>	<b>-</b>	<b>15,033</b>	<b>1,457</b>	<b>-</b>	<b>16,454</b>	<b>-</b>	<b>-</b>	<b>36,345</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 24,468</b>	<b>\$ 68,410</b>	<b>\$ 85,085</b>	<b>\$ 155,795</b>	<b>\$ 91,852</b>	<b>\$ 152,365</b>	<b>\$ 63,030</b>	<b>\$ 1,826,014</b>	<b>\$ 594,474</b>	<b>\$ 127,129</b>	<b>\$ 309,002</b>	<b>\$ 298,972</b>	<b>\$ (114,496)</b>	<b>\$ 3,682,101</b>
<b>Liabilities</b>														
Inter Entity Payables	480	501	2,409	-	990	2,037	25	72,315	18,321	1	-	17,417	(114,496)	-
Other Current Liabilities	2,064	5,805	8,495	9,249	7,576	9,101	7,103	153,832	41,111	5,214	41,083	25,762	-	316,395
Other Long-Term Liabilities	5,328	13,044	26,048	54,584	45,713	65,754	24,274	767,163	151,152	8,003	418,430	29,046	-	1,608,540
<b>Total Liabilities</b>	<b>7,872</b>	<b>19,350</b>	<b>36,952</b>	<b>63,834</b>	<b>54,279</b>	<b>76,892</b>	<b>31,403</b>	<b>993,310</b>	<b>210,584</b>	<b>13,218</b>	<b>459,513</b>	<b>72,225</b>	<b>(114,496)</b>	<b>1,924,934</b>
<b>Deferred Inflows of Resources</b>	<b>45</b>	<b>1,089</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105</b>	<b>1,532</b>	<b>311</b>	<b>-</b>	<b>18</b>	<b>-</b>	<b>3,150</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>7,917</b>	<b>20,438</b>	<b>37,002</b>	<b>63,834</b>	<b>54,279</b>	<b>76,892</b>	<b>31,403</b>	<b>993,415</b>	<b>212,116</b>	<b>13,528</b>	<b>459,513</b>	<b>72,243</b>	<b>(114,496)</b>	<b>1,928,084</b>
<b>Net Position</b>														
Net Investment in Capital Assets	16,042	48,264	50,988	91,865	32,741	56,054	41,680	869,235	278,534	54,523	59,402	190,405	(236,591)	1,553,141
Restricted														
Nonexpendable	460	2,965	-	-	-	-	-	5,961	15,176	46	-	50	-	24,658
Expendable	492	415	382	577	8,200	4,300	6,517	21,846	18,870	7,651	61,912	18,697	-	149,860
Unrestricted	(442)	(3,671)	(3,287)	(480)	(3,368)	15,119	(16,570)	(64,443)	69,777	51,381	(271,824)	17,576	236,591	26,358
<b>Total Net Position</b>	<b>\$ 16,551</b>	<b>\$ 47,972</b>	<b>\$ 48,084</b>	<b>\$ 91,962</b>	<b>\$ 37,572</b>	<b>\$ 75,473</b>	<b>\$ 31,627</b>	<b>\$ 832,599</b>	<b>\$ 382,358</b>	<b>\$ 113,600</b>	<b>\$ (150,510)</b>	<b>\$ 226,728</b>	<b>\$ -</b>	<b>\$ 1,754,017</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 22 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statements of Revenues, Expenses and Changes in Net Position**  
**June 30, 2014**

(dollars in thousands)

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glenville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating Entries	Total
<b>Operating Revenues</b>														
Student Tuition and Fees, Net	\$ 4,308	\$ 7,080	\$ 14,173	\$ 18,855	\$ 4,855	\$ 11,239	\$ 9,380	\$ 363,820	\$ 70,013	\$ 31,309	\$ -	\$ 32,596	\$ -	\$ 567,628
Federal, State, Local Contracts and Grants	5,403	7,158	6,430	5,588	7,185	9,166	14,232	176,153	63,006	1,650	6,502	18,413	(48,764)	272,121
Sales and Services of Educational Activity	66	6	-	42	710	146	66	17,684	138	-	5,626	1,639	-	26,122
Auxiliary Enterprise Revenue	983	8,759	8,703	18,493	4,070	11,404	4,038	138,405	33,661	429	5,765	1,361	-	236,073
Other Operating Revenues	44	547	296	885	854	6,628	1,853	10,013	7,989	1,256	6,612	3,419	(6,636)	33,761
<b>Total Operating Revenues</b>	<b>10,805</b>	<b>23,550</b>	<b>29,601</b>	<b>43,863</b>	<b>17,673</b>	<b>38,583</b>	<b>29,569</b>	<b>706,075</b>	<b>174,808</b>	<b>34,644</b>	<b>24,505</b>	<b>57,427</b>	<b>(55,400)</b>	<b>1,135,705</b>
<b>Operating Expenses</b>														
Operations	21,993	36,641	37,796	52,441	23,355	57,168	46,279	879,897	243,358	34,368	25,203	168,383	(6,636)	1,620,246
Depreciation	1,371	2,228	2,455	6,898	2,014	3,830	1,989	75,194	14,015	2,760	2,242	9,817	-	124,814
<b>Total Operating Expenses</b>	<b>23,364</b>	<b>38,869</b>	<b>40,251</b>	<b>59,340</b>	<b>25,368</b>	<b>60,999</b>	<b>48,268</b>	<b>955,091</b>	<b>257,373</b>	<b>37,128</b>	<b>27,446</b>	<b>178,200</b>	<b>(6,636)</b>	<b>1,745,060</b>
<b>Operating Loss</b>	<b>(12,559)</b>	<b>(15,319)</b>	<b>(10,650)</b>	<b>(15,476)</b>	<b>(7,695)</b>	<b>(22,415)</b>	<b>(18,699)</b>	<b>(249,016)</b>	<b>(82,565)</b>	<b>(2,483)</b>	<b>(2,940)</b>	<b>(120,773)</b>	<b>(48,764)</b>	<b>(609,355)</b>
<b>Nonoperating Revenues (Expenses)</b>														
State Appropriations	5,938	9,193	8,396	10,113	6,419	16,104	12,449	193,992	70,887	7,966	80,571	67,356	-	489,384
Federal Pell Grants	4,415	5,465	4,373	5,583	2,922	8,070	5,337	30,504	17,640	-	-	45,401	-	129,710
Other Nonoperating Revenues (Expenses)	48	295	(289)	(1,184)	(1,868)	(1,592)	(781)	20,740	5,549	92	(61,348)	(1)	49,695	9,355
<b>Total Nonoperating Revenues</b>	<b>10,401</b>	<b>14,952</b>	<b>12,480</b>	<b>14,512</b>	<b>7,473</b>	<b>22,582</b>	<b>17,006</b>	<b>245,236</b>	<b>94,076</b>	<b>8,058</b>	<b>19,222</b>	<b>112,755</b>	<b>49,695</b>	<b>628,449</b>
<b>Capital Grants, Appropriations, and Gifts</b>	<b>1,972</b>	<b>2,317</b>	<b>3,273</b>	<b>1,092</b>	<b>4,304</b>	<b>2,520</b>	<b>3,954</b>	<b>26,837</b>	<b>22,338</b>	<b>-</b>	<b>1,927</b>	<b>14,440</b>	<b>(35,400)</b>	<b>49,575</b>
<b>Capital Transfers to Institutions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>264</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34,506)</b>	<b>(228)</b>	<b>34,470</b>	<b>-</b>
<b>Increase (Decrease) in Net Position</b>	<b>(185)</b>	<b>1,950</b>	<b>5,103</b>	<b>127</b>	<b>4,083</b>	<b>2,950</b>	<b>2,261</b>	<b>23,057</b>	<b>33,849</b>	<b>5,575</b>	<b>(16,297)</b>	<b>6,195</b>	<b>-</b>	<b>68,669</b>
<b>Net Position - Beginning of Year</b>	<b>16,551</b>	<b>47,972</b>	<b>48,084</b>	<b>91,962</b>	<b>37,572</b>	<b>75,473</b>	<b>31,627</b>	<b>832,599</b>	<b>382,358</b>	<b>113,600</b>	<b>(150,510)</b>	<b>226,728</b>	<b>-</b>	<b>1,754,017</b>
<b>Net Position - End of Year</b>	<b>\$ 16,367</b>	<b>\$ 49,922</b>	<b>\$ 53,187</b>	<b>\$ 92,089</b>	<b>\$ 41,655</b>	<b>\$ 78,424</b>	<b>\$ 33,889</b>	<b>\$ 855,656</b>	<b>\$ 416,206</b>	<b>\$ 119,175</b>	<b>\$ (166,807)</b>	<b>\$ 232,923</b>	<b>\$ -</b>	<b>\$ 1,822,686</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 22 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statements of Revenues, Expenses and Changes in Net Position**  
**June 30, 2013**  
(dollars in thousands)

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glenville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating Entries	Total
<b>Operating Revenues</b>														
Student Tuition and Fees, Net	\$ 3,894	\$ 7,388	\$ 13,408	\$ 17,822	\$ 5,011	\$ 11,491	\$ 8,104	\$ 346,519	\$ 67,806	\$ 31,809	\$ -	\$ 32,522	\$ 165	\$ 545,938
Federal, State, Local Contracts and Grants	5,592	7,214	5,403	5,883	6,313	8,977	14,980	174,248	68,976	1,589	7,615	23,691	(42,080)	288,401
Sales and Services of Educational Activity	41	5	-	42	711	173	86	18,224	149	-	5,888	1,363	5	26,688
Auxiliary Enterprise Revenue	1,182	8,975	8,986	18,301	4,370	11,257	3,204	134,610	31,379	463	-	2,309	(1,372)	223,665
Other Operating Revenues	66	798	357	773	936	7,475	668	9,639	7,515	1,149	13,205	3,919	(14,383)	32,116
<b>Total Operating Revenues</b>	<b>10,775</b>	<b>24,380</b>	<b>28,153</b>	<b>42,821</b>	<b>17,340</b>	<b>39,374</b>	<b>27,041</b>	<b>683,240</b>	<b>175,825</b>	<b>35,010</b>	<b>26,708</b>	<b>63,805</b>	<b>(57,665)</b>	<b>1,116,808</b>
<b>Operating Expenses</b>														
Operations	22,044	38,088	38,706	52,547	24,724	58,872	46,984	872,539	242,835	32,745	25,704	174,404	(16,756)	1,613,438
Depreciation	1,036	2,526	2,291	6,062	1,982	3,751	1,597	73,279	13,440	2,379	2,058	8,607	-	119,009
<b>Total Operating Expenses</b>	<b>23,079</b>	<b>40,614</b>	<b>40,997</b>	<b>58,609</b>	<b>26,707</b>	<b>62,623</b>	<b>48,582</b>	<b>945,818</b>	<b>256,275</b>	<b>35,125</b>	<b>27,762</b>	<b>183,012</b>	<b>(16,756)</b>	<b>1,732,447</b>
<b>Operating Loss</b>	<b>(12,304)</b>	<b>(16,234)</b>	<b>(12,844)</b>	<b>(15,788)</b>	<b>(9,366)</b>	<b>(23,249)</b>	<b>(21,541)</b>	<b>(262,578)</b>	<b>(80,450)</b>	<b>(114)</b>	<b>(1,054)</b>	<b>(119,207)</b>	<b>(40,909)</b>	<b>(615,639)</b>
<b>Nonoperating Revenues (Expenses)</b>														
State Appropriations	6,593	10,207	9,570	11,228	7,207	17,881	13,862	211,061	77,417	8,836	74,094	71,359	4,000	523,316
Federal Pell Grants	5,117	5,546	4,436	5,679	3,351	8,534	5,212	30,786	17,671	-	-	49,195	-	135,527
Other Nonoperating Revenues (Expenses)	39	116	(564)	(1,352)	(1,709)	(1,375)	(407)	16,179	(417)	69	(72,440)	146	48,160	(13,554)
<b>Total Nonoperating Revenues</b>	<b>11,749</b>	<b>15,869</b>	<b>13,441</b>	<b>15,555</b>	<b>8,850</b>	<b>25,041</b>	<b>18,668</b>	<b>258,026</b>	<b>94,672</b>	<b>8,905</b>	<b>1,654</b>	<b>120,701</b>	<b>52,160</b>	<b>645,289</b>
<b>Capital Grants, Appropriations, and Gifts</b>	<b>52</b>	<b>3,477</b>	<b>10,290</b>	<b>10,104</b>	<b>16,503</b>	<b>8,655</b>	<b>17,819</b>	<b>39,175</b>	<b>11,932</b>	<b>116</b>	<b>3,342</b>	<b>17,438</b>	<b>(60,968)</b>	<b>77,934</b>
<b>Capital Transfers to Institutions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(166)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(49,717)</b>	<b>166</b>	<b>49,717</b>	<b>-</b>
<b>Increase (Decrease) in Net Position</b>	<b>(503)</b>	<b>3,112</b>	<b>10,888</b>	<b>9,871</b>	<b>15,986</b>	<b>10,281</b>	<b>14,946</b>	<b>34,623</b>	<b>26,153</b>	<b>8,906</b>	<b>(45,775)</b>	<b>19,098</b>	<b>-</b>	<b>107,584</b>
<b>Net Position - Beginning of Year</b>	<b>17,055</b>	<b>44,861</b>	<b>37,196</b>	<b>82,091</b>	<b>21,587</b>	<b>65,193</b>	<b>16,681</b>	<b>797,976</b>	<b>356,204</b>	<b>104,694</b>	<b>(104,735)</b>	<b>207,630</b>	<b>-</b>	<b>1,646,433</b>
<b>Net Position - End of Year</b>	<b>\$ 16,551</b>	<b>\$ 47,972</b>	<b>\$ 48,084</b>	<b>\$ 91,962</b>	<b>\$ 37,572</b>	<b>\$ 75,473</b>	<b>\$ 31,627</b>	<b>\$ 832,599</b>	<b>\$ 382,358</b>	<b>\$ 113,600</b>	<b>\$ (150,510)</b>	<b>\$ 226,728</b>	<b>\$ -</b>	<b>\$ 1,754,017</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 22 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statements of Cash Flows**  
**June 30, 2014**

(dollars in thousands)

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glenville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating Entries	Total
Net Cash Provided By (Used In):														
Operating Activities	\$ (10,686)	\$ (13,732)	\$ (7,561)	\$ (8,837)	\$ (5,572)	\$ (18,629)	\$ (16,002)	\$ (164,103)	\$ (72,741)	\$ (100)	\$ (2,084)	\$ (107,067)	\$ (52,222)	\$ (479,334)
Noncapital Financing Activities	10,353	14,658	12,769	16,391	9,341	24,016	17,841	240,981	91,513	8,099	19,578	118,955	54,883	639,377
Capital Financing Activities	(2,170)	(2,369)	(7,740)	(8,442)	(3,638)	(7,434)	(4,983)	(142,369)	(43,088)	(5,884)	(17,292)	(10,464)	(20,065)	(275,938)
Investing Activities	24	524	13	421	9	45	18	84,603	7,357	94	26	101.85	-	93,236
Increase (Decrease) in Current Cash and Cash Equivalents	(2,479)	(919)	(2,519)	(467)	140	(2,001)	(3,126)	19,112	(16,959)	2,209	227	1,526	(17,404)	(22,659)
Cash - Beginning of Year	6,207	4,812	9,021	16,680	3,223	33,703	5,309	228,468	104,415	65,630	35,489	74,961	(102,936)	484,983
Cash - End of Year	\$ 3,728	\$ 3,892	\$ 6,502	\$ 16,213	\$ 3,363	\$ 31,702	\$ 2,183	\$ 247,580	\$ 87,456	\$ 67,839	\$ 35,717	\$ 76,487	\$ (120,340)	\$ 462,324

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 22 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statements of Cash Flows**  
**June 30, 2013**  
(dollars in thousands)

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glenville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating Entries	Total
Net Cash Provided By (Used In):														
Operating Activities	\$ (10,766)	\$ (14,191)	\$ (10,799)	\$ (9,903)	\$ (7,361)	\$ (18,437)	\$ (18,971)	\$ (177,150)	\$ (68,468)	\$ (4,186)	\$ (132)	\$ (109,438)	\$ (45,118)	\$ (494,919)
Noncapital Financing Activities	11,756	15,753	14,005	17,729	10,558	26,683	19,031	271,041	95,497	8,797	19,689	122,195	55,072	687,806
Capital Financing Activities	(583)	(1,901)	(2,003)	(12,047)	(2,334)	(5,143)	(1,634)	(106,624)	(30,194)	(3,163)	(42,731)	(15,503)	(87,351)	(311,210)
Investing Activities	15	361	16	56	7	48	23	87,003	5,629	96	12,932	113	-	106,300
Increase (Decrease) in Current Cash and Cash Equivalents	423	22	1,220	(4,165)	870	3,152	(1,551)	74,270	2,464	1,544	(10,242)	(2,634)	(77,397)	(12,023)
Cash - Beginning of Year	5,784	4,790	7,801	20,846	2,353	30,551	6,860	154,198	101,951	64,086	45,731	77,594	(25,538)	497,006
Cash - End of Year	\$ 6,207	\$ 4,812	\$ 9,021	\$ 16,680	\$ 3,223	\$ 33,703	\$ 5,309	\$ 228,468	\$ 104,415	\$ 65,630	\$ 35,489	\$ 74,961	\$ (102,935)	\$ 484,983

This information is an integral part of the accompanying financial statements.

## **SUPPLEMENTARY INFORMATION**

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING NET POSITION INFORMATION**  
**As of June 30, 2014**  
(Dollars in thousands)

	<b>Higher Education Fund</b>	<b>Aggregate Institution's Discretely Presented Component Units (Unaudited)*</b>	<b>Total</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 462,324	\$ 36,470	\$ 498,794
Short-term investments	-	30,501	30,501
Appropriations due from Primary Government	22,856	-	22,856
Accounts receivable-net	74,486	9,248	83,734
Loans receivable - current portion	7,998	738	8,736
Other current assets	9,628	1,239	10,867
Inventories	4,070	6	4,076
	<u>581,362</u>	<u>78,202</u>	<u>659,564</u>
Total current assets			
<b>NONCURRENT ASSETS</b>			
Cash and cash equivalents	167,766	329	168,095
Investments	205,655	231,975	437,630
Loans receivable - net of allowance of \$11,904	45,560	23,422	68,982
Other assets	13,463	21,661	35,124
Capital assets-net	2,653,897	106,956	2,760,853
	<u>3,086,341</u>	<u>384,343</u>	<u>3,470,684</u>
Total noncurrent assets			
Total assets	<u>3,667,703</u>	<u>462,545</u>	<u>4,130,248</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	32,905	-	32,905
Interest rate swap agreement	1,416	-	1,416
	<u>34,321</u>	<u>-</u>	<u>34,321</u>
Total deferred outflows of resources			
<b>TOTAL</b>	<u>\$ 3,702,024</u>	<u>\$ 462,545</u>	<u>\$ 4,164,569</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING NET POSITION INFORMATION**  
**As of June 30, 2014**  
(Dollars in thousands)

	<b>Higher Education Fund</b>	<b>Aggregate Institution's Discretely Presented Component Units (Unaudited)*</b>	<b>Total</b>
<b>LIABILITIES, DEFERRED INFLOWS, OF RESOURCES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 61,573	\$ 723	\$ 62,296
Due to State of West Virginia	933	-	933
Accrued liabilities	56,123	2,795	58,918
Unearned revenue	67,338	292	67,630
Deposits/custodial/annuity liabilities	6,252	5	6,257
Real estate purchase agreements payable - current	362	-	362
Other liabilities - current portion	2,063	8,200	10,263
Compensated absences - current portion	41,571	-	41,571
Notes payable - current portion	1,333	190	1,523
Capital lease obligations - current portion	4,217	-	4,217
Interest payable	11,539	-	11,539
Bonds payable - current portion	35,707	1,170	36,877
Total current liabilities	<u>289,011</u>	<u>13,375</u>	<u>302,386</u>
<b>NONCURRENT LIABILITIES</b>			
Advances from federal sponsors	41,130	-	41,130
Real estate purchase agreement payable	5,725	-	5,725
Compensated absences	3,877	-	3,877
Notes payable	31,793	5,630	37,423
Capital lease obligations	30,085	-	30,085
Future interest payable	36,371	-	36,371
Bonds payable	1,103,043	121,949	1,224,992
Other post employment benefit liability	293,115	-	293,115
Other noncurrent liabilities	41,425	16,917	58,342
Total noncurrent liabilities	<u>1,586,564</u>	<u>144,496</u>	<u>1,731,060</u>
Total liabilities	<u>1,875,575</u>	<u>157,871</u>	<u>2,033,446</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING NET POSITION INFORMATION**  
**As of June 30, 2014**  
(Dollars in thousands)

	<b>Higher Education Fund</b>	<b>Aggregate Institution's Discretely Presented Component Units (Unaudited)*</b>	<b>Total</b>
<b>LIABILITIES, DEFERRED INFLOWS, OF RESOURCES AND NET POSITION (CONTINUED)</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Service concession arrangement	\$ 2,632	\$ -	\$ 2,632
Other	1,131	-	1,131
Total deferred inflows of resources	<u>3,763</u>	<u>-</u>	<u>3,763</u>
Total liabilities, deferred inflows of resources	<u>1,879,338</u>	<u>157,871</u>	<u>2,037,209</u>
<b>NET POSITION</b>			
Net investment in capital assets	<u>1,594,037</u>	<u>16,983</u>	<u>1,611,020</u>
Restricted for:			
Expendable:			
Scholarships	8,167	155,649	163,816
Sponsored projects	30,554	4,588	35,142
Loans	26,994	-	26,994
Capital projects	47,364	1,086	48,450
Debt service	16,811	-	16,811
Other	4,776	131,546	136,322
Total restricted expendable	<u>134,666</u>	<u>292,869</u>	<u>427,535</u>
Nonexpendable	<u>25,468</u>	<u>-</u>	<u>25,468</u>
Unrestricted	<u>68,515</u>	<u>(5,178)</u>	<u>63,337</u>
Total net position	<u>1,822,686</u>	<u>304,674</u>	<u>2,127,360</u>
<b>TOTAL</b>	<u>\$ 3,702,024</u>	<u>\$ 462,545</u>	<u>\$ 4,164,569</u>

\* Information obtained from the audited financial statements of the individual colleges and universities.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION INFORMATION**  
**For the Year Ended June 30, 2014**  
(Dollars in thousands)

	<b>Higher Education Fund</b>	<b>Aggregate Institution's Discretely Presented Component Units (Unaudited)*</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Student tuition and fees - net of scholarship allowance of \$168,002	\$ 567,628	\$ -	\$ 567,628
Gift and contributions	-	35,052	35,052
Federal and local land grants	9,301	-	9,301
Contracts and grants:			
Federal	127,006	328	127,334
State	43,266	-	43,266
Local	5,531	-	5,531
Private	87,017	-	87,017
Interest on student loans receivable	1,288	-	1,288
Sales and services of educational activities	26,122	-	26,122
Auxiliary enterprise revenue - net of scholarship allowance of \$24,468	236,073	10,017	246,090
Other operating revenues	<u>32,473</u>	<u>811</u>	<u>33,284</u>
Total operating revenues	<u>1,135,705</u>	<u>46,208</u>	<u>1,181,913</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	820,648	7,902	828,550
Benefits	229,133	77	229,210
Supplies and other services	393,552	1,247	394,799
Utilities	56,678	315	56,993
Student financial aid - scholarships and fellowships	114,885	7,743	122,628
Depreciation and amortization	124,814	4,515	129,329
Other operating expenses	<u>5,350</u>	<u>19,909</u>	<u>25,259</u>
Total operating expenses	<u>1,745,060</u>	<u>41,708</u>	<u>1,786,768</u>
<b>OPERATING (LOSS) INCOME</b>	<u>(609,355)</u>	<u>4,500</u>	<u>(604,855)</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION INFORMATION**  
**For the Year Ended June 30, 2014**  
(Dollars in thousands)

	<b>Higher Education Fund</b>	<b>Aggregate Institution's Discretely Presented Component Units (Unaudited)*</b>	<b>Total</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	\$ 461,884	\$ -	\$ 461,884
State lottery appropriations	27,500	-	27,500
Federal Pell grants	129,710	-	129,710
Gifts	29,524	-	29,524
Investment income - net	22,866	33,221	56,087
Interest on indebtedness	(47,027)	(3,645)	(50,672)
Other nonoperating expenses - net	<u>3,992</u>	<u>(979)</u>	<u>3,013</u>
Net nonoperating revenues	<u>628,449</u>	<u>28,597</u>	<u>657,046</u>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	19,094	33,097	52,191
<b>CAPITAL GRANTS, APPROPRIATIONS AND GIFTS</b>	34,993	-	34,993
<b>CAPITAL BOND PROCEEDS FROM THE STATE</b>	10,400	-	10,400
<b>STATE CAPITAL GRANTS (FEDERAL)</b>	<u>4,182</u>	<u>-</u>	<u>4,182</u>
<b>INCREASE IN NET POSITION</b>	68,669	33,097	101,766
<b>NET POSITION - Beginning of year</b>	<u>1,754,017</u>	<u>271,577</u>	<u>2,025,594</u>
<b>NET POSITION - End of year</b>	<u>\$ 1,822,686</u>	<u>\$ 304,674</u>	<u>\$ 2,127,360</u>

\* Information obtained from the audited financial statements of the individual colleges and universities.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
(A Component Unit of the State of West Virginia)  
**INSTITUTION'S DISCRETELY PRESENTED COMPONENT UNITS - STATEMENTS OF NET ASSETS**  
June 30, 2014  
(Unaudited)

	Bluefield State College Foundation <u>Inc.</u>	Bluefield State College Research and Development Corporation	Concord University Foundation, <u>Inc.</u>	Fairmont State Foundation <u>Inc.</u>	The Glennville State College Foundation, <u>Inc.</u>	The Marshall University Foundation, <u>Inc.</u>	New River Community and Technical College Foundation, <u>Inc.</u>	Provident Group- Marshall Properties, <u>LLC</u>	The Shepherd University Foundation, <u>Inc.</u>	Southern West Virginia Community College Foundation, <u>Inc.*</u>	West Liberty University Foundation, <u>Inc.</u>	West Virginia Northern Community College Foundation, <u>Inc.</u>	West Virginia School of Osteopathic Medicine Foundation, <u>Inc.</u>	West Virginia State University Foundation, <u>Inc.</u>	WVU at Parkersburg Foundation, <u>Inc.</u>
<b>ASSETS</b>															
Cash and cash equivalents	\$ 1,350,055	\$ -	\$ 997,787	\$ 27,797	\$ 820,155	\$ 15,487,295	\$ 1,186,622	\$ 878,531	\$ 1,732,027	\$ 410,562	\$ 30,486	\$ 146,667	\$ 898,020	\$ 12,505,704	\$ 327,223
Investments	10,224,976	-	34,570,369	18,729,450	8,934,958	119,945,069	293,099	-	25,604,675	2,852,381	15,872,924	3,588,159	1,820,403	5,607,146	9,559,685
Pledges and contributions receivable, net	53,029	-	260,346	1,095,777	-	24,128,358	49,878	-	3,324,650	489,284	281,501	-	213,901	3,169,031	-
Other assets	37,307	415,016	23,828	9,821	1,497,702	2,035,523	25,000	6,279,882	67,989	24,172	65,869	13,951	-	525,014	17,263
Beneficial interests	-	-	-	2,838,367	-	9,792,769	1,219,197	-	-	-	2,270,545	-	770,635	192,282	-
Property, and equipment-net	-	3,737,618	3,343	7,402	3,669,440	13,935,533	354,038	70,516,115	6,971	-	-	-	1,764	14,723,457	-
<b>TOTAL</b>	<b>\$ 11,665,367</b>	<b>\$ 4,152,634</b>	<b>\$ 35,855,673</b>	<b>\$ 22,708,614</b>	<b>\$ 14,922,255</b>	<b>\$ 185,324,547</b>	<b>\$ 3,127,834</b>	<b>\$ 77,674,528</b>	<b>\$ 30,736,312</b>	<b>\$ 3,776,399</b>	<b>\$ 18,521,325</b>	<b>\$ 3,748,777</b>	<b>\$ 3,704,723</b>	<b>\$ 36,722,634</b>	<b>\$ 9,904,171</b>

\* - December 31 year-end

**WEST VIRGINIA HIGHER EDUCATION FUND**  
(A Component Unit of the State of West Virginia)  
**INSTITUTION'S DISCRETELY PRESENTED COMPONENT UNITS - STATEMENTS OF NET ASSETS**  
June 30, 2014  
(Unaudited)  
(Dollars in thousands)

	Bluefield State College Foundation Inc.	Bluefield State College Research and Development Corporation	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glenville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group-Marshall Properties, LLC	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc. *	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.
<b>LIABILITIES AND NET ASSETS</b>															
Liabilities:															
Accounts payable	\$ -	\$ 197,986	\$ -	\$ 87,355	\$ 31,124	\$ 24,865	\$ 88,016	\$ 286,695	\$ 1,644	\$ 39,964	\$ 34,170	\$ 17,578	\$ 1,162	\$ 61,487	\$ 2,667
Other accrued liabilities	-	12,197	-	-	1,614,803	394,660	255,242	1,582,398	7,412	1,070	-	-	9,000	-	-
Amounts held on behalf of others	29,033	214,383	4,479,706	-	5,386	-	-	-	2,444,417	-	-	-	316,718	-	-
Annuity obligations	-	-	90,041	56,834	-	295,032	-	-	168,986	-	50,963	-	-	-	-
Bonds and notes payable	-	3,419,499	-	-	2,100,000	9,862,787	-	88,722,444	-	-	-	-	-	24,833,988	-
Swap liability	-	-	-	-	-	169,121	-	15,860,397	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>29,033</b>	<b>3,844,065</b>	<b>4,569,747</b>	<b>144,189</b>	<b>3,751,313</b>	<b>10,746,465</b>	<b>343,258</b>	<b>106,451,934</b>	<b>2,622,459</b>	<b>41,034</b>	<b>85,133</b>	<b>17,578</b>	<b>326,880</b>	<b>24,895,475</b>	<b>2,667</b>
Net assets (deficit):															
Unrestricted	9,459,747	308,569	845,822	5,412,760	1,684,067	19,901,648	(144,779)	(28,777,406)	(2,388,213)	5,740	2,599,987	781,697	1,555,264	452,348	107,096
Temporarily restricted	652,156	-	8,641,918	3,770,889	2,108,143	62,127,699	1,700,180	-	6,364,814	3,714,625	6,011,161	2,240,982	879,920	6,976,278	7,605,169
Permanently restricted	1,524,431	-	21,798,186	13,380,776	7,378,732	92,548,735	1,229,175	-	24,137,252	15,000	9,825,044	708,520	942,659	4,398,533	2,189,239
<b>Total net assets (deficit)</b>	<b>11,636,334</b>	<b>308,569</b>	<b>31,285,926</b>	<b>22,564,425</b>	<b>11,170,942</b>	<b>174,578,082</b>	<b>2,784,576</b>	<b>(28,777,406)</b>	<b>28,113,853</b>	<b>3,735,365</b>	<b>18,436,192</b>	<b>3,731,199</b>	<b>3,377,843</b>	<b>11,827,159</b>	<b>9,901,504</b>
<b>TOTAL</b>	<b>\$ 11,665,367</b>	<b>\$ 4,152,634</b>	<b>\$ 35,855,673</b>	<b>\$ 22,708,614</b>	<b>\$ 14,922,255</b>	<b>\$ 185,324,547</b>	<b>\$ 3,127,834</b>	<b>\$ 77,674,528</b>	<b>\$ 30,736,312</b>	<b>\$ 3,776,399</b>	<b>\$ 18,521,325</b>	<b>\$ 3,748,777</b>	<b>\$ 3,704,723</b>	<b>\$ 36,722,634</b>	<b>\$ 9,904,171</b>

\* - December 31 year-end

WEST VIRGINIA HIGHER EDUCATION FUND  
(A Component Unit of the State of West Virginia)  
INSTITUTION'S DISCRETELY PRESENTED COMPONENT UNITS - STATEMENT OF NET ASSETS  
June 30, 2013  
(Unaudited)  
(Dollars in thousands)

	Bluefield State College Foundation <u>Inc.</u>	Bluefield State College Research and Development Corporation	Concord University Foundation, <u>Inc.</u>	Fairmont State Foundation <u>Inc.</u>	The Glenville State College Foundation, <u>Inc.</u>	The Marshall University Foundation, <u>Inc.</u>	New River Community and Technical College Foundation, <u>Inc.</u>	Provident Group- Marshall Properties, <u>LLC</u>	The Shepherd University Foundation, <u>Inc.</u>	Southern West Virginia Community College Foundation, <u>Inc.*</u>	West Liberty University Foundation, <u>Inc.</u>	West Virginia Northern Community College Foundation, <u>Inc.</u>	West Virginia School of Osteopathic Medicine Foundation, <u>Inc.</u>	West Virginia State University Foundation, <u>Inc.</u>	WVU at Parkersburg Foundation, <u>Inc.</u>
<b>ASSETS</b>															
Cash and cash equivalents	\$ 1,257,812	\$ 26,335	\$ 961,364	\$ 60,554	\$ 83,617	\$ 18,682,011	\$ 1,532,788	\$ 6,339,140	\$ 1,920,569	\$ 456,965	\$ 1,360,933	\$ 31,292	\$ 1,122,016	\$ 1,706,517	\$ 365,559
Investments	9,097,198	-	30,865,921	14,945,925	12,598,426	100,032,880	220,784	-	23,754,127	2,539,443	10,561,251	3,107,072	981,985	4,712,606	7,604,593
Pledges and contributions receivable, net	131,797	-	268,085	1,531,590	704,313	27,908,290	88,387	-	189,563	542,702	172,257	-	190,170	1,325,370	-
Other assets	18,282	310,798	18,944	22,497	1,365	2,571,092	-	861,518	46,420	22,129	52,568	13,761	14,559	81,120	10,371
Beneficial interests	-	-	-	2,612,823	-	8,937,360	1,007,442	-	287,234	-	2,098,005	-	675,044	218,181	-
Property, and equipment-net	-	3,980,686	4,407	7,586	42,428	14,358,755	369,425	73,918,221	3,136	-	-	-	2,369	831,589	-
<b>TOTAL</b>	<u>\$ 10,505,089</u>	<u>\$ 4,317,819</u>	<u>\$ 32,118,721</u>	<u>\$ 19,180,975</u>	<u>\$ 13,430,149</u>	<u>\$ 172,490,388</u>	<u>\$ 3,218,826</u>	<u>\$ 81,118,879</u>	<u>\$ 26,201,049</u>	<u>\$ 3,561,239</u>	<u>\$ 14,245,014</u>	<u>\$ 3,152,125</u>	<u>\$ 2,986,143</u>	<u>\$ 8,875,383</u>	<u>\$ 7,980,523</u>

\* - December 31 year-end

**WEST VIRGINIA HIGHER EDUCATION FUND**  
(A Component Unit of the State of West Virginia)  
**INSTITUTION'S DISCRETELY PRESENTED COMPONENT UNITS - STATEMENTS OF NET ASSETS**  
June 30, 2013  
(Unaudited)  
(Dollars in thousands)

	Bluefield State College Foundation Inc.	Bluefield State College Research and Development Corporation	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glenville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group-Marshall Properties, LLC	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc.*	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.
<b>LIABILITIES AND NET ASSETS</b>															
Liabilities:															
Accounts payable	\$ -	\$ 157,948	\$ 200	\$ 10,176	\$ 1,588,935	\$ 38,577	\$ 8,430	\$ 267,305	\$ 555	\$ 32,782	\$ 21,591	\$ 24,507	\$ 726	\$ 9,086	\$ -
Other accrued liabilities	-	17,376	3,891,064	21,922	-	516,282	702,551	1,507,725	5,975	218,186	-	6,358	9,000	-	-
Amounts held on behalf of others	12,096	204,949	286,157	-	-	-	-	-	-	-	-	-	278,389	-	-
Annuity obligations	-	-	-	64,956	-	376,580	-	-	2,772,324	-	60,607	-	-	-	-
Bonds and notes payable	-	3,487,954	-	-	-	10,790,975	-	88,871,073	168,279	-	-	-	-	-	-
Swap liability	-	-	-	-	-	218,602	-	15,155,085	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>12,096</b>	<b>3,868,227</b>	<b>4,177,421</b>	<b>97,054</b>	<b>1,588,935</b>	<b>11,941,016</b>	<b>710,981</b>	<b>105,801,188</b>	<b>2,947,133</b>	<b>250,968</b>	<b>82,198</b>	<b>30,865</b>	<b>288,115</b>	<b>9,086</b>	<b>-</b>
Net assets (deficit):															
Unrestricted	8,470,615	449,592	690,126	3,089,780	993,795	17,671,287	(204,047)	(24,682,309)	(3,016,065)	5,896	1,935,952	514,049	1,406,946	505,321	217,623
Temporarily restricted	594,812	-	7,028,400	2,965,463	3,727,818	55,664,356	1,505,717	-	3,001,964	3,289,375	2,806,822	1,951,046	621,532	4,219,400	5,939,731
Permanently restricted	1,427,566	-	20,222,774	13,028,678	7,119,601	87,213,729	1,206,175	-	23,268,017	15,000	9,420,042	656,165	669,550	4,141,576	1,823,169
<b>Total net assets (deficit)</b>	<b>10,492,993</b>	<b>449,592</b>	<b>27,941,300</b>	<b>19,083,921</b>	<b>11,841,214</b>	<b>160,549,372</b>	<b>2,507,845</b>	<b>(24,682,309)</b>	<b>23,253,916</b>	<b>3,310,271</b>	<b>14,162,816</b>	<b>3,121,260</b>	<b>2,698,028</b>	<b>8,866,297</b>	<b>7,980,523</b>
<b>TOTAL</b>	<b>\$ 10,505,089</b>	<b>\$ 4,317,819</b>	<b>\$ 32,118,721</b>	<b>\$ 19,180,975</b>	<b>\$ 13,430,149</b>	<b>\$ 172,490,388</b>	<b>\$ 3,218,826</b>	<b>\$ 81,118,879</b>	<b>\$ 26,201,049</b>	<b>\$ 3,561,239</b>	<b>\$ 14,245,014</b>	<b>\$ 3,152,125</b>	<b>\$ 2,986,143</b>	<b>\$ 8,875,383</b>	<b>\$ 7,980,523</b>

\* - December 31 year-end

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**INSTITUTION'S DISCRETELY PRESENTED COMPONENT UNITS - STATEMENTS OF ACTIVITIES**  
**For the Year Ended June 30, 2014**  
**(Unaudited)**  
(Dollars in thousands)

	Bluefield State College Foundation Inc.	Bluefield State College Research and Development Corporation	Concord University Foundation, Inc.	Fairmont State College Foundation Inc.	The Glennville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc.*	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>															
Unrestricted:															
Gifts, contributions, and other	\$ 46,698	\$ 1,187,302	\$ 269,327	\$ 740,544	\$ 1,045,281	\$ 705,858	\$ 213,387	\$ 9,336,004	\$ 23,537	\$ -	\$ 171,665	\$ 181,558	\$ 260,192	\$ 314,952	\$ -
Investment income (loss)	1,369,444	-	(2,025)	2,177,264	352,090	2,364,486	1,862	301	1,350,907	24,787	1,514,839	83,477	175,532	(20,972)	27,656
Reclassifications	17,027	-	1,093,334	1,393,154	3,862,005	12,713,971	107,132	-	1,243,845	468,407	1,613,954	498,876	36,073	1,033,958	176,854
Temporarily restricted:															
Gifts, contributions, and other	48,477	-	83,655	1,831,392	1,196,505	9,212,782	168,734	-	4,081,630	343,412	4,824,918	393,386	199,879	3,095,062	1,077,804
Investment income (loss)	54,928	-	2,514,600	367,188	1,025,825	11,932,391	129,241	-	568,613	550,245	(6,625)	395,426	94,582	730,807	764,488
Reclassifications	(46,061)	-	(984,737)	(1,393,154)	(3,842,005)	(12,713,971)	(107,132)	-	(1,287,393)	(468,407)	(1,613,954)	(498,876)	(36,073)	(1,033,958)	(176,854)
Permanently restricted:															
Gifts, contributions, and other	67,831	-	169,873	352,098	279,131	3,038,653	26,620	-	836,807	-	127,770	52,355	272,875	243,569	-
Investment income	-	-	1,514,136	-	-	2,174,427	-	-	20,159	-	277,232	-	234	13,388	366,070
Reclassifications	29,034	-	(108,597)	-	(20,000)	-	-	-	43,548	-	-	-	-	-	-
Total revenues, gains, and other support	<u>1,587,378</u>	<u>1,187,302</u>	<u>4,549,566</u>	<u>5,468,486</u>	<u>3,898,832</u>	<u>29,428,597</u>	<u>539,844</u>	<u>9,336,305</u>	<u>6,881,653</u>	<u>918,444</u>	<u>6,909,799</u>	<u>1,106,202</u>	<u>1,003,294</u>	<u>4,376,806</u>	<u>2,236,018</u>
<b>EXPENSES</b>															
Scholarships, awards, and grants	248,980	1,231,353	515,602	790,556	402,138	3,408,662	192,037	-	1,230,237	319,754	408,533	9,832	165,379	500	121,426
College support	144,381	-	397,127	775,759	3,895,405	9,223,262	-	-	85,286	7,289	1,975,740	431,816	-	1,033,958	116,897
Management and general	50,676	96,972	292,211	421,667	271,561	2,767,963	71,076	13,431,402	706,193	166,307	252,150	54,615	158,100	381,486	76,714
Total expenses	<u>444,037</u>	<u>1,328,325</u>	<u>1,204,940</u>	<u>1,987,982</u>	<u>4,569,104</u>	<u>15,399,887</u>	<u>263,113</u>	<u>13,431,402</u>	<u>2,021,716</u>	<u>493,350</u>	<u>2,636,423</u>	<u>496,263</u>	<u>323,479</u>	<u>1,415,944</u>	<u>315,037</u>
<b>CHANGE IN NET ASSETS</b>															
Unrestricted	989,132	(141,023)	155,696	2,322,980	690,272	384,428	59,268	(4,095,097)	596,573	(156)	664,035	267,648	148,318	(88,006)	(110,527)
Temporarily restricted	57,344	-	1,613,518	805,426	(1,619,675)	8,431,202	190,843	-	3,362,850	425,250	3,204,339	289,936	258,388	2,791,911	1,665,438
Permanently restricted	96,865	-	1,575,412	352,098	259,131	5,213,080	26,620	-	900,514	-	405,002	52,355	273,109	256,957	366,070
Total change in net assets	<u>1,143,341</u>	<u>(141,023)</u>	<u>3,344,626</u>	<u>3,480,504</u>	<u>(670,272)</u>	<u>14,028,710</u>	<u>276,731</u>	<u>(4,095,097)</u>	<u>4,859,937</u>	<u>425,094</u>	<u>4,273,376</u>	<u>609,939</u>	<u>679,815</u>	<u>2,960,862</u>	<u>1,920,981</u>
<b>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</b>	<u>10,492,993</u>	<u>449,592</u>	<u>27,941,300</u>	<u>19,083,921</u>	<u>11,841,214</u>	<u>160,549,372</u>	<u>2,507,845</u>	<u>(24,682,309)</u>	<u>23,253,916</u>	<u>3,310,271</u>	<u>14,162,816</u>	<u>3,121,260</u>	<u>2,698,028</u>	<u>8,866,297</u>	<u>7,980,523</u>
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<u>\$ 11,636,334</u>	<u>\$ 308,569</u>	<u>\$ 31,285,926</u>	<u>\$ 22,564,425</u>	<u>\$ 11,170,942</u>	<u>\$ 174,578,082</u>	<u>\$ 2,784,576</u>	<u>\$ (28,777,406)</u>	<u>\$ 28,113,853</u>	<u>\$ 3,735,365</u>	<u>\$ 18,436,192</u>	<u>\$ 3,731,199</u>	<u>\$ 3,377,843</u>	<u>\$ 11,827,159</u>	<u>\$ 9,901,504</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
(A Component Unit of the State of West Virginia)  
**INSTITUTION'S DISCRETELY PRESENTED COMPONENT UNITS - STATEMENTS OF ACTIVITIES**  
For the Year Ended June 30, 2013  
(Unaudited)  
(Dollars in thousands)

	Bluefield State College Foundation <u>Inc.</u>	Bluefield State College Research and Development Corporation	Concord University Foundation, <u>Inc.</u>	Fairmont State Foundation <u>Inc.</u>	The Glenville State College Foundation, <u>Inc.</u>	The Marshall University Foundation, <u>Inc.</u>	New River Community and Technical College Foundation, <u>Inc.</u>	Provident Group- Marshall Properties, <u>LLC</u>	The Shepherd University Foundation, <u>Inc.</u>	Southern West Virginia Community College Foundation, <u>Inc.*</u>	West Liberty University Foundation, <u>Inc.</u>	West Virginia Northern Community College Foundation, <u>Inc.</u>	West Virginia School of Osteopathic Medicine Foundation, <u>Inc.</u>	West Virginia State University Foundation, <u>Inc.</u>	WVU at Parkersburg Foundation, <u>Inc.</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>															
Unrestricted:															
Gifts, contributions, and other	\$ 32,687	\$ 1,196,159	\$ 228,478	\$ 627,863	\$ 190,538	\$ 541,612	\$ 276,704	\$ 9,014,684	\$ 23,383	\$ -	\$ 82,298	\$ 69,981	\$ 250,085	\$ 250,516	\$ -
Investment income (loss)	914,113	-	(1,251)	1,017,168	60,621	1,147,479	8,793	8,562,743	602,556	5,621	815,838	43,216	95,903	1,009	22,978
Reclassifications	-	-	-	-	-	4,492,436	-	-	34,343	-	-	-	-	1,941,237	-
Temporarily restricted:															
Gifts, contributions, and other	66,288	-	74,987	1,322,154	4,212,555	15,165,695	1,189,831	-	835,040	423,750	1,672,662	329,936	232,080	539,822	368,604
Investment income	51,352	-	1,760,686	361,059	804,901	7,703,560	62,350	-	533,993	182,779	304,672	198,495	43,835	-	711,956
Reclassifications	-	-	-	-	-	800,566	-	-	(58,131)	-	-	-	-	-	-
Permanently restricted:															
Gifts, contributions, and other	57,665	-	295,199	1,017,760	161,410	8,463,686	22,612	-	1,157,033	-	93,618	59,195	19,011	101,040	108
Investment income	-	-	890,956	147,321	-	1,601,909	-	-	15,216	-	167,028	-	249	7,651	(11,082)
Reclassifications	-	-	-	-	-	(5,293,002)	-	-	23,788	-	-	-	-	-	-
Total revenues, gains, and other support	<u>1,122,105</u>	<u>1,196,159</u>	<u>3,249,055</u>	<u>4,493,325</u>	<u>5,430,025</u>	<u>34,623,941</u>	<u>1,560,290</u>	<u>17,577,427</u>	<u>3,167,221</u>	<u>612,150</u>	<u>3,136,116</u>	<u>700,823</u>	<u>641,163</u>	<u>2,841,275</u>	<u>1,092,564</u>
<b>EXPENSES</b>															
Scholarships, awards, and grants	165,979	1,320,078	460,644	902,992	435,937	3,017,380	282,317	-	1,226,073	367,046	563,365	105,158	-	-	154,400
College support	112,376	-	514,691	903,538	5,983,572	3,496,039	-	-	87,464	40,012	1,492,412	167,206	-	630,571	-
Management and general	<u>39,241</u>	<u>92,175</u>	<u>274,110</u>	<u>383,536</u>	<u>291,509</u>	<u>2,714,078</u>	<u>147,108</u>	<u>12,568,150</u>	<u>642,919</u>	<u>229,416</u>	<u>237,395</u>	<u>42,222</u>	<u>268,422</u>	<u>291,903</u>	<u>315,266</u>
Total expenses	<u>317,596</u>	<u>1,412,253</u>	<u>1,249,445</u>	<u>2,190,066</u>	<u>6,711,018</u>	<u>9,227,497</u>	<u>429,425</u>	<u>12,568,150</u>	<u>1,956,456</u>	<u>636,474</u>	<u>2,293,172</u>	<u>314,586</u>	<u>268,422</u>	<u>922,474</u>	<u>469,666</u>
<b>CHANGE IN NET ASSETS</b>															
Unrestricted	629,204	(216,094)	(1,022,218)	(545,035)	(6,459,859)	(3,045,970)	(143,928)	5,009,277	(1,296,174)	(630,853)	(1,395,036)	(201,389)	77,566	1,270,288	(446,688)
Temporarily restricted	117,640	-	1,835,673	1,683,213	5,017,456	23,669,821	1,252,181	-	1,310,902	606,529	1,977,334	528,431	275,915	539,822	1,080,560
Permanently restricted	<u>57,665</u>	<u>-</u>	<u>1,186,155</u>	<u>1,165,081</u>	<u>161,410</u>	<u>4,772,593</u>	<u>22,612</u>	<u>-</u>	<u>1,196,037</u>	<u>-</u>	<u>260,646</u>	<u>59,195</u>	<u>19,260</u>	<u>108,691</u>	<u>(10,974)</u>
Total change in net assets	804,509	(216,094)	1,999,610	2,303,259	(1,280,993)	25,396,444	1,130,865	5,009,277	1,210,765	(24,324)	842,944	386,237	372,741	1,918,801	622,898
<b>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</b>															
	<u>9,688,484</u>	<u>665,686</u>	<u>25,941,690</u>	<u>16,780,662</u>	<u>13,122,207</u>	<u>135,152,928</u>	<u>1,376,980</u>	<u>(29,691,586)</u>	<u>22,043,151</u>	<u>3,334,595</u>	<u>13,319,872</u>	<u>2,735,023</u>	<u>2,325,287</u>	<u>6,947,496</u>	<u>7,357,625</u>
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>															
	<u>\$ 10,492,993</u>	<u>\$ 449,592</u>	<u>\$ 27,941,300</u>	<u>\$ 19,083,921</u>	<u>\$ 11,841,214</u>	<u>\$ 160,549,372</u>	<u>\$ 2,507,845</u>	<u>\$ (24,682,309)</u>	<u>\$ 23,253,916</u>	<u>\$ 3,310,271</u>	<u>\$ 14,162,816</u>	<u>\$ 3,121,260</u>	<u>\$ 2,698,028</u>	<u>\$ 8,866,297</u>	<u>\$ 7,980,523</u>



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

West Virginia Higher Education  
Policy Commission  
Charleston, WV

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 the West Virginia Higher Education Fund (the "Fund"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2015. Our report includes a reference to other auditors who audited the financial statements of Fairmont State University, Glenville State College, West Virginia Council for Community and Technical College Education, and the West Virginia School of Osteopathic Medicine. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by the auditors of the entities noted above.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Fund'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 "Clifton Larson Allen LLP".

Plymouth Meeting, Pennsylvania  
March 16, 2015