

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

**Financial Statements and
Supplementary Information**

Years Ended June 30, 2015 and 2014

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
Years Ended June 30, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

West Virginia Higher Education
Policy Commission
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the West Virginia Higher Education Fund (the Fund) as of and for the years ended June 30, 2015 and 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 audits. 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 years ended June 30, 2015 and 2014, which represent 18%, 26%, and 17%, respectively, of total assets, total net position, and total revenues of the Fund in 2015 and 19%, 31%, and 17%, 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 audits 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, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Fund implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015, which represents a change in accounting principle. As of July 1, 2014, the Fund's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note 2. Our opinion is not modified with respect to this matter.

As discussed in Note 22 to the financial statements, beginning net position was restated to correct certain errors in prior periods resulting in an overstatement of amounts previously reported for capital assets and other post employment benefit liability. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of TRS Net Pension Liability and Schedule of Employer Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 an opinion 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 18, 2016, 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 18, 2016

**WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2015
(UNAUDITED)**

Overview of the Financial Statements and Financial Analysis

The West Virginia Higher Education Fund (the Fund) is 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 State). 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, 2015 and 2014. These component units are private nonprofit organizations that report under the Financial Accounting Standards Board. A supplemental information schedule is provided presenting these statements on a consolidated GASB basis to meet the State's reporting requirements.

The following discussion and analysis of the Fund's financial statements provides an overview of its financial activities for Fiscal Years 2015 and 2014 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 statement of net position; the combined statement of revenues, expenses, and changes in net position; and the statement of cash flows.

Statements of Net Position

The statements of net position present the assets and deferred outflows of resources, liabilities and deferred inflow 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).

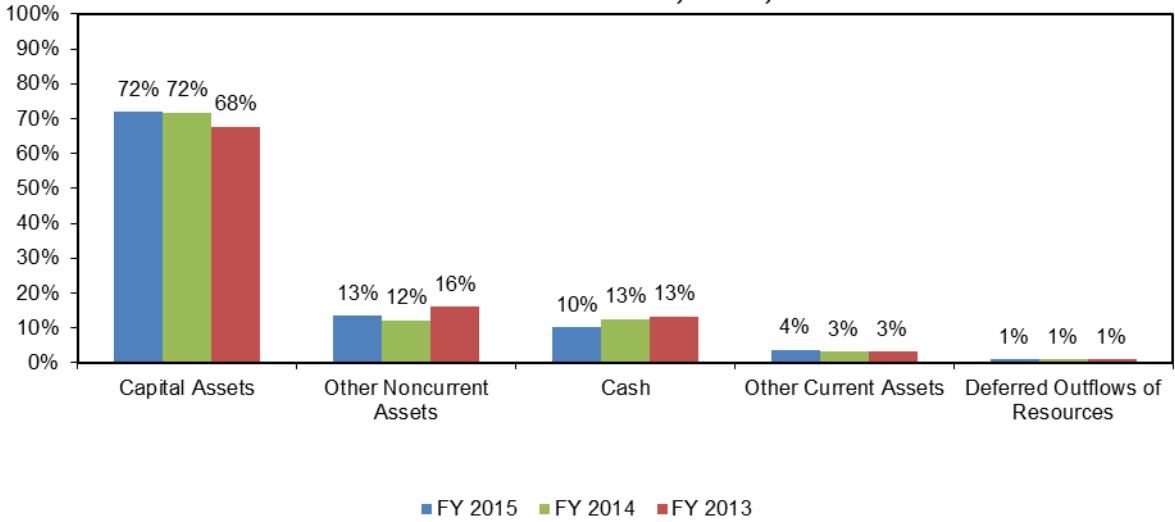
Net position is divided into three major categories. The first category, net investment in capital assets, provides the Fund's equity in land, buildings, furniture, and equipment owned by the Fund less related long-term debt issued to finance capital assets. The next net position category is restricted, 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 2015	June 30 2014	June 30 2013	Change From 2015 to 2014
Assets				
Current Assets	\$ 556,212	\$ 582,708	\$ 599,971	\$ (26,496)
Capital Assets, Net	2,904,473	2,649,308	2,491,265	255,165
Other Noncurrent Assets	<u>539,895</u>	<u>431,098</u>	<u>554,520</u>	<u>108,797</u>
Total Assets	4,000,580	3,663,114	3,645,756	337,466
Deferred Outflows of Resources	<u>35,462</u>	<u>34,321</u>	<u>36,345</u>	1,141
Total	<u>\$ 4,036,042</u>	<u>\$ 3,697,435</u>	<u>\$ 3,682,101</u>	<u>\$ 338,607</u>
Liabilities				
Current Liabilities	\$ 327,161	\$ 289,011	\$ 316,394	\$ 38,150
Noncurrent Liabilities	<u>1,812,965</u>	<u>1,585,904</u>	<u>1,608,540</u>	<u>227,061</u>
Total Liabilities	2,140,126	1,874,915	1,924,934	265,211
Deferred Inflows of Resources	<u>43,458</u>	<u>3,763</u>	<u>3,150</u>	<u>39,695</u>
Total	<u>2,183,584</u>	<u>1,878,678</u>	<u>1,928,084</u>	<u>304,906</u>
Net Position				
Net Investment in Capital Assets	1,999,927	1,589,447	1,553,141	410,480
Restricted-expendable	82,703	134,666	149,860	(51,963)
Restricted-nonexpendable	35,784	25,468	24,658	10,316
Unrestricted	<u>(265,956)</u>	<u>69,176</u>	<u>26,358</u>	<u>(335,132)</u>
Total Net Position	1,852,458	1,818,757	1,754,017	33,701
Total	<u>\$ 4,036,042</u>	<u>\$ 3,697,435</u>	<u>\$ 3,682,101</u>	<u>\$ 338,607</u>

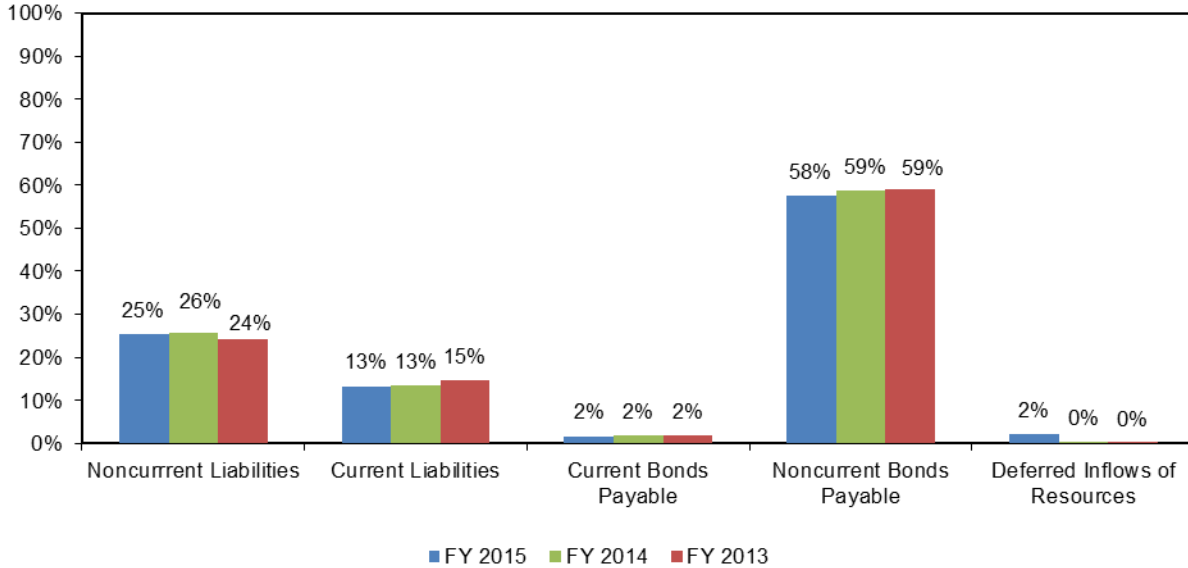
Assets and Deferred Outflows Composition

For the Years Ended June 30, 2015, 2014 and 2013



Liabilities and Deferred Inflows Composition

For the Years Ended June 30, 2015, 2014 and 2013



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

- Total current assets of \$556.2 million exceeded total current liabilities of \$327.2 million as of June 30, 2015 for net working capital of \$229.0 million as compared to net working capital of \$293.7 million and \$283.6 million as of June 30, 2014 and 2013, respectively. Current assets decreased by \$26.5 million from 2014 to 2015 and \$17.3 million from 2013 to 2014, while current liabilities increased by \$38.2 million from 2014 to 2015 and decreased \$27.4 million from 2013 to 2014.
- The major components of current assets include cash and cash equivalents of \$409.7 million, \$463.7 million, and \$485.0 million and net accounts receivable of \$86.6 million, \$74.5 million, and \$71.2 million as of June 30, 2015, 2014, and 2013, 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 June 30, 2015, 2014 and 2013.
- The major components of current liabilities include \$75.8 million, \$67.3 million, and \$73.3 million of unearned revenue, \$71.7 million, \$61.6 million, and \$79.9 million in accounts payable, \$74.4 million, \$56.1 million, and \$63.1 million of accrued liabilities, \$42.8 million, \$41.6 million, and \$42.1 million in accrued compensated absences, and \$36.7 million, \$35.7 million, and \$34.4 million in current portion of bonds payable as of June 30, 2015, 2014, and 2013, respectively.
- The changes from last year in the level of most of the current assets and liabilities reflect normal fluctuations in business operations; current construction projects activities and changes in grant activities. As State appropriations have declined, cash reserves have decreased.
- Noncurrent assets total \$3,444.4 million, \$3,080.4 million, and \$3,045.8 million and noncurrent liabilities total \$1,813.0 million, \$1,585.9 million, and \$1,608.5 million as of June 30, 2015, 2014, and 2013, respectively. Noncurrent assets increased by \$34.6 million from 2014 to 2015 and \$34.6 million from 2013 to 2014 while noncurrent liabilities increased by \$227.1 million from 2014 to 2015 and decreased \$22.6 million from 2013 to 2014.
- The primary noncurrent asset is \$2,904.5 million, \$2,649.3 million, and \$2,491.3 million of net capital assets as of June 30, 2015, 2014, and 2013, respectively. Also included as noncurrent assets are cash and cash equivalents primarily for capital purposes of \$120.2 million, \$166.4 million, and \$222.7 million, investments for capital purposes totaling \$343.7 million, \$205.7 million, and \$276.1 million, and net loans to students of \$46.8 million, \$45.6 million, and \$46.0 million as of June 30, 2015, 2014, and 2013, respectively.
- Major components of noncurrent liabilities include long-term bonds payable totaling \$1,257.2 million, \$1,103.0 million, \$1,140.7 million, capital leases of \$48.0 million, \$30.1 million, and \$32.4 million, advances from federal sponsors of \$46.1 million, \$41.1 million, and \$41.4 million, notes payable of \$30.4 million, \$31.8 million, and \$86.6 million, and accruals for other post employment benefit liability of \$308.8 million, \$292.5 million, and \$287.1 million as of June 30, 2015, 2014, and 2013, respectively. In addition, the net pension liability recorded for FY 2015 was \$25.8 million resulting from the implementation of GASB Stmt. No.'s 68 and 71.

- The increases in other post employment benefit liability of \$16.3 million and \$5.4 million, as of 2015 and 2014, respectively, are primarily attributed to continued lack of payments on behalf of the Fund. As a result of 2012 legislation, this liability will continue to increase until FY 2023, 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 2057.
- Deferred outflows of resources decreased from \$36.3 million, as of June 30, 2013, to \$34.3 million, as of June 30, 2014, and increased to \$35.5 million, as of June 30, 2015. The 2015 increase is the result of a \$3.2 million deferred outflow related to the adoption of GASB Stmt. No.'s 68 and 71 offset by a decrease in the deferred outflow related to the interest rate swap agreement.
- Most of the \$39.6 increase in deferred inflows of resources was a result of additions to service concession agreements of \$33.8 million and an increase in deferred inflows related to pensions of \$6.2 million. This was offset by a decrease in other deferred inflows of resources of \$.3 million.
- The net position of the Fund totaled \$1,852.5 million, \$1,818.8 million, and \$1,754.0 million as of June 30, 2015, 2014, and 2013, respectively, an increase of \$33.7 million from 2014 to 2015 and \$64.8 million from 2013 to 2014.
 - Net investment in capital assets totaled \$1,200.0 million, \$1,589.4 million, and \$1,553.1 million as of June 30, 2015, 2014, and 2013, respectively.
 - Restricted expendable net position totaled \$82.7 million, \$134.7 million, and \$149.9 million and include \$30.6 million, \$30.6 million, and \$32.9 million for sponsored projects, \$15.9 million, \$47.4 million, and \$68.3 million for capital projects, and \$14.0 million, \$27.0 million, and \$26.9 million for loan programs as of June 30, 2015, 2014, and 2013, respectively.
 - Unrestricted net position totaled \$(266.0) million, \$69.2 million, and \$26.4 million as of June 30, 2015, 2014, and 2013, respectively, and represents net position available to the Fund for any lawful purpose of the Fund.
- The increase in net position is 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.

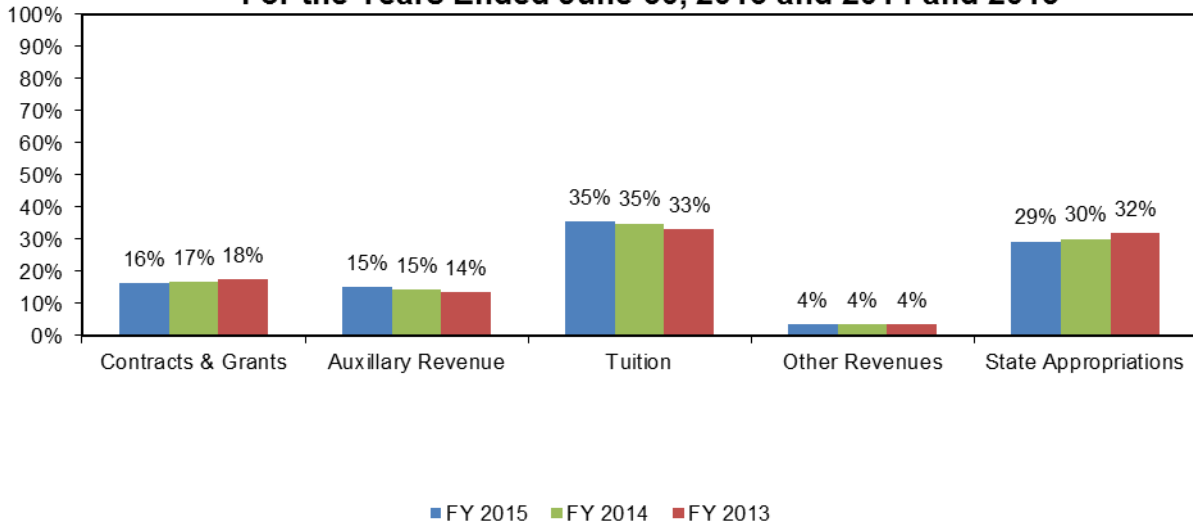
Operating revenues represent the receipts earned from providing goods and service to the various customers and constituencies served by the Fund, including fees from students and revenue in the form of Federal and State grants used to support operations and various initiatives. Operating expenses are 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)**

	FY 2015	FY 2014	FY 2013
Operating Revenues	\$ 1,153,190	\$ 1,135,705	\$ 1,116,808
Operating Expenses	<u>1,801,832</u>	<u>1,744,817</u>	<u>1,732,447</u>
Operating Loss	(648,642)	(609,112)	(615,639)
Net Nonoperating Revenues	<u>599,671</u>	<u>628,449</u>	<u>645,289</u>
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	(48,971)	19,337	29,650
Capital Grants, Appropriations and Gifts	108,376	34,993	39,197
Capital Bond Proceeds from State	25	10,400	19,936
Capital Payments and Transfers to Outside Entities	(424)	-	-
State Capital Grants (Federal)	<u>5,691</u>	<u>4,182</u>	<u>18,801</u>
Increase in Net Position	64,697	68,912	107,584
Net Position-Beginning of Year, Previously Reported	1,818,757	1,754,017	1,646,433
Restatement	(30,996)	(4,172)	-
Net Position-Beginning of Year, Restated	<u>1,787,761</u>	<u>1,749,845</u>	<u>1,646,433</u>
Net Position-End of Year	<u>\$ 1,852,458</u>	<u>\$ 1,818,757</u>	<u>\$ 1,754,017</u>

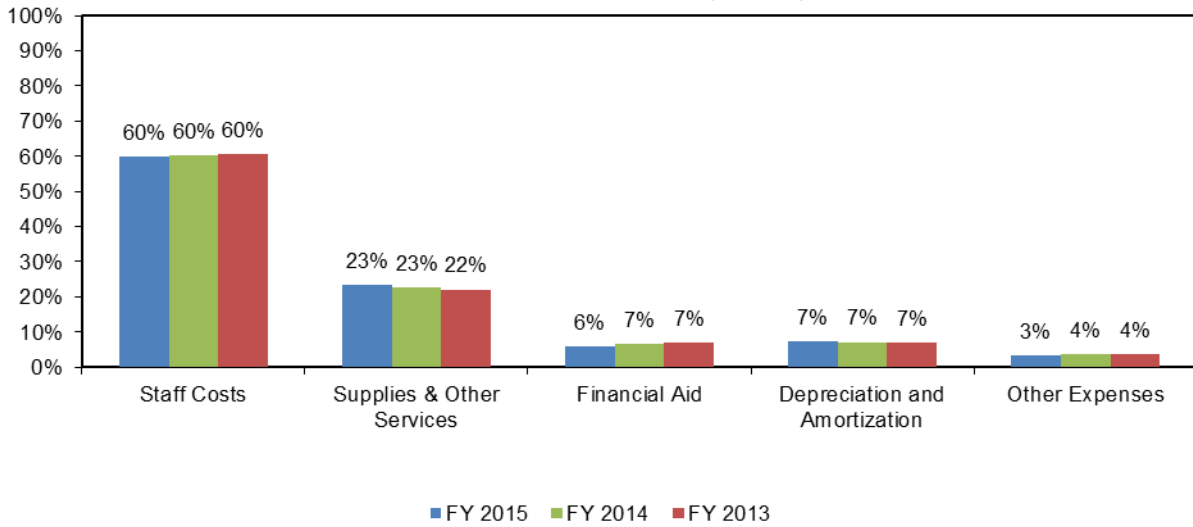
Operating Revenues and State Appropriations

For the Years Ended June 30, 2015 and 2014 and 2013



Total Operating Expenses

For the Years Ended June 30, 2015, 2014 and 2013



Major items of note in the statement of revenue, expenses and changes in net position include:

- Operating Revenues of the Fund totaled \$1,153.2 million, \$1,135.7 million, and \$1,116.8 million for the years ended June 30, 2015, 2014, and 2013, respectively, an increase of \$17.5 million from 2014 to 2015 and \$18.9 million from 2013 to 2014.
 - Student tuition and fees revenues totaled \$578.2 million in FY 2015, \$567.6 million in FY 2014 and \$545.9 in FY 2013, an increase of \$10.6 million or 1.9% in FY 2015 and \$21.7 million or 4.0% in FY 2014. Tuition is reported net of scholarship allowances totaling \$176.8 million, \$168.0 million, and \$162.5 million for the years ended June 30, 2015, 2014, and 2013, 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 \$125.7 million, \$127.0 million, and \$132.2 million for the years ended June 30, 2015, 2014, and 2013, respectively. The decreases of \$1.3 million in FY 2015 and \$5.2 million in FY 2014 represent the decline in federal research and financial aid support.
 - Auxiliary enterprises generated revenues of \$249.3 million, \$236.1 million, and \$223.7 million, net of \$25.5 million, \$24.5 million, and \$24.1 million of scholarship allowances for the years ended June 30, 2015, 2014, and 2013, respectively. FY 2015 net auxiliary revenues increased by \$13.2 million or 5.6%, reflecting primarily increases in rates. FY 2014 net auxiliary revenues increased by \$12.4 million or 5.5%, reflecting primarily increases in rates.
 - State grants and contracts totaled \$44.5 million, \$43.3 million, and \$68.0 million for the years ended June 30, 2015, 2014, and 2013, respectively, an increase of \$1.2 million from 2014 to 2015 and a decrease of \$24.7 million from 2013 to 2014. Private grants and contracts totaled \$87.3 million, \$87.0 million, and \$75.5 million for the years ended June 30, 2015, 2014, and 2013, respectively, an increase of \$.3 million from 2014 to 2015 and \$11.5 million from 2013 to 2014. These changes represent normal fluctuations in grant activities.
- Operating expenses totaled \$1,801.8 million, \$1,744.8 million, and \$1,732.4 million for the years ended June 30, 2015, 2014, and 2013, respectively, an increase of \$57.0 million from 2014 to 2015 and an increase \$12.4 million from 2013 to 2014.
 - Staff salary costs totaled \$834.0 million, \$820.6 million, and \$816.1 million, an increase of \$13.4 million or 1.6% from 2014 to 2015 and \$4.5 million or .6% from 2013 to 2014. This increase is attributed to salary increases and an additional year of service of annual increment. Benefit costs increased by \$17.5 million in FY 2015, or 7.6% from FY 2014 and is primarily due to an increase in the OPEB liability. Benefit costs decreased by \$2.4 million in FY 2014, or 1.0% from FY 2013 and is primarily due to the decrease in OPEB expenses described above.
 - Supplies and other services totaled \$419.5 million, \$393.6 million, and \$383.2 million for the years ended June 30, 2015, 2014, and 2013, respectively, an increase of \$5.9 million or 6.6% from 2014 to 2015 and an increase of \$10.4 million or 2.7% from 2013 to 2014.

- Scholarships and fellowships totaled \$106.9 million, \$114.9 million, and \$120.1 million for the years ended June 30, 2015, 2014, and 2013, respectively, a decrease of \$8.0 million or 7.0% from 2014 to 2015 and \$5.2 million or 4.3% from 2013 to 2014. This is primarily a result of decreases in Pell Grant revenues.
- Depreciation and amortization on capital assets totaled \$132.3 million, \$124.7 million, and \$119.0 million for the years ended June 30, 2015, 2014, and 2013, respectively, an increase of \$7.6 million from 2014 to 2015 and \$5.7 million from 2013 to 2014. 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 \$648.6 million, \$609.4 million, and \$615.6 million for the years ended June 30, 2015, 2014, and 2013, respectively, which excludes State appropriations of \$479.0 million, \$489.4 million, and \$523.3 million and Federal Pell grants of \$122.4 million, \$129.7 million, and \$135.5 million for the years ended June 30, 2015, 2014, and 2013, respectively. The net operating loss increase of \$39.5 million in FY 2015 was the outcome of the increase in operating expenses of \$57.0 million, offset by the \$17.5 million increase in operating revenue. The net operating loss decrease of \$6.2 million in FY 2013 was the outcome of the increase in operating expenses of \$12.4 million, offset by the \$18.9 million increase in operating revenue.
- Net non-operating revenue totaled \$599.7 million, \$628.4 million, and \$645.3 million for the years ended June 30, 2015, 2014, and 2013, respectively, a decrease of \$28.7 million from 2014 to 2015 and a decrease of \$16.9 million from 2013 to 2014.
 - State general revenue and lottery appropriations totaled \$479.0 million, \$489.4 million, and \$523.3 million for the years ended June 30, 2015, 2014, and 2013, respectively, decrease of \$10.4 million from 2014 to 2015 and a decrease of \$33.9 million from 2013 to 2014. The FY 2015 and FY 2014 decreases are due primarily to appropriation reductions required to balance the State budget.
 - Interest incurred on indebtedness totaled \$49.3 million, \$47.0 million, and \$45.8 million for the years ended June 30, 2015, 2014, and 2013, an increase of \$2.3 million from 2014 to 2015 and an increase of \$1.2 million from 2013 to 2014. This is attributable to bond FY 2015 bond issuances. The FY 2014 change is attributable to bond FY 2013 bond issuances. Total bonds, capital leases and notes indebtedness increased by \$171.1 million from FY 2014 to FY 2015. 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 \$5.6 million, \$22.9 million, and \$15.0 million for the years ended June 30, 2015, 2014, and 2013, respectively, a decrease of \$17.3 million from 2014 to 2015 and \$7.9 million from 2013 to 2014. These changes are due to declining investment returns realized by the Board of Treasury Investments (BTI) and investments managed by the West Virginia University Foundation, Marshall University Foundation, as well as declining cash balances.

- Other revenues consist of capital grants and gifts totaling \$108.4 million, \$35.0 million, and \$39.2 million for the years ended June 30, 2015, 2014, and 2013, respectively, an increase of \$73.4 million from 2014 to 2015 and \$4.2 million from 2013 to 2014. 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, and \$19.9 million for the year ended June 30, 2013. This will be further explained in a later section. Finally, State Capital Grants (Federal) totaled \$5.7 million, \$4.2 million, and \$18.8 million, for the years ended June 30, 2015, 2014, and 2013, respectively, an increase of \$1.5 million from 2014 to 2015 and a decrease of \$14.6 million from 2013 to 2014.
- The activity for FY 2015 resulted in an increase of net position totaling \$64.7 million, as compared to the \$68.9 million increase in net position during FY 2014 and a \$107.6 million increase in net position during FY 2013.
- As reported below on a functional expenditure basis, expenditures for Educational and General Expenses were \$1,342.0 million, \$1,301.4 million, and \$1,294.7 million for the years ended June 30, 2015, 2014, and 2013, respectively, an increase of \$40.6 million or 3.1% from FY 2014 and an increase of \$6.7 million or .5% from FY 2013. Cost of instruction constitutes 41.2%, 40.9%, and 40.5% of total educational and general expenses for the years ended June 30, 2015, 2014, and 2013, respectively. Institutional Support remained consistent as a percentage of E & G at 16.3% in FY's 2013 and 2014, and 17.1% in FY 2015.

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

	FY 15	% of	FY 14	% of	FY 13	% of
	Total	E&G Total	Total	E&G Total	Total	E&G Total
Instruction	\$ 552,492	41.2%	\$ 532,763	40.9%	\$ 524,038	40.5%
Research	150,028	11.2%	150,532	11.6%	150,165	11.6%
Public Service	89,038	6.6%	85,990	6.6%	90,047	7.0%
Academic Support	97,620	7.3%	97,593	7.5%	93,595	7.2%
Student Services	90,118	6.7%	90,970	7.0%	91,065	7.0%
Plant Operations	133,303	9.9%	131,549	10.1%	135,369	10.5%
Institutional Support	229,372	17.1%	211,952	16.3%	210,426	16.3%
Total E & G Expenses	1,341,971	100.0%	1,301,349	100.0%	1,294,705	100.0%
Financial Aid	106,119		114,070		119,521	
Auxillary Enterprises	212,969		195,043		190,585	
Depreciation	132,253		124,659		119,009	
Other	8,520		9,696		8,627	
Total Operating Expenses	\$ 1,801,832		\$ 1,744,817		\$ 1,732,447	

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 2015	FY 2014	FY 2013	Change From 2015 to 2014
Cash (Used In) Provided By:				
Operating Activities	\$ (500,681)	\$ (488,995)	\$ (494,919)	\$ (11,686)
Noncapital Financing Activities	647,815	649,038	687,806	(1,223)
Capital Financing Activities	(44,308)	(274,592)	(311,210)	230,284
Investing Activities	(156,846)	93,236	106,300	(250,082)
Increase (Decrease) in Cash and Cash Equivalents	(54,020)	(21,313)	(12,023)	(32,707)
Cash and Cash Equivalents, beginning of year	463,670	484,983	497,006	(21,313)
Cash and Cash Equivalents, end of year	<u>\$ 409,650</u>	<u>\$ 463,670</u>	<u>\$ 484,983</u>	<u>(54,020)</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 \$500.7 million, \$489.0 million, and \$494.9 million for the years ended June 30, 2015, 2014, and 2013, 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 2015, 2014, and 2013, respectively, were Student tuition and fees of \$580.8 million, \$571.1 million, and \$541.5 million; contracts and grants of \$257.5 million, \$253.9 million, and \$282.0 million; and auxiliary enterprise charges of \$251.0 million, \$238.6 million, and \$219.8 million. Primary uses of cash for FY 2015, 2014, and 2013, respectively, included payments to and on behalf of employees of \$1,057.9 million, \$1,043.2 million, and \$1,038.3 million and payments to suppliers of \$404.6 million, \$391.8 million, and \$381.1 million.
- Net cash provided from noncapital financing activities for FY 2015, 2014, and 2013, respectively, totaled \$647.8 million, \$649.0 million, and \$687.8 million, of which \$486.0 million, \$487.9 million, and \$523.8 million was from State General Revenue and Lottery appropriations, \$122.3 million, \$129.7 million, and \$135.9 million was from Federal Pell Grants.

- Net cash used by capital financing activities for FY 2015 totaled \$.4 million. The withdrawals from noncurrent cash and cash equivalents totaling \$78.5 million. Other sources include proceeds from bond issuances and borrowings of \$254.1 million, capital bond proceeds from the State of \$1.5 million, capital grants and gifts received of \$28.3 million and State capital grants (federal) received of \$5.9 million offset by uses of noncurrent cash and cash equivalents totaling \$34.4 million, purchases of capital assets totaling \$252.3 million, principal and interest paid on notes, bonds and leases of \$143.8 million.
- Net Cash used by capital financing activities for FY 2014 totaled \$274.6 million. The largest source was the withdrawals from noncurrent cash and cash equivalents totaling \$111.0 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 in) provided by investing activities for FY 2015 and 2014 totaled (\$156.8) million and \$93.2 million, compared to net cash provided by investing activities of \$106.3 million for FY 2013. The FY 2015 change is a result of an increase in the net purchase of investments for funding capital projects primarily from bond proceeds. The fiscal year 2014 change is a result of an increase in the net purchase of investments for funding capital projects primarily from bond proceeds.
- Net cash for FY 2015 decreased by \$54.0 million compared to a decrease in net cash for FY 2014 of \$21.3 million and FY 2013 of \$12.0 million, respectively. 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. Cash used for capital assets totaled \$252.3 million in FY 2015, as compared to \$291.2 million in FY 2014. Institutional projects at all the institutions are under way due to institutional bond issues in, 2010, 2012, 2014, and 2015 system bond issues in FY 2009, 2010, 2011 and 2012, and a State bond issue in FY 2011. For FY 2015, expenditures at West Virginia University and Marshall University accounted for \$179.4 million of the \$252.3 million total. For FY 2014, expenditures at West Virginia University and Marshall University accounted for \$181.5 million of the \$291.2 million total.

During Fiscal Year 2015, West Virginia University completed improvements to the Art Museum, Evansdale Library, Milan Puskar meeting rooms, classrooms and office at the Health Science Center, student residence halls at the Potomac State College regional campus, the Evansdale campus, the PRT, the Baseball Park and the Potomac State College soccer stadium. Other continuing activity included the construction of the Agricultural Sciences Building II; renovations to the Milan Puskar Stadium, Law Center, and the Multiple Sclerosis Research Center; Evansdale traffic flow; upgrades to the PRT; and several energy performance projects.

During fiscal year 2015, the West Virginia University executed the following real estate transactions:

- Took ownership of College Park and University Place, \$34.9 million and \$75.4 million mixed-use facilities, respectively, including student housing. These facilities were transferred by ACC OP (College Park, WV) LLC and West Virginia Campus Housing LLC, respectively, pursuant to lease and development agreements with them.
- Acquired land and buildings for \$8.0 million from the Mountain State University in Beckley, WV. The property consists of 14 buildings and 27 houses, over 29.81 acres, including two residence halls, a library, a gym and a student union and bookstore.
- Acquired 5.6 acres of real property from Mon-View, LLC in the City of Granville West Virginia for \$2.25 million to construct, operate and maintain a surface parking facility to provide parking for the adjacent baseball park and stadium.
- The University entered into lease, development, management and operating agreements with University Park at Evansdale LLC (UPE) to design, finance and manage the University Park (student residence) project.
- The University received a donation of right-to-use software from Schlumberger Corporation for educational purposes, valued at \$2.5 million.

The FY 2015 Marshall University projects included the Visual Arts Center, as well as various renovation and maintenance projects at the Medical School, Welcome Center, Art Warehouse, and Buskirk Hall. Major projects that continued through FY 2015 include the Applied Engineering Complex and the Indoor Athletic Complex. Various renovation and maintenance projects were initiated in FY 2015.

At June 30, 2015, Marshall University had outstanding contractual commitments of \$6.2 million for property, plant and equipment expenditures. Most of these commitments will be funded by gifts from fundraising conducted by Marshall University as well as other 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 \$81.1 million as of June 30, 2015. 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 \$1.1 million, the Council 2009 Revenue Bonds of \$71.2 million, the Facilities 2010 System bonds of \$71.3 million and the 2012 System Bonds of \$126.3 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. In addition the individual institutions have outstanding bonds with outstanding balance of \$883 million as of June 30, 2015. Further details concerning the long-term liabilities of the Fund are included in Notes 7 through 12 of the notes to the financial statements.

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 accord with the master plan for 2014-2018. 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 2014 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 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 \$1,852.5 million. The continued success of the Fund is closely tied to the economic strength of the State of West Virginia. Over 30% of operating and nonoperating revenues of the Fund in FY 2015 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 2.2% in FY 2015 from FY 2014. The decline in the extractive industries 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 2015, the Governor's Office has recommended a 4% 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 in the future. 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 35.4% of the total revenues of the Fund, a decrease of .5% over FY 2014.

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, 2015 and 2014
(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 409,650	\$ 463,670
Investments	24,495	-
Appropriations due from Primary Government	12,388	22,856
Accounts receivable-net	86,611	74,486
Loans receivable-current portion	7,795	7,998
Other current assets	10,484	9,628
Inventories	<u>4,789</u>	<u>4,070</u>
Total current assets	<u>556,212</u>	<u>582,708</u>
NONCURRENT ASSETS		
Cash and cash equivalents	120,240	166,420
Investments	343,667	205,655
Loans receivable-net of allowance \$10,132 and \$11,904 in 2015 and 2014, respectively	46,836	45,560
Other assets	29,152	13,463
Capital assets-net	<u>2,904,473</u>	<u>2,649,308</u>
Total noncurrent assets	<u>3,444,368</u>	<u>3,080,406</u>
Total assets	<u>4,000,580</u>	<u>3,663,114</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	31,359	32,905
Interest rate swap agreement	891	1,416
Deferred outflows related to pensions	<u>3,212</u>	<u>-</u>
Total deferred outflows of resources	<u>35,462</u>	<u>34,321</u>
TOTAL	<u><u>\$ 4,036,042</u></u>	<u><u>\$ 3,697,435</u></u>

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
STATEMENTS OF NET POSITION (CONTINUED)
June 30, 2015 and 2014
(Dollars in thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES		
Accounts payable	\$ 71,685	\$ 61,573
Due to State of West Virginia	212	933
Accrued liabilities	74,396	56,123
Unearned revenue	75,847	67,338
Deposits	7,343	6,252
Real estate purchase agreements payable-current portion	581	362
Other liabilities-current portion	1,000	2,063
Compensated absences-current portion	42,844	41,571
Notes payable-current portion	1,375	1,333
Capital lease obligations-current portion	3,606	4,217
Interest payable	11,596	11,539
Bonds payable-current portion	<u>36,676</u>	<u>35,707</u>
Total current liabilities	<u>327,161</u>	<u>289,011</u>
NONCURRENT LIABILITIES		
Advances from federal sponsors	46,080	41,130
Real estate purchase agreement payable	15,935	5,725
Compensated absences	4,907	3,877
Notes payable	30,416	31,793
Capital lease obligations	48,018	30,085
Future interest payable	36,003	36,371
Bonds payable	1,257,228	1,103,043
Other post employment benefit liability	308,758	292,455
Net pension liability	25,755	-
Other noncurrent liabilities	<u>39,865</u>	<u>41,425</u>
Total noncurrent liabilities	<u>1,812,965</u>	<u>1,585,904</u>
Total liabilities	<u>2,140,126</u>	<u>1,874,915</u>

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
STATEMENTS OF NET POSITION (CONTINUED)
June 30, 2015 and 2014
(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (CONTINUED)		
DEFERRED INFLOWS OF RESOURCES		
Service concession arrangements	\$ 36,449	\$ 2,632
Deferred inflows related to pensions	6,206	-
Other	<u>803</u>	<u>1,131</u>
Total deferred inflows of resources	<u>43,458</u>	<u>3,763</u>
Total liabilities and deferred inflows of resources	<u>2,183,584</u>	<u>1,878,678</u>
NET POSITION		
Net investment in capital assets	<u>1,999,927</u>	<u>1,589,447</u>
Restricted for:		
Expendable:		
Scholarships	6,517	8,167
Sponsored projects	30,646	30,554
Loans	14,032	26,994
Capital projects	15,910	47,364
Debt service	11,315	16,811
Other	<u>4,283</u>	<u>4,776</u>
Total restricted expendable	<u>82,703</u>	<u>134,666</u>
Nonexpendable	<u>35,784</u>	<u>25,468</u>
Unrestricted	<u>(265,956)</u>	<u>69,176</u>
Total net position	<u>1,852,458</u>	<u>1,818,757</u>
TOTAL	<u>\$ 4,036,042</u>	<u>\$ 3,697,435</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, 2015 and 2014
(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Student tuition and fees - net of scholarship allowance of \$176,845 in 2015 and \$168,002 in 2014	\$ 578,175	\$ 567,628
Federal and local land grants	9,437	9,301
Contracts and grants:		
Federal	125,706	127,006
State	44,488	43,266
Local	1,356	5,531
Private	87,280	87,017
Interest on student loans receivable	1,276	1,288
Sales and services of educational activities	25,498	26,122
Auxiliary enterprise revenue - net of scholarship allowance of \$25,465 in 2015 and \$24,468 in 2014	249,341	236,073
Other operating revenues	<u>30,633</u>	<u>32,473</u>
Total operating revenues	<u>1,153,190</u>	<u>1,135,705</u>
OPERATING EXPENSES		
Salaries and wages	834,006	820,648
Benefits	246,518	229,045
Supplies and other services	419,479	393,552
Utilities	59,232	56,678
Student financial aid - scholarships and fellowships	106,883	114,885
Depreciation and amortization	132,253	124,659
Other operating expenses	<u>3,461</u>	<u>5,350</u>
Total operating expenses	<u>1,801,832</u>	<u>1,744,817</u>
OPERATING LOSS	<u>(648,642)</u>	<u>(609,112)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	451,673	461,884
State lottery appropriations	27,323	27,500
Federal Pell grants	122,371	129,710
Gifts	37,372	29,524
Investment income (including unrealized (loss) gain of (\$4,286) in 2015 and \$11,798 in 2014)	5,638	22,866
Interest on indebtedness	(49,254)	(47,027)

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION (CONTINUED)
For the Years Ended June 30, 2015 and 2014
(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
NONOPERATING REVENUES (EXPENSES) (CONTINUED)		
Payments made on behalf of the Fund	\$ 3,304	\$ -
Other nonoperating income - net	<u>1,244</u>	<u>3,992</u>
Net nonoperating revenues	<u>599,671</u>	<u>628,449</u>
 (LOSS) INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	 (48,971)	 19,337
 CAPITAL GRANTS, APPROPRIATIONS, AND GIFTS	 108,376	 34,993
 CAPITAL BOND PROCEEDS FROM THE STATE	 25	 10,400
 CAPITAL PAYMENTS AND TRANSFERS TO OUTSIDE ENTITIES	 (424)	 -
 STATE CAPITAL GRANTS (FEDERAL)	 <u>5,691</u>	 <u>4,182</u>
 INCREASE IN NET POSITION	 64,697	 68,912
 NET POSITION - BEGINNING OF YEAR	 <u>1,818,757</u>	 <u>1,754,017</u>
 RESTATEMENT (NOTE 22)	 -	 (4,172)
 RESTATEMENT FOR JULY 1, 2014, PENSION LIABILITY	 <u>(30,996)</u>	 <u>-</u>
 NET POSITION - BEGINNING OF YEAR, RESTATED	 <u>1,787,761</u>	 <u>1,749,845</u>
 NET POSITON - END OF YEAR	 <u>\$ 1,852,458</u>	 <u>\$ 1,818,757</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, 2015 and 2014
(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 580,769	\$ 571,064
Federal and local land grants	9,438	9,301
Contracts and grants	257,526	253,941
Payments to and on behalf of employees	(1,057,852)	(1,043,153)
Payments to suppliers	(404,610)	(391,815)
Payments to utilities	(59,766)	(57,217)
Payments for scholarships and fellowships	(113,736)	(117,527)
Loans issued to students	(3,533)	(4,222)
Collection of loans to students	2,931	2,371
Sales and services of educational activities	24,224	25,816
Interest earned on loans to students	940	898
Auxiliary enterprise charges	250,976	238,639
Other receipts - net	12,012	22,909
Net cash used in operating activities	<u>(500,681)</u>	<u>(488,995)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	486,007	487,938
Federal Pell grants	122,319	129,674
Gift receipts	34,498	28,708
Direct lending receipts	456,426	459,497
Direct lending payments	(455,829)	(461,123)
Other nonoperating receipts - net	4,394	4,344
Net cash provided by noncapital financing activities	<u>647,815</u>	<u>649,038</u>
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from bond issuances and borrowings	254,121	12,101
Proceeds from capital asset disposals and sale of natural resources	28	59
Capital bond proceeds from State	1,547	7,603
Withdrawals from noncurrent cash and cash equivalents	78,532	111,027
Deposits to noncurrent cash and cash equivalents	(34,433)	(54,774)
Capital grants and gifts received	28,324	31,342
State capital grants (federal) received	5,916	5,007
Purchases of capital assets	(252,328)	(291,207)
Principal paid on notes, bonds, and leases	(89,575)	(45,900)
Interest paid on notes, bonds, and leases	(54,237)	(53,211)
Reimbursement from the county commission	18,630	215
Other	(833)	3,146
Net cash used in capital financing	<u>(44,308)</u>	<u>(274,592)</u>

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended June 30, 2015 and 2014
(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from sales/maturities of investments	\$ 79,336	\$ 119,252
Purchases of investments	(245,498)	(32,418)
Investment income	9,316	6,402
Net cash (used in) provided by investing activities	<u>(156,846)</u>	<u>93,236</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(54,020)	(21,313)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>463,670</u>	<u>484,983</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 409,650</u>	<u>\$ 463,670</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (648,642)	\$ (609,112)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	132,253	124,659
Donated/noncapitalized expense	5,746	3,443
Accretion on bond premium/discount	(27)	44
Loan cancellations and write-offs	131	201
Expenses paid on behalf of the Fund	1,851	295
Changes in assets and liabilities:		
Receivables - net	(33,325)	(5,989)
Loans receivable - net	(1,214)	(232)
Prepaid expenses	(1,859)	315
Inventories	(630)	303
Accounts payable	1,143	(6,058)
Accrued liabilities	22,690	3,476
Defined benefit pension	(653)	-
Compensated absences	2,605	(543)
Unearned revenue	7,424	(1,863)
Deposits	343	122
Other post employment benefit liability	6,697	2,153
Advances from federal sponsors	4,961	(440)
Other	(175)	231
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (500,681)</u>	<u>\$ (488,995)</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, 2015 and 2014
(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
SIGNIFICANT NONCASH TRANSACTIONS		
Construction in progress and capital asset additions included in accounts payable and accrued liabilities	\$ 20,118	\$ 19,565
Donated capital assets	\$ 82,190	\$ 5,863
Loss on disposal of fixed assets	\$ 763	\$ 695
Capitalized interest	\$ 6,821	\$ 4,987
Unrealized (loss) gain on investment	\$ (4,286)	\$ 11,798
Bond & real estate agreements payable discounts, premiums, losses	\$ 997	\$ 890
Other post employment benefits	\$ 9,303	\$ 3,267
Land swap	\$ -	\$ 278
Gift of noncapital asset	\$ 2,644	\$ 2,573
Capital assets obtained under capital leases	\$ 21,352	\$ -
Adjustment to medical malpractice liability	\$ 5,425	\$ -
Deferred service concession arrangements, net	\$ 34,151	\$ -
Expenses paid on behalf	\$ 9,556	\$ -
Deferred gain on refunding	\$ 45	\$ -

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, 2015 and 2014

NOTE 1 - ORGANIZATION

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

- Bluefield State College (Bluefield)
- Concord University (Concord)
- Fairmont State University (Fairmont)
- Glenville State College (Glenville)
- Marshall University (Marshall)
- Shepherd University (Shepard)
- West Liberty University (West Liberty)
- 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 (WV State)
- West Virginia School of Osteopathic Medicine (WVSOM)
- West Virginia University (including Potomac State College and West Virginia University Institute of Technology) (WVU)

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, 2015 and 2014

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 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 23 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, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

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

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, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

The BTI maintains the Consolidated Fund investment fund which consists of eight investment pools and participant-directed accounts, three of which the 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 Boulevard East, Room E-122, Charleston, West Virginia 25305 or <http://www.wvbt.com>.

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

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, 2015 and 2014. 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, 2015 and 2014. 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
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (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 \$6.8 million and \$5.0 million for the years ended June 30, 2015 and 2014, 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, 2015 and 2014

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, West Virginia 25305-0710 or <http://www.wvpeia.com>.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable. The 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.

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.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (TRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported in the TRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ (Note 14).

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. As of June 2015 and 2014, the Fund had a deferred loss on refunding of \$31,359 and \$32,905 respectively, deferred outflows of resources related to interest rate swap agreement of \$891 and \$1,416 respectively, and deferred outflows of resources related to pensions of \$3,212 as of June 30, 2015 (Note 14). 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 to service concession arrangements are accreted over the periods of the service concession arrangements. As of June 30, 2015 and 2014, the Fund had total deferred inflows of resources of \$36,449 and \$2,632 related to service concession arrangements. As of June 30, 2015, the deferred inflows related to pensions were \$6,206 (Note 14). Other deferred inflows of resources include deferred gains on refunding and deferred federal Pell grants of \$803 and \$1,131 as of June 30, 2015 and 2014, respectively.

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.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management (Continued)

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 WVU's and Marshall's 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.

Under the program, the SOMs entered into an agreement with BRIM whereby the SOMs have on deposit \$4.5 million and \$4.9 million as of June 30, 2015 and 2014, 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 \$21.2 million and \$26.0 million as of June 30, 2015 and 2014, 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 \$7.5 million and \$7.7 million as of June 30, 2015 and 2014, respectively. Based on actuarial valuations of this self-insurance program, the Fund has recorded a liability of \$29.4 million and \$29.6 million to reflect projected claim payments at June 30, 2015 and 2014, 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.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues (Continued)

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.

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 2015 and 2014, the Fund received and disbursed, or awarded, approximately \$456 million and \$461 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 2015 and 2014, the Fund received and disbursed approximately \$130 million and \$118 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.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scholarship Allowances (Continued)

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).

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.

Reclassifications – Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB) – The Fund has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statements Nos. 68 and 71 require the Fund to report its share of the defined benefit pension liabilities and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the CPRB. The July 1, 2014, balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources is reported in the statement of revenues, expenses, and changes in net position as a restatement to the 2015 net position – beginning of the year. The CPRB was not able to provide sufficient information to restate the June 30, 2014 financial statements.

	2015 <u>(in Thousands)</u>
Net Position – Beginning of Year, Restated (Note 22)	\$1,818,757
July 1, 2014, Balance of the Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(30,996)</u>
Net Position – Beginning of Year, Restated	<u>\$1,787,761</u>

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

The GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Fund has not yet determined the effect that the adoption of GASB Statement No. 72 may have on its financial statements.

The GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees of state and local governmental employers and are not within the scope of Statement 68. This statement also establishes requirements for pensions that are provided through pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also establishes requirements for governments that hold assets accumulated for purposes of providing pensions through defined benefit pension plans that are not administered through trusts that meet certain criteria and amends certain provisions for pension plans that are within the scope of Statement 67 and for pensions that are within the scope of Statement 68. The Fund has not yet determined the effect that the adoption of GASB Statement No. 73 may have on its financial statements.

The GASB has also issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for fiscal years beginning after June 15, 2016. This statement establishes financial reporting standards for state and local governmental other postemployment benefit plans – defined benefit plans and defined contribution plans – that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing other postemployment benefits through defined benefit plans that are not administered through trusts or equivalent arrangements that meet certain criteria. The Fund has not yet determined the effect that the adoption of GASB Statement No. 74 may have on its financial statements.

The GASB has also issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal years beginning after June 15, 2017. This statement establishes standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also establishes standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are not administered through trusts that meet certain criteria. The Fund has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The GASB has also issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is effective for fiscal years beginning after June 15, 2015. This statement establishes the hierarchy of accounting principles generally accepted in the United States of America for state and local governments. The Fund has not yet determined the effect that the adoption of GASB Statement No. 76 may have on its financial statements.

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The GASB has also issued Statement No. 77, *Tax Abatement Disclosures*, which is effective for fiscal years beginning after December 15, 2015. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The Fund has not yet determined the effect that the adoption of GASB Statement No. 77 may have on its financial statements.

The GASB has also issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is effective for fiscal years beginning after December 15, 2015. This statement establishes standards of accounting and financial reporting for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan. The Fund has not yet determined the effect that the adoption of GASB Statement No. 78 may have on its financial statements.

The GASB has also issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, which is effective for fiscal years beginning after June 15, 2015. This statement establishes standards of accounting and financial reporting for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. The Fund has not yet determined the effect that the adoption of GASB Statement No. 79 may have on its financial statements.

The GASB has also issued Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No.14*, which is effective for fiscal years beginning after June 15, 2016. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The Fund has not yet determined the effect that the adoption of GASB Statement No. 80 may have on its financial statements.

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTE 3 - CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2015 and 2014, was held as follows (dollars in thousands):

	2015		
	Current	Noncurrent	Total
State Treasurer	\$ 331,425	\$ 14,617	\$ 346,042
Municipal Bond Commission	2,371	-	2,371
Trustee	-	100,489	100,489
Bank	51,603	625	52,228
Cash equivalents	24,137	-	24,137
Escrowed cash	-	4,509	4,509
On hand	114	-	114
	\$ 409,650	\$ 120,240	\$ 529,890

	2014		
	Current	Noncurrent	Total
State Treasurer	\$ 385,888	\$ 32,487	\$ 418,375
Municipal Bond Commission	2,480	1,736	4,216
Trustee	-	129,503	129,503
Bank	45,347	2,694	48,041
Cash equivalents	29,845	-	29,845
On hand	110	-	110
	\$ 463,670	\$ 166,420	\$ 630,090

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 \$24.1 million and \$44.2 million of restricted cash at June 30, 2015 and 2014, 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, 2015 and 2014, were \$52.2 million and \$48.0 million, as compared with the combined bank balance of \$56.9 million and \$52.8 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.

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

Amounts with the State Treasurer as of June 30, 2015 and 2014, 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	2015		2014	
	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	\$ 229,248	AAAm	\$ 291,662	AAAm
WV Government Money Market Pool	\$ 44,225	AAAm	\$ 103,672	AAAm
WV Short Term Bond Pool	\$ 100	Not Rated	\$ 6,133	Not Rated

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

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

External Pool	2015		2014	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 299,248	47	\$ 291,662	36
WV Government Money Market Pool	\$ 44,225	51	\$ 103,672	37

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

External Pool	2015		2014	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	\$ 100	410	\$ 6,133	407

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTES TO FINANCIAL STATEMENTS
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NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

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.

<u>Investment Type</u>	Carrying Value	
	2015	2014
	(in Thousands)	(in Thousands)
Money Market Fund	\$ 100,489	\$ 129,503

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.

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.

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTE 4 - INVESTMENTS

Investments held were as follows at June 30, 2015 (dollars in thousands):

<u>Investment Type</u>	<u>Bluefield</u>	<u>WVU</u>	<u>Marshall</u>	<u>Concord</u>	<u>WVSOM</u>	<u>Fair Value</u>
U.S. government investments						
Mortgage Association Securities	\$ -	\$ 142,962	30,188	\$ -	\$ -	173,150
Mutual Bond funds						
High Quality Bond Fund	-	-	3,792	-	-	3,792
Intermediate Term Fund	-	-	582	-	-	582
Multi-Strategy Commodities Fund	-	-	595	-	-	595
Fidelity Floating Rate High Income	-	2,367	-	-	-	2,367
Guggenheim TR Bond	-	4,539	-	-	-	4,539
Brandywine Global Fixed Income	-	6,068	-	-	-	6,068
iShares Barclays 3-7 Year Treasury	-	2,953	-	-	-	2,953
iShares Barclays 7-10 Year Treasury	-	1,371	-	-	-	1,371
CF Multi-Strategy Bond Fund	-	5,410	6,022	-	-	11,432
CFI Mutli-Strategy Bond Investors Fund	-	1,367	-	-	-	1,367
RNC Genter Capital Management	-	-	-	-	4,890	4,890
Fixed Income Funds						
IR&M Core Bond	-	7,307	-	-	-	7,307
Mutual Stock Funds						
Core Equity Fund	-	-	783	-	-	783
Dodge & Cox International Stock Fund	-	3,222	-	-	-	3,222
Dodge & Cox Stock Fund	-	6,339	-	-	-	6,339
Multi-Strategy Equity Fund	-	-	17,213	-	-	17,213
MFS International Value Fund	-	7,546	-	-	-	7,546
MFS	-	5,140	-	-	-	5,140
Oppenheimer International Growth Fund	-	6,987	-	-	-	6,987
Vanguard Total Stock Market	-	27,395	-	-	-	27,395
Van Eck Global Hard Assets	-	1,178	-	-	-	1,178
Aberdeen Emerging Markets	-	3,572	-	-	-	3,572
Other	454	3,682	1,847	14,808	-	20,791
Other Alternative Investments						
BHR Offshore Fund	-	-	5,451	-	2,533	7,984
Salsman Offshore Fund	-	-	5,626	-	2,531	8,157
Z Capital Loan Op Offshore Fund	-	-	2,202	-	-	2,202
Mudricks Dist Opportunity Fund	-	-	5,068	-	2,948	8,016
RBR European Fund	-	-	2,309	-	1,312	3,621
Han Mid Term Fund	-	-	1,591	-	-	1,591
Operating Fund	-	-	1,005	-	-	1,005
Mid Term Fund	-	-	9,036	-	-	9,036
Other	-	245	100	-	5,626	5,971
	<u>\$ 454</u>	<u>\$ 239,650</u>	<u>\$ 93,410</u>	<u>\$ 14,808</u>	<u>\$ 19,840</u>	<u>\$ 368,162</u>

WEST VIRGINIA HIGHER EDUCATION FUND
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June 30, 2015 and 2014

NOTE 4 - INVESTMENTS (CONTINUED)

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

<u>Investment Type</u>	<u>Bluefield</u>	<u>WVU</u>	<u>Marshall</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 Year Treasury	-	6,743	-	6,743
iShares Barclays 7-10 Year 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	445	2,371	1,723	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>\$ 445</u>	<u>\$ 121,382</u>	<u>\$ 83,828</u>	<u>\$ 205,655</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. 603 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, 2015 and 2014, were approximately \$148.9 million and \$146.6 million, respectively.

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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 and WVSOM investment policies adhere 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, 2015 and 2014, Standard & Poor's (S&P) credit ratings were as follows:

<u>Investment Type</u>	<u>Standard & Poor's Rating</u>	
	<u>2015</u>	<u>2014</u>
Brandywine Global Fixed Income	A	BBB+
Common Fund Multi-Strategy Bond Fund	Average A+	Average A+
Common Fund Multi-Strategy Bond Investors Fund	Average A+	Average A+
Fidelity Floating Rate High Income	BB	-
Income Research & Management (IRM)	-	AA
IR&M Core Bond	Aa2	AA-
Intermediate Term Fund	AA	AA
Guggenheim TR Bond	A	-
Harbor Bond Fund	-	A2
High Quality Bond Fund	A+	A+
iShares Barclays 3-7 Year Treasury	AAA	AA+
iShares Barclays 7-10 Year Treasury	AAA	AA+
Multi-Strategy Commodities Fund	AA-	A
RNC Genter Capital Management	See below	-
State Street Cash – SSGA Money Market	-	AAA _m

Remaining investments have not been rated.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 4 - INVESTMENTS (CONTINUED)

Credit Risk (Continued)

<u>RNC Genter Capital Management</u>	
<u>Standard & Poor's Rating</u>	<u>% of Bond Market Value</u>
AAA	42.00%
A	15.00%
BAA	38.00%
BA/Lower	5.00%

WVSOM's bond quality ratings are as follows (dollars in thousands):

<u>Bond Quality</u>	<u>Market Value</u>	<u>% of Bond Market Value</u>
AAA	\$ 2,062	42.00%
A	731	15.00%
BAA	1,850	38.00%
BA/Lower	243	5.00%
Total	<u>\$ 4,890</u>	<u>100.00%</u>

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 WVU at June 30 (dollars in thousands):

2015

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 Government Backed Money Market Funds	\$142,962	\$75,638	\$67,324	\$ -	\$ -
Mutual Bond Funds	17,298	5,943	4,534	4,322	2,499
Cash/Mutual Money Market Funds	1,387	1,387	-	-	-
Fixed Income Funds	7,307	425	4,118	1,616	1,148
Other Alternative Investments	6,778	-	6,778	-	-
	<u>\$175,732</u>	<u>\$83,393</u>	<u>\$82,754</u>	<u>\$5,938</u>	<u>\$3,647</u>

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTE 4 - INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

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 Government 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>

For WVU, interest rate risk is managed by limiting the time period or duration of the specific investment. At June 30, 2015, the U.S. Treasury Notes have maturities through November 30, 2017 and interest rates which range from .2% to 1.1%. 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%.

The following tables show the maturities for WVSOM at June 30 (dollars in thousands):

Bond Maturity	Market Value	% of Bond Market Value
7 to 12 months	\$ 245	5.00%
1 to 5 years	2,820	58.00%
6 to 10 years	1,590	32.00%
Over 10 years	235	5.00%
Total	<u>\$ 4,890</u>	<u>100.00%</u>

Marshall University investment maturities are as follows. At June 30, 2015, the High Quality Bond Fund had an average maturity of 8.64 years, the Intermediate Term Fund had an average maturity of 2.43 years, the Multi-Strategy Bond Fund had an average maturity of 7.30 years, the Multi-Strategy Commodities Fund had an average maturity of .57 years, and the U.S. Government National Mortgage Association Securities had an average maturity of between 7 and 29 years. 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 between 7 and 29 years.

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTES TO FINANCIAL STATEMENTS
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NOTE 4 - INVESTMENTS (CONTINUED)

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, 2015 and 2014, 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.

To minimize risk, WVSOM's investment policy allows for no more than 5% of available assets to be invested with any one issuer, except U.S. government securities.

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, 2015, there was no custodial credit risk. 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.

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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>2015</u>	<u>2014</u>
Australian Dollar	\$ 927	\$ 756
Bermuda Dollar	-	5
Brazilian Real	524	959
British Pence	639	-
British Pound Sterling	1,875	3,999
Canadian Dollar	561	273
Chilean Peso	442	654
Chinese Yuan Renminbi	-	217
Danish Krone	254	126
Euro	5,032	4,983
Great Britain Pound	1,336	-
Hong Kong Dollar	679	294
Hungarian Forint	37	36
Indian Rupee	704	533
Indonesian Rupiah	146	75
Japanese Yen	2,652	2,210
Kuwaiti Dinar	-	5
Malaysian Ringgit	239	220
Mexican Peso	998	1,399
New Turkish Lira	222	-
New Zealand Dollar	24	15
Norwegian Krone	480	95
Other	-	92
Philippine Peso	138	90
Polish Zloty	378	101
Russian Ruble	70	123
South African Cent	341	-
South African Rand	306	679
South Korean Won	572	609
Swedish Krona	811	375
Swiss Franc	2,036	2,304
Taiwanese Dollar	161	132
Thai Baht	287	244
Turkish Lira	-	230
US Dollar	10,241	12,008
	<u>\$ 33,112</u>	<u>\$ 33,841</u>

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 and 2014, were as follows (dollars in thousands):

	<u>2015</u>	<u>2014</u>
Students - net of allowance of \$22,780 and \$20,716 in 2015 and 2014, respectively	\$ 14,941	\$ 11,457
Grants and contracts - net of allowance of \$1,659 and \$814 in 2015 and 2014, respectively	42,297	34,480
Auxiliary services	2,584	1,704
Due from State and State agencies	5,073	8,001
Other - net of allowance of \$1,590 and \$1,590 in 2015 and 2014, respectively	<u>21,716</u>	<u>18,844</u>
	<u>\$ 86,611</u>	<u>\$ 74,486</u>

NOTE 6 - CAPITAL ASSETS

The following, for the years ended June 30, 2015 and 2014, is a summary of capital assets transactions for the Fund (dollars in thousands):

	<u>2015</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated or amortized:				
Land	\$ 157,346	\$ 5,422	\$ 17	\$ 162,751
Construction in progress	276,627	202,682	161,424	317,885
Other	<u>132</u>	<u>-</u>	<u>-</u>	<u>132</u>
Total capital assets not being depreciated or amortized	<u>\$ 434,105</u>	<u>\$ 208,104</u>	<u>\$ 161,441</u>	<u>\$ 480,768</u>

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	2015			
	Beginning Balance (Restated)	Additions	Reductions	Ending Balance
Other capital assets:				
Land improvements	\$ 79,545	\$ 6,073	\$ 169	\$ 85,449
Infrastructure	353,833	24,783	374	378,242
Buildings	2,619,682	274,433	1,999	2,892,116
Equipment	361,033	26,510	8,973	378,570
Software	62,370	1,387	38	63,719
Library books	179,002	7,708	2,171	184,539
Intangibles and other	<u>117,616</u>	<u>2,502</u>	<u>-</u>	<u>120,118</u>
Total other capital assets	<u>3,773,081</u>	<u>343,396</u>	<u>13,724</u>	<u>4,102,753</u>
Less accumulated depreciation or amortization for:				
Land improvements	36,037	4,526	118	40,445
Infrastructure	268,488	9,072	166	277,394
Buildings	745,182	59,190	1,283	803,089
Equipment	232,934	28,750	7,519	254,165
Software	54,453	2,705	38	57,120
Library books	151,188	8,003	2,164	157,027
Intangibles and other	<u>69,596</u>	<u>20,212</u>	<u>-</u>	<u>89,808</u>
Total accumulated depreciation and amortization	<u>1,557,878</u>	<u>132,458</u>	<u>11,288</u>	<u>1,679,048</u>
Other capital assets - net	<u>\$2,215,203</u>	<u>\$210,938</u>	<u>\$ 2,436</u>	<u>\$2,423,705</u>

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	2015			
	Beginning Balance (Restated)	Additions	Reductions	Ending Balance
Capital asset summary:				
Capital assets not being depreciated or amortized	\$ 434,105	\$ 208,104	\$ 161,441	\$ 480,768
Other capital assets	<u>3,773,081</u>	<u>343,396</u>	<u>13,724</u>	<u>4,102,753</u>
Total cost of capital assets	4,207,186	551,500	175,165	4,583,521
Less accumulated depreciation and amortization	<u>1,557,878</u>	<u>132,458</u>	<u>11,288</u>	<u>1,679,048</u>
Capital assets - net	<u>\$2,649,308</u>	<u>\$ 419,042</u>	<u>\$ 163,877</u>	<u>\$2,904,473</u>
	2014			
	Beginning Balance (Restated)	Additions (Restated)	Reductions (Restated)	Ending Balance (Restated)
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>
Total capital assets not being depreciated or amortized	<u>\$ 399,167</u>	<u>\$ 250,674</u>	<u>\$ 215,736</u>	<u>\$ 434,105</u>
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>973</u>	<u>117,616</u>
Total other capital assets	<u>3,546,822</u>	<u>257,741</u>	<u>31,482</u>	<u>3,773,081</u>

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTE 6 - CAPITAL ASSETS (CONTINUED)

	2014			
	Beginning Balance (Restated)	Additions (Restated)	Reductions (Restated)	Ending Balance (Restated)
Less accumulated depreciation or amortization for:				
Land improvements	32,202	4,314	479	36,037
Infrastructure	260,085	8,462	59	268,488
Buildings	693,473	53,104	1,395	745,182
Equipment	227,433	28,756	23,255	232,934
Software	51,686	2,979	212	54,453
Library books	144,071	8,136	1,019	151,188
Intangibles and other	50,519	19,077	-	69,596
Total accumulated depreciation and amortization	1,459,469	124,828	26,419	1,557,878
Other capital assets - net	\$2,087,353	\$132,913	\$ 5,063	\$2,215,203
Capital asset summary:				
Capital assets not being depreciated or amortized	\$ 399,167	\$ 250,674	\$ 215,736	\$ 434,105
Other capital assets	3,546,822	257,741	31,482	3,773,081
Total cost of capital assets	3,945,989	508,415	247,218	4,207,186
Less accumulated depreciation and amortization	1,459,469	124,828	26,419	1,557,878
Capital assets – net	\$2,486,520	\$ 383,587	\$ 220,799	\$2,649,308

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, 2015, the Fund has recognized \$97.2 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, 2015, of approximately the following (dollars in thousands):

Concord	\$ 98
Fairmont	29,017
Marshall	6,223
Eastern West Virginia Community and Technical College	142
Pierpont	65
West Liberty	235
Policy Commission	1,600
West Virginia Northern Community College	107
WVSOM	1,356
WVU	72,900
West Virginia University at Parkersburg	<u>433</u>
	<u>\$ 112,176</u>

NOTE 7 - LONG-TERM LIABILITIES

The following, for the years ended June 30, 2015 and 2014, is a summary of long-term obligation transactions for the Fund (dollars in thousands):

	<u>2015</u>				
	<u>Beginning Balance (Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds, capital leases, and notes payable:					
Notes payable	\$ 33,126	\$ -	\$ (1,335)	\$ 31,791	\$ 1,375
Capital leases payable	34,302	21,848	(4,526)	51,624	3,606
Bonds payable	<u>1,138,750</u>	<u>191,921</u>	<u>(36,767)</u>	<u>1,293,904</u>	36,676
Total bonds, capital leases, and notes payable	1,206,178	213,769	(42,628)	1,377,319	
Advances from federal sponsors	41,130	5,011	(61)	46,080	-
Real estate purchase agreements payable	6,087	13,251	(2,822)	16,516	581
Accrued compensated absences	45,448	4,061	(1,758)	47,751	42,844
Future interest payable	40,311	-	(185)	40,126	4,123*
OPEB liability	292,455	21,415	(5,112)	308,758	-
Net pension liability	-	26,059	(304)	25,755	-
Other noncurrent liabilities	<u>43,488</u>	<u>8,629</u>	<u>(11,252)</u>	<u>40,865</u>	1,000
Total long-term liabilities	<u>\$1,675,097</u>	<u>\$ 292,195</u>	<u>\$ (64,122)</u>	<u>\$1,903,170</u>	

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

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June 30, 2015 and 2014

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

	2014				
	Beginning Balance <u>(Restated)</u>	Additions <u>(Restated)</u>	Reductions <u>(Restated)</u>	Ending Balance <u>(Restated)</u>	Current Portion
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	286,464	10,297	(4,306)	292,455	-
Other noncurrent liabilities	<u>33,816</u>	<u>23,138</u>	<u>(13,466)</u>	<u>43,488</u>	2,063
Total long-term liabilities	<u>\$1,694,619</u>	<u>\$ 53,395</u>	<u>\$ (72,917)</u>	<u>\$1,675,097</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, 2015, 2014, and 2013, the noncurrent liability related to OPEB costs was \$308.8 million, \$292.5 million, and \$286.5 million, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees were \$39.1 million and \$20.2 million, respectively, during 2015 or 51.7 percent, \$31.1 million and \$23.8 million, respectively, during 2014 or 76.5 percent, and \$29.6 million and \$24.5 million, respectively, during 2013 or 82.8 percent. As of June 30, 2015, 2014, and 2013, there were approximately 1,400, 1,400, and 1,300 retirees receiving these benefits, respectively.

WEST VIRGINIA HIGHER EDUCATION FUND
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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, 2015 (dollars in thousands):

Years Ending June 30:

2016	\$ 6,096
2017	11,352
2018	4,746
2019	4,641
2020	4,737
2021-2025	20,010
2026-2030	11,382
2031-2035	10,118
2036-2040	10,060
2041-2044	<u>7,719</u>
Future minimum lease payments	90,861
Less interest	<u>39,237</u>
Total	<u>\$ 51,624</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.

WEST VIRGINIA HIGHER EDUCATION FUND
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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, 2015, are as follows (dollars in thousands):

Years Ending June 30:

2016	\$ 10,030
2017	7,664
2018	6,657
2019	5,469
2020	3,882
2021-2025	17,235
2026-2030	11,939
2031-2035	3,013
2036-2040	5
2041-2045	5
2046-2050	5
2051-2055	5
2056-2058	<u>3</u>
Total	<u>\$ 65,912</u>

Total rent expense for these operating leases for the years ended June 30, 2015 and 2014, was approximately \$11.9 million and \$12.2 million, respectively.

The following is a related-party operating lease:

WVU 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 February 2014, WV State 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, 2015 and 2014 was \$2.7 million and \$2.7 million, respectively.

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 (a blended component unit of WVU) 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, 2015 and 2014 was approximately \$20.3 million and \$21.1 million, respectively.

During fiscal year 2008, Marshall University Research Corporation (a blended component unit of Marshall) (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, 2015 and 2014, is \$2,093,235 and \$2,254,253, respectively.

During fiscal year 2013, Glenville 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, 2015 and 2014 was \$2,805,099 and \$2,977,926, respectively.

During fiscal year 2012, Glenville 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, 2015 and 2014 was \$2,196,212 and \$2,280,740, respectively.

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June 30, 2015 and 2014

NOTE 10 - NOTES PAYABLE (CONTINUED)

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, 2015 and 2014 was \$1,282,245 and \$1,411,565, respectively.

Annual minimum payments for the years ending after June 30, 2015, are as follows (dollars in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2016	\$ 1,375	\$ 458	\$ 1,833
2017	1,796	430	2,226
2018	1,438	407	1,845
2019	1,474	383	1,857
2020	1,511	357	1,868
2021-2025	7,892	1,369	9,261
2026-2030	7,480	682	8,162
2031-2035	6,105	131	6,236
2036-2040	<u>2,720</u>	<u>-</u>	<u>2,720</u>
Total	<u>\$ 31,791</u>	<u>\$ 4,217</u>	<u>\$36,008</u>

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTE 11 - INSTITUTION BONDS PAYABLE

The Institutions within the Fund, at June 30, 2015 and 2014, have the following outstanding bonds payable (dollars in thousands):

	<u>Maximum Interest Rate</u>	<u>Annual Installments</u>	<u>Principal Outstanding</u>	
			<u>2015</u>	<u>2014</u>
Concord University – Revenue Bonds, 2014 Series, due through 2044	5.00	320-950	\$ 16,460	\$ -
Fairmont State University – Facilities Improvement Revenue Bonds, 2006 Series, due through 2026	4.18 (10-year reset)	343-611	5,517	5,905
Fairmont State University – Revenue Refunding Bonds, 2012, Series A, due through 2032	5.00	730-1,155	17,955	18,700
Fairmont State University – Revenue Refunding Bonds, 2012, Series B, due through 2032	5.00	1,080-1,720	26,880	28,005
Fairmont State University – Revenue Refunding Bonds, 2015, Series A, due through 2045	5.00	580-1,665	30,200	-
Glenville State University – Student Housing Bonds, Series 2011A, due 2030	5.25	170-325	3,770	3,940
Glenville State University – Campus Community Center Bonds, Series 2006, due 2026	4.30 (10-year reset)	55-107	1,013	1,080
Glenville State University – Science Building Bonds, Series 2007, due in 2037	4.68 (10-year reset)	107-237	3,034	3,144
Glenville State University – Goodwin Hall Bonds, Series 2009, due in 2040	Variable	497-1,517	24,104	24,601
Marshall University – University Refunding Revenue Bonds 2010, due through 2030	5.00	915-2,885	31,930	33,405
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	4.125	163-446	2,651	3,002
Shepherd University – Refinance Revenue Bonds, due through 2033	4.375	365-460	6,200	6,555
Shepherd University – Residence Facilities Revenue Bonds, due through 2035	4.50	575-1,450	19,010	19,560
Shepherd University – Wellness Center Facilities Revenue Bonds, Series 2007, due through 2037	5.00	450-1,170	16,700	17,130
West Liberty University – Revenue Refunding Bonds 2013, due through 2028	2.68	580-765	8,640	9,230
West Liberty University – Revenue Bonds 2012, due through 2027	3.25	585-785	8,695	9,280
West Virginia State University – University Refunding and Improvement Series 2012, due through 2030	4.50	50-2,775	8,835	8,885
West Virginia State University – University Revenue Bonds Series 2013, due through 2021	3.00	290-1,000	2,225	2,515
West Virginia University – Revenue Refunding Bonds 2004, Series B, due through 2021	5.00	0-6,685	-	4,785

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June 30, 2015 and 2014

NOTE 11 - INSTITUTION BONDS PAYABLE (CONTINUED)

	<u>Maximum Interest Rate</u>	<u>Annual Installments</u>	<u>Principal Outstanding</u>	
			<u>2015</u>	<u>2014</u>
West Virginia University – Revenue Improvement Bonds 2011, Series A, due through 2026	3.87	35-62	\$ 10,979	\$ 11,456
West Virginia University – Revenue Improvement Bonds 2011, Series B, due through 2037	4.14	0-21,800	172,335	177,385
West Virginia University – Revenue Improvement Bonds 2011, Series C, due through 2042	Variable	0-10,470	-	50,000
West Virginia University – Revenue Bonds (Taxable) 2012, Series A, due through 2042	4.50	35-62	12,659	12,896
West Virginia University - Revenue Bonds (Taxable) 2012, Series B, due through 2032	Variable	0-50	4,323	4,517
West Virginia University – Revenue Refunding and Improvement Bonds 2013, Series A, due through 2043	3.55	0-13,715	137,905	138,325
West Virginia University – Revenue Refunding and Improvement Bonds (Taxable) 2013, Series B, due through 2043	3.00	995-7,440	70,030	71,185
West Virginia University –Improvement Revenue Bonds 2014 Series A, due through 2045	4.30	855-30,285	60,000	-
West Virginia University –Improvement Revenue Bonds (Taxable) 2014 Series B, due through 2043	4.50	10,075-24,105	79,050	-
West Virginia University –Improvement Revenue Bonds 2014 Series C, due through 2042	.58	9,730-10,705	<u>50,190</u>	<u>-</u>
			883,200	717,396
Less unamortized bond discount			(218)	(174)
Add unamortized bond premium			<u>46,762</u>	<u>42,680</u>
			<u>\$ 929,744</u>	<u>\$ 759,902</u>

The issuance of various bonds during fiscal year 2015 and 2014 resulted in a combined loss of approximately \$13.9 million and \$14.5 million.

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:			
2016	\$ 20,578	\$ 37,024	\$ 57,602
2017	23,803	36,292	60,095
2018	24,612	35,521	60,133
2019	25,485	34,637	60,122
2020	28,062	34,876	62,938
2021-2025	145,606	152,105	297,711
2026-2030	163,516	118,563	282,079
2031-2035	154,290	81,489	235,779
2036-2040	148,325	46,266	194,591
2041-2045	<u>148,923</u>	<u>17,463</u>	<u>166,386</u>
Total	<u>\$883,200</u>	<u>\$594,236</u>	<u>\$1,477,436</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 interest 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, 2015 and 2014, has the following outstanding bonds payable (dollars in thousands):

	Maximum Interest Rate	Original Range of Annual Installments	Principal Outstanding	
			2015	2014
Series 2012A — Revenue Refunding Bonds, due through 2034	5.00%	\$1,425–\$42,100	\$ 119,025	\$ 122,765
Series 2012B — Revenue Bonds, due through 2034	5.00	200–2,400	7,265	7,540
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	4,510	5,965
Series 2009A — Community and Technical College Improvement Revenue Bonds, due through 2039	5.25	1,425–4,760	71,185	72,670
Series 2007A — Revenue Refunding Bonds, due through 2027	5.00	185–1,880	18,435	19,690
Series 2004B — Higher Education Facilities Bonds, due through 2034	6.00	2,680–9,520	1,135	2,215
Series 2000A — University System Bonds, due through 2031	6.26	0–3,264	27,410	30,270
Series 1998 — University System Bonds, due through 2028	5.25	1,065–3,625	<u>35,245</u>	<u>37,085</u>
			350,995	364,985
Add bond premium			13,549	14,263
Less bond discount			<u>(384)</u>	<u>(400)</u>
Total			<u>\$ 364,160</u>	<u>\$ 378,848</u>

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2015, is as follows (dollars in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
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	14,736	19,311	34,047
2021-2025	81,642	88,620	170,262
2026-2030	83,168	71,389	154,557
2031-2035	71,094	30,094	101,188
2036-2040	<u>44,341</u>	<u>8,925</u>	<u>53,266</u>
Total	<u>\$350,995</u>	<u>\$299,719</u>	<u>\$ 650,714</u>

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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, 2015 and 2014, includes certain designated net position as follows (dollars in thousands):

	<u>2015</u>	<u>2014</u> <u>(Restated)</u>
Designated for auxiliaries	\$ 11,495	\$ 22,747
Designated for repair, replacement, and new property	10,063	7,877
Other	7,642	1,711
Undesignated	<u>13,602</u>	<u>329,296</u>
Total unrestricted net assets before OPEB liability	42,802	361,630
Less OPEB liability	<u>308,758</u>	<u>292,455</u>
Total unrestricted net position	<u>\$(265,956)</u>	<u>\$ 69,176</u>

NOTE 14 - RETIREMENT PLANS

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

Defined Contribution Benefit Plans

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)

Defined Contributions Benefit Plans (Continued)

Total contributions to Educators Money for the years ended June 30, 2015, 2014, and 2013, were \$1,365,098, \$1,266,812, and \$1,078,000, respectively, which consisted of approximately \$682,429, \$633,287, and \$539,000, from the Fund in 2015, 2014, and 2013, respectively, and approximately \$682,669, \$633,525, and \$539,000, from the covered employees in 2015, 2014, and 2013, respectively.

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, 2015, 2014, and 2013, were approximately \$86.4 million, \$84.0 million, and \$83.0 million, respectively, which consisted of approximately \$43.1 million, \$42.0 million, and \$41.5 million from the Fund in 2015, 2014, and 2013, respectively, and approximately \$43.2 million, \$42.0 million, and \$41.5 million, from the covered employees in 2015, 2014, and 2013, respectively.

The Fund's total payroll for the years ended June 30, 2015, 2014, and 2013, was approximately \$831.5 million, \$818.7 million, and \$810.8 million, respectively, and total covered employees' salaries in the TIAA-CREF and Educators Money were approximately \$613.7 million, and \$11.3 million for the year ended June 30, 2015; \$702.8 million and \$10.5 million for the year ended June 30, 2014; and \$693.5 million and \$8.9 million for the year ended June 30, 2013.

Defined Benefit Plan

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

Following is the Fund's pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal year ended June 30, 2015 (dollars in thousands):

	TRS
Net Pension Liability	\$25,755
Deferred Outflows of Resources	3,212
Deferred Inflows of Resources	6,206
Revenues	3,438
Pension Expense	4,096
Contributions Made by the Fund	3,016

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NOTE 14 - RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

Plan Description

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

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

Benefits Provided

TRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service. A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. Terminated members with at least five, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the 5 highest fiscal years of earnings during the last 15 fiscal years of earnings. Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan, including contribution rates, to the State Legislature.

Contributions

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

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

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NOTE 14 - RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll of members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by State residents, and
5. under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2014, the Fund's proportionate share attributable to this special funding subsidy was \$3,438.

The Fund's contributions to TRS for the years ended June 30, 2015, 2014, and 2013 were approximately \$3.0 million, \$4.6 million, and \$5.2 million, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2013 and rolled forward to June 30, 2014. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll
- Asset valuation method: Investments are reported at fair (market) value
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses
- Projected salary increases: Teachers 3.75 - 5.25% and non-teachers 3.40 - 6.50%, based on age
- Inflation rate of 2.2%
- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables
- Withdrawal rates: Teachers 1.2 - 30% and non-teachers 1.4 - 22.5%
- Disability rates: 0-0.8%

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NOTE 14 - RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)
Assumptions (Continued)

- Retirement age: An age-related assumption is used for participants not yet receiving payments
- Retirement rates: 15 - 100%
- *Ad hoc* cost-of-living increases in pensions are periodically granted by the State Legislature. However, the retirement system makes no automatic provision for such increases.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2005 to June 30, 2010. These assumptions will remain in effect for valuation purposes until such time as the CPRB adopts revised assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term arithmetic real rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2014 are summarized below.

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic Equity	5.4%	27.5%
International Equity	6.3%	27.5%
Core Fixed Income	0.7%	*
High-yield Fixed Income	2.6%	15.0%
TIPS	0.7%	-
Real Estate	4.6%	10.0%
Private Equity	7.7%	10.0%
Hedge Funds	2.8%	10.0%

*Core and high-yield fixed income securities have a combined target allocation of 15.0%.

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NOTE 14 - RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)
Assumptions (Continued)

Discount rate. The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, TRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on TRS' investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the pension plan's fiduciary net position, a municipal bond rate of 3.66% is to be used to discount the benefit payments not covered by the plan's fiduciary net position. The rate equals the S&P Municipal Bond 20 Year High Grade Rate Index at June 30, 2014.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Fund's proportionate share of the TRS net pension liability as of June 30, 2015 calculated using the discount rate of 7.50%, as well as what the Fund's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (dollars in thousands).

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$33,349	\$25,755	\$19,137

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

The TRS net pension liability was measured as of June 30, 2014. The total pension liability was determined by an actuarial valuation as of July 1, 2013 and rolled forward to the measurement date.

At June 30, 2015, the Fund's proportionate share of the TRS net pension liability was \$83.9 million. Of this amount, the Fund recognized approximately \$25.8 million as its proportionate share on the Statement of Net Position. The remainder of \$58.2 million denotes the Fund's proportionate share of net pension liability attributable to the special funding.

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NOTE 14 - RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

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

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to TRS for each of the fiscal years ended June 30, 2014 and 2013. Employer contributions are recognized when due. At June 30, 2014, the Fund's proportion was 0.759412%, a decrease of 0.064517% from its proportion of 0.823929% calculated as of June 30, 2013.

For the year ended June 30, 2015, the Fund recognized TRS pension expense of \$4.1 million. Of this amount, \$.8 million was recognized as the Fund's proportionate share of the TRS expense and \$3.4 million as the amount of pension expense attributable to special funding from a non-employer contributing entity. The Fund also recognized revenue of \$3,438 for support provided by the State.

At June 30, 2015, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows (dollars in thousands).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	\$113	\$2,801
Net Difference between Projected and Actual Investment Earnings	-	3,405
Contributions After the Measurement Date	3,099	-
	\$3,212	\$6,206

The Fund will recognize the \$3.1 million reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows (dollars in thousands).

Fiscal Year Ended	Amortization
June 30, 2016	\$1,398
June 30, 2017	1,399
June 30, 2018	1,397
June 30, 2019	1,397
June 30, 2020	502
	\$6,093

Payables to the pension plan

The Fund did not report any amounts payable for normal contributions to the TRS as of June 30, 2015.

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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 \$803.7 million and \$772.7 million at June 30, 2015 and 2014, 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, 2015 and 2014 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, 2015 and 2014, 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, West Virginia 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 three other component units, Bluefield State College Research and Development Corporation, Provident Group-Marshall Properties, LLC and Big Green Scholarship Foundation, Inc., 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, 2015 or 2014.

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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 - WVU 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, WVU 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 \$0.6 million and \$0.8 million was accrued at June 30, 2015 and 2014, respectively, to record WVU's liability to meet the minimum steam purchase requirement for the contract years ended September 30, 2015 and 2014. WVU 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.

WVU has consented to the reduction of its distributions from future Big 12 revenues (of which \$4 million and \$5 million of unearned revenue is recorded as of June 30, 2015 and 2014, respectively), 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

On July 1, 2015, West Virginia Northern Community College entered into a capital lease agreement with the West Virginia Northern Community College Foundation, Inc. for land and a building adjacent to West Virginia Northern Community College's Wheeling campus location. Terms of the agreement include monthly payments of \$3,363 from July 1, 2015 through June 30, 2025 with an annual interest rate of 4% and a principal amount of \$332,115.

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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 Improvement Revenue Bonds 2014 Series A; 2014 Series B (Taxable); Series C (Collectively the "2014 Bonds") – On October 1, 2014, the West Virginia University Board of Governors (the Board) issued the 2014 Series A bonds in the amount of \$60,000,000, the 2014 Series B bonds in the amount of \$79,050,000 and the 2014 Series C bonds in the amount of \$50,190,000.

The 2014 Series A bonds were issued to (a) finance the modernization of the University's Personal Rapid Transit system (the PRT) including reimbursement for prior capital expenditures related to this project and (b) pay the costs of issuance of the 2014 Series A bonds.

The 2014 Series B bonds (taxable) were issued to (a) finance certain Athletics capital projects including reimbursement for prior capital expenditures related to these projects and (b) pay the costs of issuance of the 2014 B bonds.

The 2014 Series C bonds (tax exempt) were issued to (a) refund the 2011 Series C bonds, dated October 5, 2011 and (b) pay the costs of issuance of the 2014 C bonds.

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)

West Virginia Board of Governors Refunding and Improvement Revenue Bonds 2013 Series A; 2013 Series B (Taxable) (Collectively the "2013 Bonds") (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.

Concord University Revenue Bonds, Series 2014 - On December 1, 2014, Concord University issued Revenue Bonds, Series 2014 amounting to \$16,460,000. The Series 2014 bonds were issued to (1) finance the costs to plan, design, remodel, improve, and equip certain dormitory facilities on its main campus, (2) pay capitalized interest on the Series 2014 bonds through December 1, 2015, (3) reimburse certain previously incurred expenditures related to the project, and (4) pay the costs of issuance of the Series 2014 bonds and related costs.

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.

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NOTE 20 - SEGMENT INFORMATION (CONTINUED)

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.

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 Facilities Construction Bonds 2015, Series A – On April 7, 2015, Fairmont State issued Revenue Bonds Series A amounting to \$30,200,000. The 2015A bonds were issued to (1) finance the costs of planning, designing, constructing, acquiring and equipping new student housing facilities, (2) provide payment of capitalized interest on the Series 2015A bonds, (3) reimburse certain previously incurred expenditures related to the 2015 project, and (4) pay the costs of issuance of the Series 2015 bonds and related costs.

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NOTE 20 - SEGMENT INFORMATION (CONTINUED)

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.

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.

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NOTE 20 - SEGMENT INFORMATION (CONTINUED)

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.

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.

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTE 20 - SEGMENT INFORMATION (CONTINUED)

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.

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, 2015 and 2014, is as follows (dollars in thousand)

	2015														
	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	Fairmont Construction Series 2015	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 2013	West Liberty Capital Improvement 2012
CONDENSED STATEMENT OF NET POSITION															
Assets:															
Current assets	\$ 64,861	\$ 15,853	\$ 92	\$ 296	\$ 155	\$ 593	\$ 11,964	\$ -	\$ 1,924	\$ 8,941	\$ 1,186	\$ 1,635	\$ 1,389	\$ 7,293	\$ 690
Noncurrent assets	960,341	148,663	3,616	8,143	8,223	24,488	54,648	7,052	29,097	20,900	16,987	5,863	13,892	10,497	9,725
Total assets	1,025,202	164,516	3,708	8,439	8,378	25,081	66,612	7,052	31,021	29,841	18,173	7,498	15,281	17,790	10,415
Deferred outflows of resources	14,044	1,180	-	-	-	-	1,192	-	-	-	-	-	-	88	-
TOTAL	\$ 1,039,246	\$ 165,696	\$ 3,708	\$ 8,439	\$ 8,378	\$ 25,081	\$ 67,804	\$ 7,052	\$ 31,021	\$ 29,841	\$ 18,173	\$ 7,498	\$ 15,281	\$ 17,878	\$ 10,415
Liabilities:															
Current liabilities	\$ 44,093	4,249	173	160	112	522	2,663	443	797	2,121	625	861	952	633	636
Noncurrent liabilities	687,210	86,821	3,502	943	2,921	24,474	45,036	5,113	30,569	18,995	16,161	5,876	10,710	8,040	8,100
Total liabilities	731,303	91,070	3,675	1,103	3,033	24,996	47,699	5,556	31,366	21,116	16,786	6,737	11,662	8,673	8,736
Deferred inflows of resources	34,330	923	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	765,633	91,993	3,675	1,103	3,033	24,996	47,699	5,556	31,366	21,116	16,786	6,737	11,662	8,673	8,736
Net position:															
Net investment in capital asset:															
Restricted/designate	332,870	62,549	(235)	7,131	5,190	(2,096)	8,698	1,496	(345)	1,304	374	(378)	10,051	1,945	1,030
Unrestricted	195,591	176	-	-	-	1,588	11,408	-	-	-	-	-	456	-	-
Total net position	(254,848)	11,154	92	206	155	593	-	-	-	7,421	1,013	1,139	(6,889)	7,260	649
Total net position	273,613	73,703	33	7,337	5,345	85	20,106	1,496	(345)	8,725	1,387	761	3,618	9,205	1,679
TOTAL	\$ 1,039,246	\$ 165,696	\$ 3,708	\$ 8,440	\$ 8,378	\$ 25,081	\$ 67,805	\$ 7,052	\$ 31,021	\$ 29,841	\$ 18,173	\$ 7,498	\$ 15,280	\$ 17,878	\$ 10,415
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION															
Operating:															
Operating revenues	\$ 131,472	\$ 27,417	\$ 674	\$ 375	\$ 344	\$ 2,233	\$ 11,076	\$ 631	\$ -	\$ 16,126	\$ 2,575	\$ 1,006	\$ 2,483	\$ 1,619	\$ 946
Operating expenses	(139,374)	(16,360)	(428)	(561)	(200)	(1,047)	(5,841)	-	-	(12,894)	(1,811)	(430)	(1,774)	-	-
Other	31,333	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net operating income	23,431	11,057	246	(186)	144	1,186	5,235	631	-	3,232	764	576	709	1,619	946
Nonoperating:															
Transfers from Institution	2,536	47,844	18	-	-	274	-	-	-	-	-	-	-	-	-
Nonoperating revenues	98,921	371	-	-	-	1	17	-	11	13	1	74	-	-	-
Nonoperating expense:	(25,730)	(2,824)	(173)	(45)	(144)	(1,073)	(3,686)	(534)	(356)	(985)	(816)	(256)	(627)	(473)	(415)
INCREASE (DECREASE) IN NET POSITION	99,158	56,448	91	(231)	-	388	1,566	97	(345)	2,260	(51)	394	82	1,146	531
NET POSITION - Beginning of year	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
NET POSITION - End of year	\$ 273,613	\$ 73,703	\$ 33	\$ 7,337	\$ 5,345	\$ 85	\$ 20,106	\$ 1,496	\$ (345)	\$ 8,725	\$ 1,387	\$ 761	\$ 3,618	\$ 9,205	\$ 1,679
CONDENSED STATEMENT OF CASH FLOWS:															
Net cash provided by (used in) operating activities	\$ 4,292	\$ 6,439	\$ 325	\$ (79)	\$ 341	\$ 1,624	\$ 5,265	\$ -	\$ -	\$ 3,745	\$ 1,318	\$ 703	\$ 709	\$ 1,619	\$ 946
Net cash provided by (used in) capital financing activities	(42,772)	(5,534)	(308)	(112)	(255)	(1,487)	(5,864)	-	30,329	(2,961)	(1,329)	(1,571)	(700)	(803)	(825)
Net cash provided by investing activities	576	-	-	-	-	-	14	-	-	-	-	-	-	-	-
INCREASE (DECREASE) IN CASH	(37,904)	905	17	(191)	86	137	(385)	-	30,329	784	(11)	(868)	9	816	121
CASH - Beginning of year	147,848	14,518	193	314	39	1,700	11,079	-	-	7,733	406	2,221	852	6,475	569
CASH - End of year	\$ 109,944	\$ 15,423	\$ 210	\$ 123	\$ 125	\$ 1,837	\$ 10,694	\$ -	\$ 30,329	\$ 8,517	\$ 395	\$ 1,353	\$ 861	\$ 7,291	\$ 690

*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)

2014

	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	Shepherd Revenue Refunding 2013	WV State Capital, Housing, Student Union, 2013 Series A	West Liberty Revenue Refunding 2012	West Liberty Capital Improvement 2012
CONDENSED STATEMENT OF NET POSITION																
Assets:																
Current assets	\$ 44,570	\$ 14,733	\$ 75	\$ 337	\$ 66	\$ 503	\$ 12,500	\$ -	\$ -	\$ -	\$ 8,178	\$ 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	-	-	-	-	-	-	-	-	-
TOTAL	\$ 766,128	\$ 110,025	\$ 3,780	\$ 8,690	\$ 8,489	\$ 25,714	\$ 68,332	\$ 7,346	\$ -	\$ -	\$ 28,814	\$ 18,626	\$ 6,983	\$ 15,321	\$ 17,324	\$ 10,469
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
TOTAL	\$ 766,128	\$ 110,025	\$ 3,780	\$ 8,690	\$ 8,489	\$ 25,714	\$ 68,332	\$ 7,346	\$ -	\$ -	\$ 28,814	\$ 18,626	\$ 6,983	\$ 15,321	\$ 17,324	\$ 10,469
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION																
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	-	-	-	4	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)
(DECREASE) INCREASE IN NET POSITION	(10,188)	4,874	31	(278)	(319)	(227)	1,208	59	(186)	(362)	1,011	96	367	1,354	1,216	747
NET POSITION - Beginning of year	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
NET POSITION - End of year	\$ 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
CONDENSED STATEMENT OF CASH FLOWS:																
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	-	-	-
INCREASE (DECREASE) IN CASH	10,984	(6,138)	(60)	(97)	(226)	(289)	198	-	(1,422)	(648)	1,326	(538)	2,221	(6)	899	50
CASH - Beginning of year	136,864	20,656	253	411	265	1,989	10,881	-	1,422	648	6,407	944	-	858	5,576	519
CASH - End of year	\$ 147,848	\$ 14,518	\$ 193	\$ 314	\$ 39	\$ 1,700	\$ 11,079	\$ -	\$ -	\$ -	\$ 7,733	\$ 406	\$ 2,221	\$ 852	\$ 6,475	\$ 569

*The cash of WVU, Marshall, Glennville, and Fairmont includes current and noncurrent cash.

(1) Activity netted to zero.

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTE 21 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2015 and 2014, the following tables represent operating expenses within both natural and functional classifications (dollars in thousands):

	2015							Total
	Salaries And Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation and Amortization	Other	
Instruction	\$ 378,388	\$ 108,386	\$ 64,382	\$ 397	\$ 35	\$ -	\$ 902	\$ 552,490
Research	71,265	30,576	47,701	486	-	-	-	150,028
Public service	50,315	12,730	25,481	329	-	-	183	89,038
Academic support	54,456	13,867	28,926	202	-	-	169	97,620
Student services	48,795	16,588	24,654	71	10	-	-	90,118
Operations and maintenance of plant	41,546	14,798	39,156	37,803	-	-	-	133,303
General institutional support	115,940	32,294	78,715	1,249	869	-	307	229,372
Total education and general	760,705	229,239	309,015	40,537	914	-	1,561	1,341,971
Student financial aid	52	47	64	-	105,956	-	-	106,119
Auxiliary enterprises	72,129	16,894	108,098	15,435	13	-	400	212,969
Depreciation and amortization	-	-	-	-	-	132,253	-	132,253
Administration of leasing activities	1,120	338	1,667	3,260	-	-	-	6,385
Other	-	-	635	-	-	-	1,500	2,135
Total	\$ 834,006	\$ 246,518	\$ 419,479	\$ 59,232	\$ 106,883	\$ 132,253	\$ 3,461	\$ 1,801,832

	2014							Total
	Salaries And Wages	Benefits (Restated)	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation/ Amortization (Restated)	Other	
Instruction	\$ 370,466	\$ 97,715	\$ 62,817	\$ 525	\$ -	\$ -	\$ 1,240	\$ 532,763
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	112,971	29,593	67,607	807	792	-	182	211,952
Total education and general	749,077	212,810	298,335	37,959	808	-	2,360	1,301,349
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	-	-	-	-	-	124,659	-	124,659
Administration of leasing activities	811	248	1,734	3,583	-	-	-	6,376
Other	-	-	703	-	-	-	2,617	3,320
Total	\$ 820,648	\$ 229,045	\$ 393,552	\$ 56,678	\$ 114,885	\$ 124,659	\$ 5,350	\$ 1,744,817

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTE 22 – RESTATEMENT

OPEB liability was not agreed to supporting schedules from the State for WV State's fiscal year 2014 and prior financial statements which resulted in an overstatement of the OPEB liability, benefits expense and beginning net position (July 1, 2013) and these balances have been restated. The restatement increased the change in net position for fiscal year 2014 by approximately \$88,000 and had no effect on change in net position for fiscal year 2015.

An error was noted in the calculation of depreciation expense for Concord's fiscal year 2014 and prior financial statements which resulted in an overstatement of capital assets, net, depreciation expense and beginning net position (July 1, 2013) and these balances have been restated. The restatement increased change in net position for fiscal year 2014 by approximately \$155,000 and had no effect on change in net position for fiscal year 2015.

The effects of the restatements are as follows (dollars in thousands):

	June 30, 2014 As Previously Presented	Restatement Increase/ (Decrease)	June 30, 2014 As Restated
Capital Assets, Net	\$2,653,898	\$(4,590)	\$2,649,308
OPEB Liability	293,116	(661)	292,455
Net Investment in Capital Assets	1,594,037	(4,590)	1,589,447
Unrestricted Net Position	68,515	661	69,176
Depreciation Expense	124,814	(155)	124,659
Benefits Expense	229,133	(88)	229,045
Net Position, Beginning of Year	1,754,017	(4,172)	1,749,845
Net Position, End of Year	1,822,686	(3,929)	1,818,757

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 23 - CONDENSED BLENDED COMPONENT UNIT INFORMATION

Condensed combining information for the Fund's blended component units, for the years ended June 30, 2015 and 2014, is as follows:

Condensed Combining Statements of Net Position
June 30, 2015
(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/ Reclassification Entries	Total
Assets														
Inter Entity Receivables	\$ 10	\$ 200	\$ -	\$ 18	\$ -	\$ 3,684	\$ -	\$ 5,153	\$ -	\$ 4	\$ 84,637	\$ 1,382	\$ (95,088)	\$ -
Other Current Assets	3,016	13,145	8,932	19,317	1,965	32,196	5,834	198,447	85,437	62,021	47,469	80,045	(1,612)	556,212
Capital Assets, Net	18,329	50,742	76,673	131,461	81,833	112,493	80,316	1,531,269	433,542	69,014	73,626	245,175	-	2,904,473
Other Noncurrent Assets	631	16,418	1,899	641	2,099	31,823	742	337,155	111,288	6,102	26,242	4,855	-	539,895
Total Assets	21,986	80,505	87,504	151,437	85,897	180,196	86,892	2,072,024	630,267	137,141	231,974	331,457	(96,700)	4,000,580
Deferred Outflows of Resources	74	158	174	43	1,182	1,341	135	15,336	1,680	-	15,020	319	-	35,462
Total Assets and Deferred Outflows	\$ 22,060	\$ 80,663	\$ 87,678	\$ 151,480	\$ 87,079	\$ 181,537	\$ 87,027	\$ 2,087,360	\$ 631,947	\$ 137,141	\$ 246,994	\$ 331,776	\$ (96,700)	\$ 4,036,042
Liabilities														
Inter Entity Payables	260	334	2,143	-	881	2,005	-	62,718	14,199	21	2,382	25	(84,968)	-
Other Current Liabilities	2,090	5,616	4,056	8,160	3,568	10,907	6,624	173,094	41,783	4,737	33,197	35,824	(2,495)	327,161
Other Long-Term Liabilities	6,510	30,741	25,857	53,260	44,428	93,814	48,988	922,466	154,404	8,551	390,670	42,513	(9,237)	1,812,965
Total Liabilities	8,860	36,691	32,056	61,420	48,877	106,726	55,612	1,158,278	210,386	13,309	426,249	78,362	(96,700)	2,140,126
Deferred Inflows of Resources	228	1,071	251	235	246	272	221	37,604	1,874	238	68	1,150	-	43,458
Total Liabilities and Deferred Inflows of Resources	9,088	37,762	32,307	61,655	49,123	106,998	55,833	1,195,882	212,260	13,547	426,317	79,512	(96,700)	2,183,584
Net Position														
Net Investment in Capital Assets	18,070	46,785	58,155	88,289	43,163	60,686	45,250	943,937	325,015	69,014	72,343	229,220	-	1,999,927
Restricted														
Nonexpendable	251	2,664	-	-	-	-	-	17,398	15,176	-	-	49	246	35,784
Expendable	495	1,533	107	322	1,776	5,625	467	7,707	19,406	9,170	24,832	11,509	(246)	82,703
Unrestricted	(5,844)	(8,081)	(2,891)	1,214	(6,983)	8,228	(14,523)	(77,564)	60,090	45,410	(276,498)	11,486	-	(265,956)
Total Net Position	\$ 12,972	\$ 42,901	\$ 55,371	\$ 89,825	\$ 37,956	\$ 74,539	\$ 31,194	\$ 891,478	\$ 419,687	\$ 123,594	\$ (179,323)	\$ 252,264	\$ -	\$ 1,852,458

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTE 23 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

Condensed Combining Statements of Revenues, Expenses and Changes in Net Position
June 30, 2015

(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
Operating Revenues														
Student Tuition and Fees, Net	\$ 4,230	\$ 7,385	\$ 13,968	\$ 19,524	\$ 4,750	\$ 11,951	\$ 9,988	\$ 370,791	\$ 75,586	\$ 31,245	\$ -	\$ 28,757	\$ -	\$ 578,175
Federal, State, Local Contracts and Grants	5,066	7,604	8,277	5,127	5,095	9,260	11,705	162,439	62,623	1,499	5,691	27,744	(53,300)	258,830
Sales and Services of Educational Activity	49	8	-	37	523	120	7	17,540	117	-	5,591	1,506	-	25,498
Auxiliary Enterprise Revenue	787	8,795	8,619	17,905	4,073	12,309	5,023	147,805	35,324	408	6,580	1,713	-	249,341
Other Operating Revenues	57	940	365	581	913	5,618	1,981	18,562	8,689	1,276	8,158	2,738	(8,532)	41,346
Total Operating Revenues	10,189	24,732	31,229	43,174	15,354	39,258	28,704	717,137	182,339	34,428	26,020	62,458	(61,832)	1,153,190
Operating Expenses														
Operations	21,366	37,549	37,567	52,404	23,955	58,750	44,952	923,023	254,853	35,634	27,887	159,782	(8,143)	1,669,579
Depreciation	1,384	2,320	2,965	7,023	2,430	3,936	3,181	78,500	14,582	2,833	2,839	10,260	-	132,253
Total Operating Expenses	22,750	39,869	40,532	59,427	26,385	62,686	48,133	1,001,523	269,435	38,467	30,726	170,042	(8,143)	1,801,832
Operating Loss	(12,561)	(15,137)	(9,303)	(16,253)	(11,031)	(23,428)	(19,429)	(284,386)	(87,096)	(4,039)	(4,706)	(107,584)	(53,689)	(648,642)
Nonoperating Revenues (Expenses)														
State Appropriations	5,857	9,041	8,255	9,941	6,318	15,842	12,054	189,379	69,140	7,814	51,877	66,155	-	451,673
Federal Pell Grants	3,973	4,991	4,143	5,399	2,886	7,500	5,692	30,444	17,553	-	-	39,790	-	122,371
Other Nonoperating Revenues (Expenses)	55	(433)	(343)	(656)	(1,456)	(1,857)	(1,192)	16,813	3,215	179	(42,149)	(237)	53,688	25,627
Total Nonoperating Revenues	9,885	13,599	12,055	14,684	7,748	21,485	16,554	236,636	89,908	7,993	9,728	105,708	53,688	599,671
Capital Grants, Appropriations, and Gifts	63	548	225	-	1,545	18	887	97,399	5,328	465	5,691	24,306	(22,383)	114,092
Capital Transfers to Institutions and Outside Entities	-	-	-	-	-	(363)	-	-	-	-	(22,808)	363	22,384	(424)
Increase (Decrease) in Net Position	(2,613)	(990)	2,977	(1,569)	(1,738)	(2,288)	(1,988)	49,649	8,140	4,419	(12,095)	22,793	-	64,697
Net Position - Beginning of Year	16,367	45,332	53,187	92,089	41,655	78,424	34,549	855,656	416,206	119,175	(166,807)	232,924	-	1,818,757
Restatement for July 1, 2014, Pension Liability	(782)	(1,441)	(793)	(695)	(1,961)	(1,597)	(1,367)	(13,827)	(4,659)	-	(421)	(3,453)	-	(30,996)
Net Position - Beginning of Year, Restated	15,585	43,891	52,394	91,394	39,694	76,827	33,182	841,829	411,547	119,175	(167,228)	229,471	-	1,787,761
Net Position - End of Year	\$ 12,972	\$ 42,901	\$ 55,371	\$ 89,825	\$ 37,956	\$ 74,539	\$ 31,194	\$ 891,478	\$ 419,687	\$ 123,594	\$ (179,323)	\$ 252,264	\$ -	\$ 1,852,458

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTE 23 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

Condensed Combining Statements of Cash Flows

June 30, 2015

(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	\$ (10,935)	\$ (12,722)	\$ (6,156)	\$ (8,641)	\$ (7,824)	\$ (16,798)	\$ (15,402)	\$ (193,620)	\$ (73,537)	\$ (847)	\$ (3,239)	\$ (99,471)	\$ (51,489)	\$ (500,681)
Noncapital Financing Activities	9,829	14,031	12,391	16,986	9,204	23,333	17,835	258,319	88,540	7,779	32,026	108,374	49,168	647,815
Capital Financing Activities	(626)	12,963	(5,427)	(6,701)	(3,393)	23,317	(2,368)	(10,918)	(26,654)	(14,715)	(29,317)	(12,501)	32,032	(44,308)
Investing Activities	11	(14,780)	10	22	3	43	11	(115,434)	(7,229)	(19,659)	71	85	-	(156,846)
Increase (Decrease) in Current Cash and Cash Equivalents	(1,721)	(508)	818	1,666	(2,010)	29,895	76	(61,653)	(18,880)	(27,442)	(459)	(3,513)	29,711	(54,020)
Cash - Beginning of Year	3,728	3,892	6,502	16,213	3,363	31,702	3,486	247,580	87,456	67,884	35,717	76,487	(120,340)	463,670
Cash - End of Year	\$ 2,007	\$ 3,384	\$ 7,320	\$ 17,879	\$ 1,353	\$ 61,597	\$ 3,562	\$ 185,927	\$ 68,576	\$ 40,442	\$ 35,258	\$ 72,974	\$ (90,629)	\$ 409,650

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NOTE 23 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

Condensed Combining Statements of 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
Assets														
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	1,346	582,708
Capital Assets, Net	19,172	49,980	75,090	135,101	83,820	111,513	58,316	1,351,814	414,830	57,048	71,271	221,353	-	2,649,308
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	(1,346)	431,098
Total Assets	24,740	64,163	86,239	153,200	91,449	150,908	66,813	1,809,303	624,172	132,137	255,674	306,749	(102,433)	3,663,114
Deferred Outflows of Resources	-	-	95	-	1,518	1,262	-	14,480	1,316	-	15,650	-	-	34,321
Total Assets and Deferred Outflows	\$ 24,740	\$ 64,163	\$ 86,334	\$ 153,200	\$ 92,967	\$ 152,170	\$ 66,813	\$ 1,823,783	\$ 625,488	\$ 132,137	\$ 271,324	\$ 306,749	\$ (102,433)	\$ 3,697,435
Liabilities														
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	12,919	24,893	53,810	44,148	63,223	26,286	759,467	151,609	8,202	405,808	29,885	-	1,585,904
Total Liabilities	8,374	17,812	33,071	61,110	51,311	73,747	32,264	967,485	207,999	12,473	438,131	73,571	(102,433)	1,874,915
Deferred Inflows of Resources	-	1,019	77	-	-	-	-	642	1,282	489	-	254	-	3,763
Total Liabilities and Deferred Inflows of Resources	8,374	18,831	33,148	61,110	51,311	73,747	32,264	968,127	209,281	12,962	438,131	73,825	(102,433)	1,878,678
Net Position														
Net Investment in Capital Assets	18,804	45,636	56,471	90,373	40,961	59,615	49,064	867,614	301,073	57,048	69,860	205,492	(272,564)	1,589,447
Restricted														
Nonexpendable	486	2,664	-	-	-	-	-	7,045	15,176	46	-	51	-	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	(3,425)	(4,475)	(3,324)	1,518	(3,209)	14,267	(15,296)	(42,589)	80,897	53,625	(295,647)	14,270	272,564	69,176
Total Net Position	\$ 16,366	\$ 45,332	\$ 53,186	\$ 92,090	\$ 41,656	\$ 78,423	\$ 34,549	\$ 855,656	\$ 416,207	\$ 119,175	\$ (166,807)	\$ 232,924	\$ -	\$ 1,818,757

WEST VIRGINIA HIGHER EDUCATION FUND
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NOTE 23 - 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
Operating Revenues														
Student Tuition and Fees, Net	\$ 4,308	\$ 7,080	\$ 14,172	\$ 18,855	\$ 4,856	\$ 11,239	\$ 9,380	\$ 363,820	\$ 70,013	\$ 31,309	\$ -	\$ 32,596	\$ -	\$ 567,628
Federal, State, Local Contracts and Grants	5,403	7,157	6,430	5,588	7,185	9,166	14,235	176,153	63,007	1,651	6,499	18,412	(48,765)	272,121
Sales and Services of Educational Activity	66	6	-	42	710	145	66	17,684	138	-	5,626	1,639	-	26,122
Auxiliary Enterprise Revenue	985	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	855	6,628	1,853	10,013	7,989	1,256	6,612	3,419	(6,636)	33,761
Total Operating Revenues	10,806	23,549	29,601	43,863	17,676	38,582	29,572	706,075	174,808	34,645	24,502	57,427	(55,401)	1,135,705
Operating Expenses														
Operations	21,993	36,641	37,796	52,441	23,355	57,168	46,191	879,897	243,358	34,368	25,203	168,383	(6,636)	1,620,158
Depreciation	1,371	2,073	2,456	6,898	2,014	3,830	1,989	75,194	14,015	2,760	2,242	9,817	-	124,659
Total Operating Expenses	23,364	38,714	40,252	59,339	25,369	60,998	48,180	955,091	257,373	37,128	27,445	178,200	(6,636)	1,744,817
Operating Loss	(12,558)	(15,165)	(10,651)	(15,476)	(7,693)	(22,416)	(18,608)	(249,016)	(82,565)	(2,483)	(2,943)	(120,773)	(48,765)	(609,112)
Nonoperating Revenues (Expenses)														
State Appropriations	5,938	9,193	8,396	10,113	6,419	16,104	12,447	193,992	70,887	7,966	80,571	67,358	-	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)	(2)	49,695	9,355
Total Nonoperating Revenues	10,401	14,953	12,480	14,512	7,473	22,582	17,003	245,236	94,076	8,058	19,223	112,757	49,695	628,449
Capital Grants, Appropriations, and Gifts	1,972	2,317	3,273	1,092	4,304	2,520	3,954	26,837	22,338	-	1,929	14,439	(35,400)	49,575
Capital Transfers to Institutions	-	-	-	-	-	264	-	-	-	-	(34,506)	(228)	34,470	-
Increase (Decrease) in Net Position	(185)	2,105	5,102	128	4,084	2,950	2,349	23,057	33,849	5,575	(16,297)	6,195	-	68,912
Net Position - Beginning of Year	16,551	47,972	48,084	91,962	37,572	75,473	31,627	832,599	382,358	113,600	(150,510)	226,729	-	1,754,017
Restatement (Note 22)	-	(4,745)	-	-	-	-	573	-	-	-	-	-	-	(4,172)
Net Position - Beginning of Year, As Restated	16,551	43,227	48,084	91,962	37,572	75,473	32,200	832,599	382,358	113,600	(150,510)	226,729	-	1,749,845
Net Position - End of Year	\$ 16,366	\$ 45,332	\$ 53,186	\$ 92,090	\$ 41,656	\$ 78,423	\$ 34,549	\$ 855,656	\$ 416,207	\$ 119,175	\$ (166,807)	\$ 232,924	\$ -	\$ 1,818,757

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 23 - 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)	\$ (173,764)	\$ (72,741)	\$ (100)	\$ (2,084)	\$ (107,065)	\$ (52,222)	\$ (488,995)
Noncapital Financing Activities	10,353	14,658	12,769	16,391	9,341	24,016	17,841	250,642	91,513	8,099	19,578	118,954	54,883	649,038
Capital Financing Activities	(2,170)	(2,369)	(7,740)	(8,442)	(3,638)	(7,434)	(3,680)	(142,325)	(43,088)	(5,884)	(17,292)	(10,465)	(20,065)	(274,592)
Investing Activities	24	524	13	421	9	45	18	84,603	7,357	94	26	102.00	-	93,236
Increase (Decrease) in Current Cash and Cash Equivalents	(2,479)	(919)	(2,519)	(467)	140	(2,002)	(1,823)	19,156	(16,959)	2,209	228	1,526	(17,404)	(21,313)
Cash - Beginning of Year	6,207	4,812	9,021	16,680	3,223	33,703	5,309	228,424	104,415	65,674	35,489	74,962	(102,936)	484,983
Cash - End of Year	\$ 3,728	\$ 3,893	\$ 6,502	\$ 16,213	\$ 3,363	\$ 31,701	\$ 3,486	\$ 247,580	\$ 87,456	\$ 67,883	\$ 35,717	\$ 76,488	\$ (120,340)	\$ 463,670

REQUIRED SUPPLEMENTARY INFORMATION

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET
PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS
June 30, 2015 and 2014**

Schedule of Proportionate Share of TRS Net Pension Liability (NPL)

Measurement Date	Fund's Proportionate Share as a Percentage of Net Pension Liability	Fund's Proportionate Share	State's Proportionate Share	Total Proportionate Share	Fund's Covered Employee Payroll	Fund's Proportionate Share as a Percentage of Covered Payroll	Fund's Plan Fiduciary Net Position as a percentage of Total Pension Liability
June 30, 2014	0.7594120%	\$ 25,755	\$ 58,191	\$ 83,946	\$ 16,084	160%	65.95%

TRS Schedule of Employer Contributions

Measurement Date	Actuarily Determined Contributions	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 2014	\$ 3,399	\$ 3,439	\$ (40)	\$ 16,084	21.13%

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

**Notes to Required Supplementary Information
For the Year Ended June 30, 2015**

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

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, 2015
(Dollars in thousands)

	Higher Education Fund	Aggregate Institution's Discretely Presented Component Units (Unaudited)*	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents	\$ 409,650	\$ 27,097	\$ 436,747
Short-term investments	24,495	30,194	54,689
Appropriations due from Primary Government	12,388	-	12,388
Accounts receivable-net	86,611	8,645	95,256
Loans receivable - current portion	7,795	1,005	8,800
Other current assets	10,484	585	11,069
Inventories	4,789	6	4,795
	<u>556,212</u>	<u>67,532</u>	<u>623,744</u>
Total current assets			
NONCURRENT ASSETS			
Cash and cash equivalents	120,240	92	120,332
Investments	343,667	265,588	609,255
Loans receivable - net of allowance of \$10,132	46,836	255	47,091
Other assets	29,152	77,935	107,087
Capital assets-net	2,904,473	89,044	2,993,517
	<u>3,444,368</u>	<u>432,914</u>	<u>3,877,282</u>
Total noncurrent assets			
Total assets	<u>4,000,580</u>	<u>500,446</u>	<u>4,501,026</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	31,359	-	31,359
Interest rate swap agreement	891	-	891
Deferred outflows related to pensions	3,212	-	3,212
	<u>35,462</u>	<u>-</u>	<u>35,462</u>
Total deferred outflows of resources			
TOTAL	<u>\$ 4,036,042</u>	<u>\$ 500,446</u>	<u>\$ 4,536,488</u>

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
SCHEDULE OF COMBINING NET POSITION INFORMATION (CONTINUED)
As of June 30, 2015
(Dollars in thousands)

	Higher Education Fund	Aggregate Institution's Discretely Presented Component Units (Unaudited)*	Total
LIABILITIES, DEFERRED INFLOWS, OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 71,685	\$ 657	\$ 72,342
Due to State of West Virginia	212	-	212
Accrued liabilities	74,396	2,018	76,414
Unearned revenue	75,847	366	76,213
Deposits/custodial/annuity liabilities	7,343	5	7,348
Real estate purchase agreements payable - current	581	-	581
Other liabilities - current portion	1,000	33,084	34,084
Compensated absences - current portion	42,844	-	42,844
Notes payable - current portion	1,375	697	2,072
Capital lease obligations - current portion	3,606	-	3,606
Interest payable	11,596	-	11,596
Bonds payable - current portion	36,676	1,231	37,907
Total current liabilities	<u>327,161</u>	<u>38,058</u>	<u>365,219</u>
NONCURRENT LIABILITIES			
Advances from federal sponsors	46,080	-	46,080
Real estate purchase agreement payable	15,935	-	15,935
Compensated absences	4,907	-	4,907
Notes payable	30,416	9,599	40,015
Capital lease obligations	48,018	-	48,018
Future interest payable	36,003	-	36,003
Bonds payable	1,257,228	120,752	1,377,980
Other post employment benefit liability	308,758	-	308,758
Net pension liability	25,755	-	25,755
Other noncurrent liabilities	39,865	17,843	57,708
Total noncurrent liabilities	<u>1,812,965</u>	<u>148,194</u>	<u>1,961,159</u>
Total liabilities	<u>2,140,126</u>	<u>186,252</u>	<u>2,326,378</u>

WEST VIRGINIA HIGHER EDUCATION FUND
(A Component Unit of the State of West Virginia)
SCHEDULE OF COMBINING NET POSITION INFORMATION (CONTINUED)
As of June 30, 2015
(Dollars in thousands)

	Higher Education Fund	Aggregate Institution's Discretely Presented Component Units (Unaudited)*	Total
LIABILITIES, DEFERRED INFLOWS, OF RESOURCES AND NET POSITION (CONTINUED)			
DEFERRED INFLOWS OF RESOURCES			
Service concession arrangement	\$ 36,449	\$ -	\$ 36,449
Deferred inflows related to pensions	6,206	-	6,206
Other	803	-	803
Total deferred inflows of resources	<u>43,458</u>	<u>-</u>	<u>43,458</u>
Total liabilities, deferred inflows of resources	<u>2,183,584</u>	<u>186,252</u>	<u>2,369,836</u>
NET POSITION			
Net investment in capital assets	<u>1,999,927</u>	<u>1,443</u>	<u>2,001,370</u>
Restricted for:			
Expendable:			
Scholarships	6,517	30,819	37,336
Sponsored projects	30,646	449	31,095
Loans	14,032	-	14,032
Capital projects	15,910	534	16,444
Debt service	11,315	-	11,315
Other	4,283	90,688	94,971
Total restricted expendable	<u>82,703</u>	<u>122,490</u>	<u>205,193</u>
Nonexpendable	<u>35,784</u>	<u>191,642</u>	<u>227,426</u>
Unrestricted	<u>(265,956)</u>	<u>(1,381)</u>	<u>(267,337)</u>
Total net position	<u>1,852,458</u>	<u>314,194</u>	<u>2,166,652</u>
TOTAL	<u>\$ 4,036,042</u>	<u>\$ 500,446</u>	<u>\$ 4,536,488</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, 2015
(Dollars in thousands)

	<u>Higher Education Fund</u>	<u>Aggregate Institution's Discretely Presented Component Units (Unaudited)*</u>	<u>Total</u>
OPERATING REVENUES			
Student tuition and fees - net of scholarship allowance of \$176,845	\$ 578,175	\$ -	\$ 578,175
Gift and contributions	-	45,490	45,490
Federal and local land grants	9,437	-	9,437
Contracts and grants:			
Federal	125,706	497	126,203
State	44,488	-	44,488
Local	1,356	-	1,356
Private	87,280	-	87,280
Interest on student loans receivable	1,276	-	1,276
Sales and services of educational activities	25,498	-	25,498
Auxiliary enterprise revenue - net of scholarship allowance of \$25,465	249,341	10,284	259,625
Other operating revenues	<u>30,633</u>	<u>1,119</u>	<u>31,752</u>
Total operating revenues	<u>1,153,190</u>	<u>57,390</u>	<u>1,210,580</u>
OPERATING EXPENSES			
Salaries and wages	834,006	6,803	840,809
Benefits	246,518	63	246,581
Supplies and other services	419,479	2,110	421,589
Utilities	59,232	1,478	60,710
Student financial aid - scholarships and fellowships	106,883	8,684	115,567
Depreciation and amortization	132,253	4,643	136,896
Other operating expenses	<u>3,461</u>	<u>34,019</u>	<u>37,480</u>
Total operating expenses	<u>1,801,832</u>	<u>57,800</u>	<u>1,859,632</u>
OPERATING LOSS	<u>(648,642)</u>	<u>(410)</u>	<u>(649,052)</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, 2015
(Dollars in thousands)

	<u>Higher Education Fund</u>	<u>Aggregate Institution's Discretely Presented Component Units (Unaudited)*</u>	<u>Total</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	\$ 451,673	\$ -	\$ 451,673
State lottery appropriations	27,323	-	27,323
Federal Pell grants	122,371	-	122,371
Gifts	37,372	-	37,372
Investment income - net	5,638	2,955	8,593
Interest on indebtedness	(49,254)	(4,575)	(53,829)
Payments made on behalf of the Fund	3,304	-	3,304
Other nonoperating expenses - net	1,244	(573)	671
Net nonoperating revenues (expenses)	599,671	(2,193)	597,478
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(48,971)	(2,603)	(51,574)
CAPITAL GRANTS, APPROPRIATIONS AND GIFTS	108,376	-	108,376
CAPITAL BOND PROCEEDS FROM THE STATE	25	-	25
CAPITAL PAYMENTS AND TRANSFERS TO OUTSIDE ENTITIES	(424)	-	(424)
STATE CAPITAL GRANTS (FEDERAL)	5,691	-	5,691
INCREASE (DECREASE) IN NET POSITION	64,697	(2,603)	62,094

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, 2015
(Dollars in thousands)

	Higher Education Fund	Aggregate Institution's Discretely Presented Component Units (Unaudited)*	Total
NET POSITION - BEGINNING OF YEAR, RESTATED	<u>1,818,757</u>	<u>316,797</u>	<u>2,135,554</u>
RESTATEMENT FOR JULY 1, 2014, PENSION LIABILITY	<u>(30,996)</u>	<u>-</u>	<u>(30,996)</u>
NET POSITION - BEGINNING OF YEAR, RESTATED	<u>1,787,761</u>	<u>-</u>	<u>1,787,761</u>
NET POSITION - END OF YEAR	<u>\$ 1,852,458</u>	<u>\$ 314,194</u>	<u>\$ 2,197,648</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, 2015
(Unaudited)

	Big Green Scholarship Foundation <u>Inc.</u>	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>
ASSETS																
Cash and cash equivalents	\$ 1,572,052	\$ 1,257,019	\$ 59,155	\$ 402,490	\$ 189,575	\$ 57,917	\$ 13,551,670	\$ 331,978	\$ 874,620	\$ 1,991,988	\$ 730,918	\$ 12,446	\$ 70,728	\$ 710,269	\$ 4,821,575	\$ 554,051
Investments	7,300,211	10,567,672	-	36,541,621	19,428,117	8,653,230	120,630,237	334,199	-	23,524,921	3,052,627	12,978,974	4,064,175	28,438,020	6,158,476	9,372,611
Pledges and contributions receivable, net	664,150	-	-	724,847	1,279,670	-	29,796,050	19,481	-	3,318,446	351,195	210,195	-	830,466	3,643,159	-
Other assets	3,252,022	49,405	395,616	763	10,259	1,548,028	1,487,298	5,250	5,982,266	41,078	28,442	73,166	10,319	-	21,798,434	12,937
Beneficial interests	749,385	-	-	-	2,790,157	-	9,423,213	1,184,570	-	-	-	2,168,924	1,084,462	-	234,893	-
Property, and equipment-net	118,354	-	3,494,965	2,664	6,858	3,551,619	13,535,485	338,651	67,213,181	5,509	-	-	-	-	776,319	-
TOTAL	\$ 13,656,174	\$ 11,874,096	\$ 3,949,736	\$ 37,672,385	\$ 23,704,636	\$ 13,810,794	\$ 188,423,953	\$ 2,214,129	\$ 74,070,067	\$ 28,881,942	\$ 4,163,182	\$ 15,443,705	\$ 5,229,684	\$ 29,978,755	\$ 37,432,856	\$ 9,939,599

* - 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, 2015
(Unaudited)

	Big Green Scholarship Foundation <u>Inc.</u>	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>
LIABILITIES AND NET ASSETS																
Liabilities:																
Accounts payable	\$ 36,955	\$ -	\$ 247,441	\$ -	\$ 100,382	\$ 27,311	\$ 32,675	\$ 84,084	\$ 170,329	\$ 7,322	\$ 37,500	\$ 11,924	\$ 5,556	\$ -	\$ 27,323	\$ 3,391
Other accrued liabilities	13,589	-	15,017	-	-	450,000	525,500	162,178	1,761,681	8,648	125,666	-	-	109,000	-	-
Amounts held on behalf of others	-	40,963	220,952	4,386,418	-	5,448	-	-	-	2,012,091	-	-	-	25,426,139	-	22,033
Annuity obligations	-	-	-	83,429	54,536	-	367,709	-	-	146,905	-	37,837	-	-	-	-
Bonds and notes payable	3,193,759	-	3,347,183	-	-	3,455,857	8,879,881	-	88,553,753	-	-	-	-	-	24,849,038	-
Swap liability	-	-	-	-	-	-	75,795	-	17,128,945	-	-	-	-	-	-	-
Total liabilities	3,244,303	40,963	3,830,593	4,469,847	154,918	3,938,616	9,881,560	246,262	107,614,708	2,174,966	163,166	49,761	5,556	25,535,139	24,876,361	25,424
Net assets (deficit):																
Unrestricted	2,137,808	9,555,775	119,143	834,728	5,251,542	474,409	13,939,804	(84,166)	(33,544,641)	(4,567,872)	21,053	2,946,108	780,864	1,565,451	467,456	185,961
Temporarily restricted	749,385	631,061	-	8,341,508	4,381,971	1,800,738	65,036,186	693,491	-	6,737,382	3,963,963	2,488,480	2,597,943	1,858,337	7,016,382	8,574,296
Permanently restricted	7,524,678	1,646,297	-	24,026,302	13,916,205	7,597,031	99,566,403	1,358,542	-	24,537,466	15,000	9,959,356	1,845,321	1,019,828	5,072,657	1,153,918
Total net assets (deficit)	10,411,871	11,833,133	119,143	33,202,538	23,549,718	9,872,178	178,542,393	1,967,867	(33,544,641)	26,706,976	4,000,016	15,393,944	5,224,128	4,443,616	12,556,495	9,914,175
TOTAL	\$ 13,656,174	\$ 11,874,096	\$ 3,949,736	\$ 37,672,385	\$ 23,704,636	\$ 13,810,794	\$ 188,423,953	\$ 2,214,129	\$ 74,070,067	\$ 28,881,942	\$ 4,163,182	\$ 15,443,705	\$ 5,229,684	\$ 29,978,755	\$ 37,432,856	\$ 9,939,599

* - 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, 2014
(Unaudited)

	Big Green Scholarship Foundation <u>Inc.</u>	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>
ASSETS																
Cash and cash equivalent:	\$ 1,728,965	\$ 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	7,371,991	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	1,109,015	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	3,645,741	37,307	415,016	23,828	9,821	1,497,702	2,035,523	25,000	6,279,882	67,989	24,171	65,869	13,951	-	525,014	17,263
Beneficial interests	794,392	-	-	-	2,838,367	-	9,792,769	1,219,197	-	-	-	2,270,545	1,076,004	770,635	192,282	-
Property, and equipment-net	163,180	-	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	-
TOTAL	\$ 14,813,284	\$ 11,665,367	\$ 4,152,634	\$ 35,855,673	\$ 22,708,614	\$ 14,922,255	\$ 185,324,547	\$ 3,127,834	\$ 77,674,528	\$ 30,736,312	\$ 3,776,398	\$ 18,521,325	\$ 4,824,781	\$ 3,704,723	\$ 36,722,634	\$ 9,904,171

* - 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)

	Big Green Scholarship Foundation Inc.	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.
LIABILITIES AND NET ASSETS																
Liabilities:																
Accounts payable	\$ 141,815	\$ -	\$ 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	7,192	-	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	-	23,476
Annuity obligations	-	-	-	90,041	56,834	-	295,032	-	168,986	-	-	50,963	-	-	-	-
Bonds and notes payable	3,594,106	-	3,419,499	-	-	2,100,000	9,862,787	-	88,722,444	-	-	-	-	-	24,833,988	-
Swap liability	-	-	-	-	-	-	169,121	-	15,860,397	-	-	-	-	-	-	-
Total liabilities	3,743,113	29,033	3,844,065	4,569,747	144,189	3,751,313	10,746,465	343,258	106,451,934	2,622,459	41,034	85,133	17,578	326,880	24,895,475	26,143
Net assets (deficit):																
Unrestricted	2,606,583	9,459,747	308,569	845,822	5,412,760	1,684,067	19,901,648	(144,779)	(28,777,406)	(2,388,213)	5,739	2,599,987	781,697	1,555,264	431,737	107,096
Temporarily restricted	794,392	702,727	-	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	6,996,889	8,617,014
Permanently restricted	7,669,196	1,473,860	-	21,798,186	13,380,776	7,378,732	92,548,735	1,229,175	-	24,137,252	15,000	9,825,044	1,784,524	942,659	4,398,533	1,153,918
Total net assets (deficit)	11,070,171	11,636,334	308,569	31,285,926	22,564,425	11,170,942	174,578,082	2,784,576	(28,777,406)	28,113,853	3,735,364	18,436,192	4,807,203	3,377,843	11,827,159	9,878,028
TOTAL	\$ 14,813,284	\$ 11,665,367	\$ 4,152,634	\$ 35,855,673	\$ 22,708,614	\$ 14,922,255	\$ 185,324,547	\$ 3,127,834	\$ 77,674,528	\$ 30,736,312	\$ 3,776,398	\$ 18,521,325	\$ 4,824,781	\$ 3,704,723	\$ 36,722,634	\$ 9,904,171

* - December 31 year-end

WEST VIRGINIA HIGHER EDUCATION FUNG
(A Component Unit of the State of West Virginia)
INSTITUTION'S DISCRETELY PRESENTED COMPONENT UNITS - STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2015
(Unaudited)

	Big Green Scholarship Foundation <u>Inc.</u>	Bluefield State College Foundation <u>Inc.</u>	Bluefield State College Research and Development Corporation <u>Corporation</u>	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>
REVENUES, GAINS, AND OTHER SUPPORT																
Unrestricted:																
Gifts, contributions, and other	\$ 3,042,104	\$ 48,619	\$ 1,095,082	\$ 422,311	\$ 573,811	\$ 2,051,041	\$ 794,339	\$ 262,263	\$ 9,666,163	\$ 23,035	\$ -	\$ 302,153	\$ 69,807	\$ 558,456	\$ 1,248,628	\$ 7,117
Investment income (loss)	113,968	250,829	-	(96,750)	(223,913)	32,409	(40,873)	692	299	(1,505,565)	65,007	626,963	6,903	58,862	1,868	81,335
Reclassifications	-	199,145	-	1,097,257	1,588,145	1,207,049	20,073,136	1,093,518	-	1,500,688	442,738	4,249,412	139,698	34,551	1,288,808	419,403
Temporarily restricted:																
Gifts, contributions, and other	-	105,582	-	364,412	1,536,091	634,431	17,882,963	121,761	-	1,180,920	385,574	731,633	408,557	987,416	1,334,974	313,820
Investment income (loss)	(45,008)	56,602	-	195,327	766,001	86,365	800,114	(34,932)	-	713,160	332,238	(4,902)	88,102	25,552	91,333	62,865
Reclassifications	-	(233,850)	-	(860,149)	(1,691,010)	(1,028,201)	(20,073,136)	(1,093,518)	-	(1,521,512)	(442,738)	(4,249,412)	(139,698)	(34,551)	(1,406,814)	(419,403)
Permanently restricted:																
Gifts, contributions, and other	252,347	137,732	-	2,147,555	432,564	397,147	7,674,051	129,367	-	354,358	-	29,651	60,797	76,878	571,507	-
Investment income	(97,402)	-	-	317,669	-	-	106,816	-	-	25,032	-	104,661	-	291	(15,389)	-
Reclassifications	-	34,705	-	(237,108)	102,865	(178,848)	-	-	-	20,824	-	-	-	-	118,006	-
Total revenues, gains, and other support	<u>3,266,009</u>	<u>599,364</u>	<u>1,095,082</u>	<u>3,350,524</u>	<u>3,084,554</u>	<u>3,201,393</u>	<u>27,217,410</u>	<u>479,151</u>	<u>9,666,462</u>	<u>790,940</u>	<u>782,819</u>	<u>1,790,159</u>	<u>634,166</u>	<u>1,707,455</u>	<u>3,232,921</u>	<u>465,137</u>
EXPENSES																
Scholarships, awards, and grants	1,680,370	241,559	1,160,667	822,422	853,617	471,508	3,273,978	1,146,429	-	1,445,617	378,869	552,680	76,276	406,624	3,975	88,632
College support	-	113,192	-	364,022	811,548	3,528,226	17,153,208	-	-	94,412	-	4,145,987	92,984	-	1,251,557	178,577
Management and general	<u>2,243,939</u>	<u>47,814</u>	<u>123,841</u>	<u>247,468</u>	<u>434,096</u>	<u>500,423</u>	<u>2,825,913</u>	<u>149,431</u>	<u>14,433,697</u>	<u>657,788</u>	<u>139,298</u>	<u>133,740</u>	<u>47,981</u>	<u>235,058</u>	<u>1,248,053</u>	<u>161,781</u>
Total expenses	<u>3,924,309</u>	<u>402,565</u>	<u>1,284,508</u>	<u>1,433,912</u>	<u>2,099,261</u>	<u>4,500,157</u>	<u>23,253,099</u>	<u>1,295,860</u>	<u>14,433,697</u>	<u>2,197,817</u>	<u>518,167</u>	<u>4,832,407</u>	<u>217,241</u>	<u>641,682</u>	<u>2,503,585</u>	<u>428,990</u>
CHANGE IN NET ASSETS																
Unrestricted	(768,237)	96,028	(189,426)	(11,094)	(161,218)	(1,209,658)	(2,426,497)	60,613	(4,767,235)	(2,179,659)	(10,422)	346,121	(833)	10,187	35,719	78,865
Temporarily restricted	(45,008)	(71,666)	-	(300,410)	611,082	(307,405)	(1,390,059)	(1,006,689)	-	372,568	275,074	(3,522,681)	356,961	978,417	19,493	(42,718)
Permanently restricted	<u>154,945</u>	<u>172,437</u>	<u>-</u>	<u>2,228,116</u>	<u>535,429</u>	<u>218,299</u>	<u>7,780,867</u>	<u>129,367</u>	<u>-</u>	<u>400,214</u>	<u>-</u>	<u>134,312</u>	<u>60,797</u>	<u>77,169</u>	<u>674,124</u>	<u>-</u>
Total change in net assets	(658,300)	196,799	(189,426)	1,916,612	985,293	(1,298,764)	3,964,311	(816,709)	(4,767,235)	(1,406,877)	264,652	(3,042,248)	416,925	1,065,773	729,336	36,147
NET ASSETS (DEFICIT) - BEGINNING OF YEAR																
	<u>11,070,171</u>	<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>3,735,364</u>	<u>18,436,192</u>	<u>4,807,203</u>	<u>3,377,843</u>	<u>11,827,159</u>	<u>9,878,028</u>
NET ASSETS (DEFICIT) - END OF YEAR																
	<u>\$ 10,411,871</u>	<u>\$ 11,833,133</u>	<u>\$ 119,143</u>	<u>\$ 33,202,538</u>	<u>\$ 23,549,718</u>	<u>\$ 9,872,178</u>	<u>\$ 178,542,393</u>	<u>\$ 1,967,867</u>	<u>\$ (33,544,641)</u>	<u>\$ 26,706,976</u>	<u>\$ 4,000,016</u>	<u>\$ 15,393,944</u>	<u>\$ 5,224,128</u>	<u>\$ 4,443,616</u>	<u>\$ 12,556,495</u>	<u>\$ 9,914,175</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, 2014
(Unaudited)

	Big Green Scholarship Foundation, Inc.	Bluefield State College Foundation, Inc.	Bluefield State College Research and Development Corporation	Concord University Foundation, Inc.	Fairmont State College 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.
REVENUES, GAINS, AND OTHER SUPPORT																
Unrestricted:																
Gifts, contributions, and other	\$ 3,778,661	\$ 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	\$ 253,891	\$ 314,952	\$ -
Investment income (loss)	164,269	1,369,444	-	(2,025)	2,177,264	352,090	2,364,486	1,862	301	1,350,907	24,786	1,514,839	83,477	189,222	(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	48,305	1,048,380	178,213
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	63,861	54,928	-	2,514,600	367,188	1,025,825	11,932,391	129,241	-	568,613	550,245	(6,625)	395,426	106,814	730,807	1,128,335
Reclassifications	-	4,510	-	(984,737)	(1,393,154)	(3,842,005)	(12,713,971)	(107,132)	-	(1,287,393)	(468,407)	(1,613,954)	(498,876)	(48,305)	(1,048,380)	(178,213)
Permanently restricted:																
Gifts, contributions, and other	266,779	67,831	-	169,873	352,098	279,131	3,038,653	26,620	-	836,807	-	127,770	79,356	272,875	243,569	-
Investment income	702,619	-	-	1,514,136	-	-	2,174,427	-	-	20,159	-	277,232	-	234	13,388	-
Reclassifications	-	(21,537)	-	(108,597)	-	(20,000)	-	-	-	43,548	-	-	-	-	-	-
Total revenues, gains, and other support	4,976,189	1,587,378	1,187,302	4,549,566	5,468,486	3,898,832	29,428,597	539,844	9,336,305	6,881,653	918,443	6,909,799	1,133,203	1,022,915	4,376,806	2,233,795
EXPENSES																
Scholarships, awards, and grants	1,734,443	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	153,952	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	118,256
Management and general	2,721,769	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	189,148	381,486	76,714
Total expenses	4,456,212	444,037	1,328,325	1,204,940	1,987,982	4,569,104	15,399,887	263,113	13,431,402	2,021,716	493,350	2,636,423	496,263	343,100	1,415,944	316,396
CHANGE IN NET ASSETS																
Unrestricted	(513,282)	989,132	(141,023)	155,696	2,322,980	690,272	384,428	59,268	(4,095,097)	596,573	(157)	664,035	267,648	148,318	(73,584)	(110,527)
Temporarily restricted	63,861	107,915	-	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	2,777,489	2,027,926
Permanently restricted	969,398	46,294	-	1,575,412	352,098	259,131	5,213,080	26,620	-	900,514	-	405,002	79,356	273,109	256,957	-
Total change in net assets	519,977	1,143,341	(141,023)	3,344,626	3,480,504	(670,272)	14,028,710	276,731	(4,095,097)	4,859,937	425,093	4,273,376	636,940	679,815	2,960,862	1,917,399
NET ASSETS (DEFICIT) - BEGINNING OF YEAR																
	10,550,194	10,492,993	449,592	27,941,300	19,083,921	11,841,214	160,549,372	2,507,845	(24,682,309)	23,253,916	3,310,271	14,162,816	4,170,263	2,698,028	8,866,297	7,960,629
NET ASSETS (DEFICIT) - END OF YEAR																
	\$ 11,070,171	\$ 11,636,334	\$ 308,569	\$ 31,285,926	\$ 22,564,425	\$ 11,170,942	\$ 174,578,082	\$ 2,784,576	\$ (28,777,406)	\$ 28,113,853	\$ 3,735,364	\$ 18,436,192	\$ 4,807,203	\$ 3,377,843	\$ 11,827,159	\$ 9,878,028



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

West Virginia Higher Education
Policy Commission
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the West Virginia Higher Education Fund (the Fund), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2016. 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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and management responses, we identified a deficiency in internal control that we consider to be a material weakness.

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 *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. 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. We consider the deficiency described in the accompanying schedule of findings and management responses as item 2015-001 to be a material weakness.

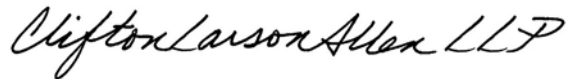
Compliance and Other Matters

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*.

West Virginia Higher Education Fund's Response to Findings

West Virginia Higher Education Fund's response to the finding identified in our audit is described in the accompanying schedule of findings and management responses. West Virginia Higher Education Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 18, 2016

**WEST VIRGINIA HIGHER EDUCATION FUND
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
YEAR ENDED JUNE 30, 2015**

2015-001 – Restatement

Condition

Net position of West Virginia State University at the beginning of fiscal year 2014 (July 1, 2013) was restated to correct an error relating to the Other Post Employment Benefits (OPEB) liability which was not recorded correctly by West Virginia State University.

Concord University's financial statements for the year ended June 30, 2014 were restated to correct an error in calculating depreciation expense for all asset types made in years ended June 30, 2014, 2013 and before.

Criteria

Management is responsible for establishing and maintaining internal controls for the proper recording of the other postemployment benefits liability and the calculation of depreciation expense.

Cause

The OPEB liability was not properly adjusted based off the information provided by the West Virginia Public Employees Insurance Agency.

Certain assets were not being depreciated over the correct useful life. In addition, errors were made in the schedule used to calculate depreciation expense.

Effect

An adjustment was made as of June 30, 2014 to decrease the OPEB liability by approximately \$661,000, decrease benefits expense by approximately \$88,000 and increase beginning net position by approximately \$573,000.

An adjustment was made as of June 30, 2014 to decrease capital assets by approximately \$4,590,000, decrease depreciation expense by approximately \$155,000 and to reduce beginning net position by approximately \$4,745,000.

Auditors' Recommendation

We recommend the management continue to evaluate the process by which accounts are adjusted and ensure there are adequate internal controls and processes in place to ensure the financial statements and activity are properly stated.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: Procedures have been adjusted to ensure processes are in place to ensure amounts are accurately reported and adjusted.

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