

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

**Financial Statements and  
Supplementary Information**

**Years Ended June 30, 2016 and 2015**

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**Years Ended June 30, 2016 and 2015**

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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 and the aggregate discretely presented component units of the West Virginia Higher Education Fund (the Fund), a component unit of the State of West Virginia, as of and for the years ended June 30, 2016 and 2015, 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 opinions 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, 2016 and 2015, which represent 18%, 25%, and 16%, respectively, of total assets, total net position, and total revenues of the Fund in 2016 and 18%, 26%, and 17%, respectively, of total assets, total net position and total revenues of the Fund in 2015. 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 also did not audit the financial statements of the discretely presented component units as defined in Note 2 to the financial statements, other than the Blue Ridge Community and Technical College Foundation, Inc., (collectively the Other Discretely Presented Component Units), for the years ended June 30, 2016 and 2015, which represent 99%, 99%, and 99%, respectively, of total assets, total net assets and total revenues of the discretely presented component units in 2016 and 2015. The Other Discretely Presented Component Units' statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the discretely presented component units' financial statements, is based solely on the reports of such other audits. 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. The discretely presented component unit's financial statements were not audited in accordance with *Government Auditing Standards*. 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 opinions.

***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 and the aggregate discretely presented component units of the Fund as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

The independent auditors' report of other auditors on the 2016 financial statements of Provident Group – Marshall Properties LLC, a discretely presented component unit, contained an emphasis of matter paragraph because as discussed in Note 19 to the financial statements, Provident Group – Marshall Properties LLC's senior tax-exempt revenue bonds payable are secured by an irrevocable letter of credit which expired on January 30, 2017. Therefore, the bonds are currently classified as a current obligation in the Component Units – statement of net assets as of June 30, 2016, which raise substantial doubt about Provident Group – Marshall Properties LLC's ability to continue as a going concern. Provident Group – Marshall Properties LLC's management plans in regards to these matters are also described in Note 19. The Provident – Marshall Properties, LLC financial statements have been prepared assuming that Provident Group – Marshall Properties, LLC will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

The independent auditors' report of other auditors on the 2016 financial statements of Glenville State College, a blended component unit, contained an emphasis of matter paragraph because as discussed in Note 11 to the financial statements, the Series 2009 Bonds are classified as a current liability. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of TRS Net Pension Liability 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.

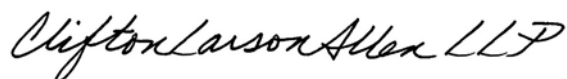
*Other Information*

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 and Schedule of Combining Revenues, Expenses, and Changes in Net Position Information (Supplementary Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2017, 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 3, 2017

**WEST VIRGINIA HIGHER EDUCATION FUND  
(A Component Unit of the State of West Virginia)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2016  
(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 and Fund's financial statements for the fiscal years ended June 30, 2016 and 2015. 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 2016 and 2015 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 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).

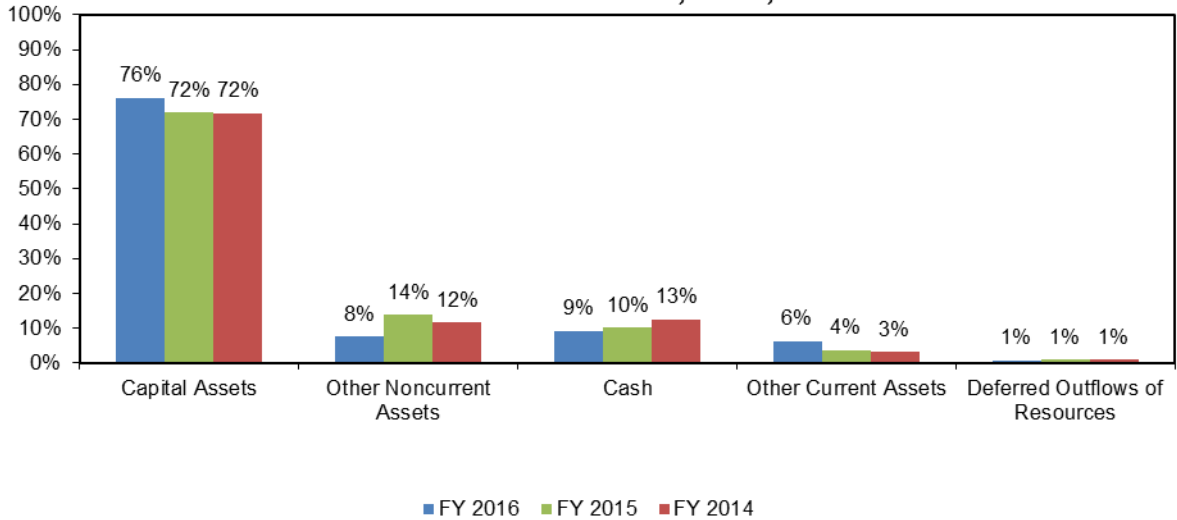
Net position is divided into three major categories. The first category, net investment in capital assets, provides the Fund's equity in land, buildings, furniture, and equipment owned by the Fund less related long-term debt issued to finance capital assets. The next net position category is restricted, 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 2016	June 30 2015	June 30 2014	Change From 2016 to 2015
<b>Assets</b>				
Current Assets	\$ 638,672	\$ 556,212	\$ 582,708	\$ 82,460
Capital Assets, Net	3,149,948	2,904,473	2,649,308	245,475
Other Noncurrent Assets	315,613	539,895	431,098	(224,282)
Total Assets	<u>4,104,233</u>	<u>4,000,580</u>	<u>3,663,114</u>	<u>103,653</u>
Deferred Outflows of Resources	<u>33,199</u>	<u>35,462</u>	<u>34,321</u>	<u>(2,263)</u>
Total	<u><u>\$ 4,137,432</u></u>	<u><u>\$ 4,036,042</u></u>	<u><u>\$ 3,697,435</u></u>	<u><u>\$ 101,390</u></u>
<b>Liabilities</b>				
Current Liabilities	\$ 384,692	\$ 327,161	\$ 289,011	\$ 57,531
Noncurrent Liabilities	1,753,149	1,812,965	1,585,904	(59,816)
Total Liabilities	<u>2,137,841</u>	<u>2,140,126</u>	<u>1,874,915</u>	<u>(2,285)</u>
Deferred Inflows of Resources	<u>46,090</u>	<u>43,458</u>	<u>3,763</u>	<u>2,632</u>
Total	<u><u>2,183,931</u></u>	<u><u>2,183,584</u></u>	<u><u>1,878,678</u></u>	<u><u>347</u></u>
<b>Net Position</b>				
Net Investment in Capital Assets	2,140,789	1,999,927	1,589,447	140,862
Restricted-expendable	75,224	82,703	134,666	(7,479)
Restricted-nonexpendable	35,219	35,784	25,468	(565)
Unrestricted	<u>(297,731)</u>	<u>(265,956)</u>	<u>69,176</u>	<u>(31,775)</u>
Total Net Position	<u>1,953,501</u>	<u>1,852,458</u>	<u>1,818,757</u>	<u>101,043</u>
Total	<u><u>\$ 4,137,432</u></u>	<u><u>\$ 4,036,042</u></u>	<u><u>\$ 3,697,435</u></u>	<u><u>\$ 101,390</u></u>

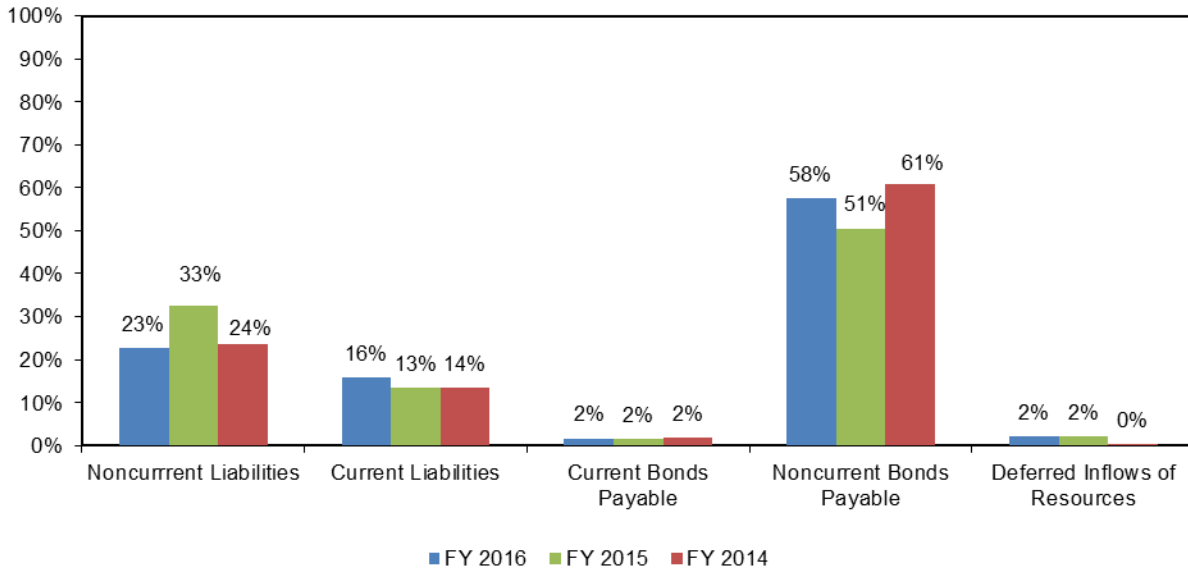
## Assets and Deferred Outflows Composition

For the Years Ended June 30, 2016, 2015 and 2014



## Liabilities and Deferred Inflows Composition

For the Years Ended June 30, 2016, 2015 and 2014





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

- Total current assets of \$638.7 million exceeded total current liabilities of \$384.7 million as of June 30, 2016 for net working capital of \$254.0 million as compared to net working capital of \$229.1 million and \$293.7 million as of June 30, 2015 and 2014, respectively. Current assets increased by \$82.5 million from 2015 to 2016 and decreased \$26.5 million from 2014 to 2015, while current liabilities increased by \$57.5 million from 2015 to 2016 and \$38.2 million from 2014 to 2015.
- The major components of current assets include cash and cash equivalents of \$378.5 million, \$409.7 million, and \$463.7 million and net accounts receivable of \$91.5 million, \$86.6 million, and \$74.5 million as of June 30, 2016, 2015, and 2014, 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, 2016, 2015 and 2014.
- The major components of current liabilities include \$73.2 million, \$75.8 million, and \$67.3 million of unearned revenue, \$81.9 million, \$71.7 million, and \$61.6 million in accounts payable, \$79.9 million, \$74.4 million, and \$56.1 million of accrued liabilities, \$43.7 million, \$42.8 million, and \$41.6 million in accrued compensated absences, and \$60.7 million, \$36.7 million, and \$35.7 million in current portion of bonds payable as of June 30, 2016, 2015, and 2014, respectively. The increase in the current portion of bonds payable from 2015 to 2016 is primarily related to Glenville State College reclassifying the entire outstanding amount of its 2009 bonds from long-term to current (Note 11).
- 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 \$3,465.6 million, \$3,444.4 million, and \$3,080.4 million and noncurrent liabilities total \$1,753.1 million, \$1,813.0 million, and \$1,585.9 million as of June 30, 2016, 2015, and 2014, respectively. Noncurrent assets increased by \$21.2 million from 2015 to 2016 and \$34.6 million from 2014 to 2015 while noncurrent liabilities decreased by \$59.9 million from 2015 to 2016 and increased \$227.1 million from 2014 to 2015.
- The primary noncurrent asset is \$3,150.0 million, \$2,904.5 million, and \$2,649.3 million of net capital assets as of June 30, 2016, 2015, and 2014, respectively. Also included as noncurrent assets are cash and cash equivalents primarily for capital purposes of \$84.0 million, \$120.2 million, and \$166.4 million, investments for capital purposes totaling \$155.0 million, \$343.7 million, and \$205.7 million, and net loans to students of \$46.7 million, \$46.8 million, and \$45.6 million as of June 30, 2016, 2015, and 2014, respectively.

- Major components of noncurrent liabilities include long-term bonds payable totaling \$1,195.9 million, \$1,257.2 million, \$1,103.0 million, capital leases of \$42.4 million, \$48.0 million, and \$30.1 million, advances from federal sponsors of \$44.2 million, \$46.1 million, and \$41.1 million, notes payable of \$28.9 million, \$30.4 million, and \$31.8 million, and accruals for other post employment benefit liability of \$327.0 million, \$308.8 million, and \$292.5 million as of June 30, 2016, 2015, and 2014, respectively. In addition, the net pension liability recorded was \$23.5 million and \$25.8 million, as of June 30, 2016 and 2015, respectively, resulting from the implementation of GASB Stmt. No.'s 68 and 71 in FY 2015.
- The increases in other post employment benefit liability of \$18.2 million and \$16.3 million, as of 2016 and 2015, 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 \$34.3 million, as of June 30, 2014, to \$35.5 million, as of June 30, 2015, and decreased to \$33.2 million, as of June 30, 2016. The 2016 decrease is the result of decreases in deferred outflows of resources related to deferred loss on refunding of \$1.5 million, interest rate swap of \$.6 million and deferred outflows related to pensions of \$.2 million. 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 FY2016 \$2.6 million increase in deferred inflows of resources was a result of additions to service concession agreements of \$3.3 million offset by a decrease in deferred inflows related to pensions of \$.3 million. Most of the \$39.6 million increase in deferred inflows of resources in FY 2015 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 \$1,953.5 million, \$1,852.5 million, and \$1,818.8 million as of June 30, 2016, 2015, and 2014, respectively, an increase of \$101.0 million from 2015 to 2016 and \$33.7 million from 2014 to 2015.
  - Net investment in capital assets totaled \$2,141.0 million, \$2,000.0 million, and \$1,589.4 million as of June 30, 2016, 2015, and 2014, respectively.
  - Restricted expendable net position totaled \$75.2 million, \$82.7 million, and \$134.7 million and include \$29.7 million, \$30.6 million, and \$30.6 million for sponsored projects, \$15.2 million, \$15.9 million, and \$47.4 million for capital projects, and \$13.8 million, \$14.0 million, and \$27.0 million for loan programs as of June 30, 2016, 2015, and 2014, respectively.
  - Unrestricted net position totaled \$(297.7) million, \$(266.0) million, and \$69.2 million as of June 30, 2016, 2015, and 2014, respectively, and represents net position available to the Fund for any lawful purpose of the Fund.
  - The decrease 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.

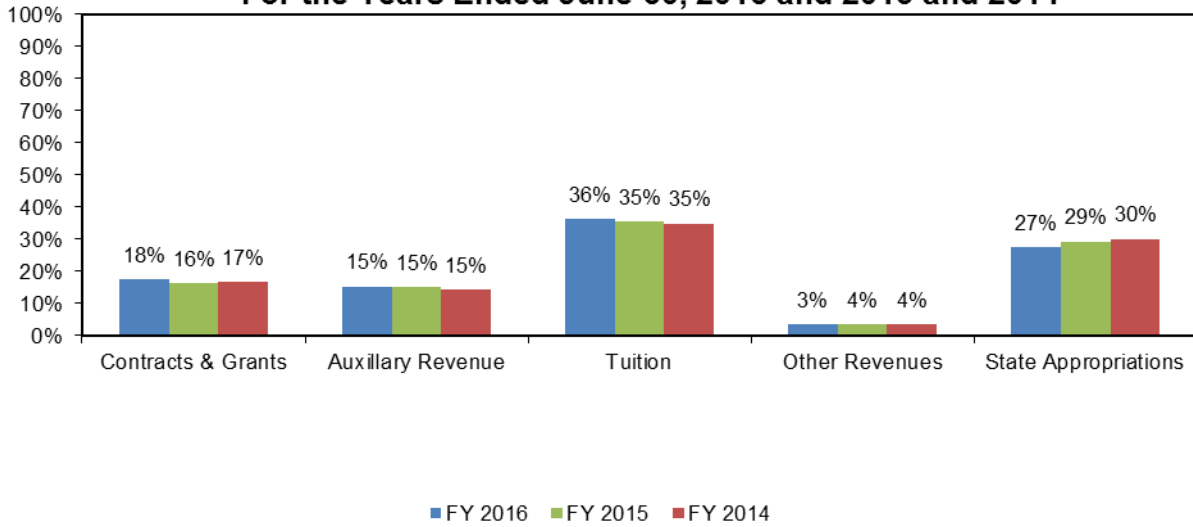
Operating revenues represent the receipts earned from providing goods and service to the various customers and constituencies served by the Fund, including fees from students and revenue in the form of Federal and State grants used to support operations and various initiatives. Operating expenses are 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 2016	FY 2015	FY 2014
Operating Revenues	\$ 1,204,474	\$ 1,153,190	\$ 1,135,705
Operating Expenses	1,851,111	1,801,832	1,744,817
Operating Loss	(646,637)	(648,642)	(609,112)
Net Nonoperating Revenues	575,714	599,671	628,449
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	(70,923)	(48,971)	19,337
Capital Grants, Appropriations and Gifts	170,190	108,376	34,993
Capital Bond Proceeds from State	424	25	10,400
Capital Payments and Transfers to Outside Entities	-	(424)	-
State Capital Grants (Federal)	1,352	5,691	4,182
Increase in Net Position	\$ 101,043	\$ 64,697	\$ 68,912

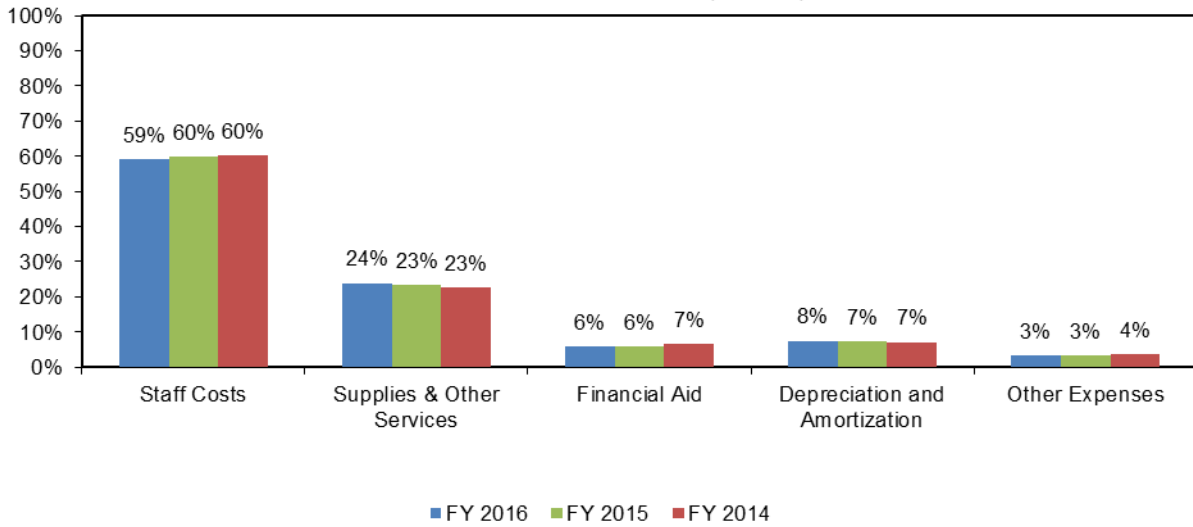
# Operating Revenues and State Appropriations

For the Years Ended June 30, 2016 and 2015 and 2014



# Total Operating Expenses

For the Years Ended June 30, 2016, 2015 and 2014



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

- Operating Revenues of the Fund totaled \$1,204.5 million, \$1,153.2 million, and \$1,135.7 million for the years ended June 30, 2016, 2015, and 2014, respectively, an increase of \$51.3 million from 2015 to 2016 and \$17.5 million from 2014 to 2015.
  - Student tuition and fees revenues totaled \$600.8 million in FY 2016, \$578.2 million in FY 2015 and \$567.6 in FY 2014, an increase of \$22.6 million or 3.9% in FY 2016 and \$10.6 million or 1.9% in FY 2015. Tuition is reported net of scholarship allowances totaling \$182.1 million, \$176.8 million, and \$168.0 million for the years ended June 30, 2016, 2015, and 2014, 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 \$142.1 million, \$125.7 million, and \$127.0 million for the years ended June 30, 2016, 2015, and 2014, respectively. The increase of \$16.4 million in FY 2016 represents increased revenues from existing federal awards and new federal awards received by the West Virginia University Innovation Corporation. The decrease of \$1.3 million in FY 2015 represents the decline in federal research and financial aid support.
  - Auxiliary enterprises generated revenues of \$254.6 million, \$249.3 million, and \$236.1 million, net of \$27.6 million, \$25.5 million, and \$24.5 million of scholarship allowances for the years ended June 30, 2016, 2015, and 2014, respectively. FY 2016 net auxiliary revenues increased by \$5.3 million or 2.1%, reflecting primarily increases in rates. FY 2015 net auxiliary revenues increased by \$13.2 million or 5.6%, reflecting primarily increases in rates.
  - State grants and contracts totaled \$47.6 million, \$44.5 million, and \$43.3 million for the years ended June 30, 2016, 2015, and 2014, respectively, an increase of \$3.1 million from 2015 to 2016 and of \$1.2 million from 2014 to 2015. Private grants and contracts totaled \$90.9 million, \$87.3 million, and \$87.0 million for the years ended June 30, 2016, 2015, and 2014, respectively, an increase of \$3.6 million from 2015 to 2016 and \$.3 million from 2014 to 2015. These changes represent normal fluctuations in grant activities.
- Operating expenses totaled \$1,851.1 million, \$1,801.8 million, and \$1,744.8 million for the years ended June 30, 2016, 2015, and 2014, respectively, an increase of \$49.3 million from 2015 to 2016 and an increase \$57.0 million from 2014 to 2015.
  - Staff salary costs totaled \$850.8 million, \$834.0 million, and \$820.6 million, an increase of \$16.8 million or 2.0% from 2015 to 2016 and \$13.4 million or 1.6% from 2014 to 2015. This increase is attributed to salary increases and an additional year of service of annual increment. Benefit costs decreased by \$.2 million in FY 2016, or .1% from FY 2015. 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.
  - Supplies and other services totaled \$443.3 million, \$419.5 million, and \$393.6 million for the years ended June 30, 2016, 2015, and 2014, respectively, an increase of \$23.8 million or 5.7% from 2015 to 2016 and an increase of \$5.9 million or 6.6% from 2014 to 2015.

- Scholarships and fellowships totaled \$108.7 million, \$106.9 million, and \$114.9 million for the years ended June 30, 2016, 2015, and 2014, respectively, an increase of \$1.8 million or 1.7% from 2015 to 2016 and decrease of \$8.0 million or 7.0% from 2014 to 2015. This is primarily a result of decreases in Pell Grant revenues.
- Depreciation and amortization on capital assets totaled \$139.0 million, \$132.3 million, and \$124.7 million for the years ended June 30, 2016, 2015, and 2014, respectively, an increase of \$6.7 million from 2015 to 2016 and \$7.6 million from 2014 to 2015. 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 \$646.6 million, \$648.6 million, and \$609.4 million for the years ended June 30, 2016, 2015, and 2014, respectively, which excludes State appropriations of \$456.5 million, \$479.0 million, and \$489.4 million and Federal Pell grants of \$114.9 million, \$122.4 million, and \$129.7 million for the years ended June 30, 2016, 2015, and 2014, respectively. The net operating loss decrease of \$2.0 million in FY 2016 was the outcome of the increase in operating expenses of \$49.3 million, offset by the \$51.3 million increase in operating revenue. 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.
- Net non-operating revenue totaled \$575.7 million, \$599.7 million, and \$628.4 million for the years ended June 30, 2016, 2015, and 2014, respectively, a decrease of \$24.0 million from 2015 to 2016 and a decrease of \$28.7 million from 2014 to 2015.
  - State general revenue and lottery appropriations totaled \$456.5 million, \$479.0 million, and \$489.4 million for the years ended June 30, 2016, 2015, and 2014, respectively, decrease of \$22.5 million from 2015 to 2016 and a decrease of \$10.4 million from 2014 to 2015. The decreases are due primarily to appropriation reductions required to balance the State budget.
  - Interest incurred on indebtedness totaled \$54.3 million, \$49.3 million, and \$47.0 million for the years ended June 30, 2016, 2015, and 2014, an increase of \$5.0 million from 2015 to 2016 and an increase of \$2.3 million from 2014 to 2015. This is attributable to bond FY 2016 bond issuances. The FY 2015 change is attributable to bond FY 2014 bond issuances. Total bonds, capital leases and notes indebtedness increased by \$171.1 million from FY 2014 to FY 2015.
  - Investment income totaled \$.2 million, \$5.6 million, and \$22.9 million for the years ended June 30, 2016, 2015, and 2014, respectively, a decrease of \$5.4 million from 2015 to 2016 and \$17.3 million from 2014 to 2015. 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 \$170.2 million, \$108.4 million, and \$35.0 million for the years ended June 30, 2016, 2015, and 2014, respectively, an increase of \$61.8 million from 2015 to 2016 and \$73.4 million from 2014 to 2015. The Increases were primarily the result of facilities transferred to West Virginia University from its public private partners. Finally, State Capital Grants (Federal) totaled \$1.4 million, \$5.7 million, and \$4.2 million, for the years ended June 30, 2016, 2015, and 2014, respectively, a decrease of \$4.3 million from 2015 to 2016 and an increase of \$1.5 million from 2014 to 2015.
- The activity for FY 2016 resulted in an increase of net position totaling \$101.0 million, as compared to the \$64.7 million increase in net position during FY 2015 and a \$68.9 million increase in net position during FY 2014.
- As reported below on a functional expenditure basis, expenditures for Educational and General Expenses were \$1,382.1 million, \$1,342.0 million, and \$1,301.4 million for the years ended June 30, 2016, 2015, and 2014, respectively, an increase of \$40.1 million or 3.0% from FY 2015 and an increase of \$40.6 million or 3.1% from FY 2014. Cost of instruction constitutes 41.2%, 41.2%, and 40.9% of total educational and general expenses for the years ended June 30, 2016, 2015, and 2014, respectively. Institutional Support remained consistent as a percentage of E & G at 16.3% in FY 2014, 17.1% in FY 2015, and 17.4% in FY 2016.

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

	<b>FY 16</b>	<b>% of</b>	<b>FY 15</b>	<b>% of</b>	<b>FY 14</b>	<b>% of</b>
	<b>Total</b>	<b>E&amp;G Total</b>	<b>Total</b>	<b>E&amp;G Total</b>	<b>Total</b>	<b>E&amp;G Total</b>
Instruction	\$ 569,268	41.2%	\$ 552,492	41.2%	\$ 532,763	40.9%
Research	149,805	10.8%	150,028	11.2%	150,532	11.6%
Public Service	88,721	6.4%	89,038	6.6%	85,990	6.6%
Academic Support	96,757	7.0%	97,620	7.3%	97,593	7.5%
Student Services	92,324	6.7%	90,118	6.7%	90,970	7.0%
Plant Operations	144,865	10.5%	133,303	9.9%	131,549	10.1%
Institutional Support	240,348	17.4%	229,372	17.1%	211,952	16.3%
<b>Total E &amp; G Expenses</b>	<u>1,382,088</u>	<u>100.0%</u>	<u>1,341,971</u>	<u>100.0%</u>	<u>1,301,349</u>	<u>100.0%</u>
Financial Aid	107,838		106,119		114,070	
Auxiliary Enterprises	214,184		212,969		195,043	
Depreciation	139,037		132,253		124,659	
Other	7,964		8,520		9,696	
<b>Total Operating Expenses</b>	<u>\$ 1,851,111</u>		<u>\$ 1,801,832</u>		<u>\$ 1,744,817</u>	

## 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 2016	FY 2015	FY 2014	Change From 2016 to 2015
Cash (Used In) Provided By:				
Operating Activities	\$ (492,090)	\$ (500,681)	\$ (488,995)	\$ 8,591
Noncapital Financing Activities	626,637	647,815	649,038	(21,178)
Capital Financing Activities	(241,641)	(44,308)	(274,592)	(197,333)
Investing Activities	<u>75,988</u>	<u>(156,846)</u>	<u>93,236</u>	<u>232,834</u>
Increase (Decrease) in Cash and Cash Equivalents	(31,106)	(54,020)	(21,313)	22,914
Cash and Cash Equivalents, beginning of year	<u>409,650</u>	<u>463,670</u>	<u>484,983</u>	<u>(54,020)</u>
Cash and Cash Equivalents, end of year	<u>\$ 378,544</u>	<u>\$ 409,650</u>	<u>\$ 463,670</u>	<u>(31,106)</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 \$492.1 million, \$500.7 million, and \$489.0 million for the years ended June 30, 2016, 2015, and 2014, 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 2016, 2015, and 2014, respectively, were student tuition and fees of \$612.8 million, \$580.8 million, and \$571.1 million; contracts and grants of \$282.3 million, \$257.5 million, and \$253.9 million; and auxiliary enterprise charges of \$246.9 million, \$251.0 million, and \$238.6 million. Primary uses of cash for FY 2016, 2015, and 2014, respectively, included payments to and on behalf of employees of \$1,072.4 million, \$1,057.9 million, and \$1,043.2 million and payments to suppliers of \$433.2 million, \$404.6 million, and \$391.8 million.
- Net cash provided from noncapital financing activities for FY 2016, 2015, and 2014, respectively, totaled \$626.6 million, \$647.8 million, and \$649.0 million, of which \$456.6 million, \$486.0 million, and \$487.9 million was from State General Revenue and Lottery appropriations, \$115.0 million, \$122.3 million, and \$129.7 million was from Federal Pell Grants.



- Net cash used by capital financing activities for FY 2016 totaled \$241.6 million. The withdrawals from noncurrent cash and cash equivalents totaling \$30.9 million. Other sources include proceeds from bond issuances and borrowings of \$12.3 million, capital bond proceeds from the State of \$.3 million, capital grants and gifts received of \$21.3 million and State capital grants (federal) received of \$1.4 million offset by purchases of capital assets totaling \$213.4 million, principal and interest paid on notes, bonds and leases of \$98.9 million.
- Net cash used by capital financing activities for FY 2016 totaled \$241.6 million. The withdrawals from noncurrent cash and cash equivalents totaled \$30.9 million. Other sources include proceeds from bond issuances and borrowings of \$12.3 million, capital bond proceeds from the State of \$.3 million, capital grants and gifts received of \$21.3 million and State capital grants (federal) received of \$1.4 million offset by purchases of capital assets totaling \$213.4 million, principal and interest paid on notes, bonds and leases of \$98.9 million.
- Net cash provided by (used in) investing activities for FY 2016 and 2015 totaled \$76.0 million and (\$156.8) million, compared to net cash provided by investing activities of \$93.2 million for FY 2014. The FY 2016 change is a result of an increase in the net receipts from sales/maturities of investments. The fiscal year 2015 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 2016 decreased by \$31.1 million compared to a decrease in net cash for FY 2015 of \$54.0 million and FY 2014 of \$21.3 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 \$213.4 million in FY 2016, as compared to \$252.3 million in FY 2015. 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 2016, expenditures at West Virginia University and Marshall University accounted for \$152.8 million of the \$213.4 million total. For FY 2015, expenditures at West Virginia University and Marshall University accounted for \$179.4 million of the \$252.3 million total.

During Fiscal Year 2016, West Virginia University completed improvements to buildings, infrastructure and land as follows: the Advanced Engineering Research Building, Evansdale Crossing, classrooms and labs at the Main Campus, the Multiple Sclerosis Research Center, the Animal Facility Annex, the Simulation Center at the Health Sciences Center, and the football practice field. West Virginia University also completed energy performance projects at the Main Campus residence halls and academic buildings as well as at the Health Sciences Center and Potomac State College. Other on-going capital activity included: Agricultural Sciences Building II; renovations to the Milan Puskar Stadium, the Coliseum, Law Center, and the Engineering Sciences Building; Evansdale traffic flow; upgrades to the PRT; energy performance projects; and several internally developed software projects.

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 2016, West Virginia University executed the following real estate transactions:

- Took ownership of University Park, Evansdale Crossing, and the Garage at University Place – in the amount of \$89.1 million, \$25.1 million and \$17.9 million respectively – from its public-private partners, University Park at Evansdale LLC, Fresh Capital LLC and Downtown Campus Parking Associates LLC. University Park is a mixed use retail and residential facility including student housing, Evansdale Crossing provides student-centered space near the Engineering PRT station, and the Garage at University Place provides parking for the residents and retail customers of University Place. The University also received transfer of \$14.6 million of assets from the West Virginia Campus Housing, LLC in the amount of \$14.6 million during fiscal year 2016.
- The University sold 13.17 acres of land in its Research Park to the WVU Hospitals, Inc. in the amount of \$2.6 million. The University also sold 386 acres of land in Mineral County, WV to High Rock Land Company for \$1.1 million.
- During fiscal year 2016, the University received a donation of a 364-acre farm, including buildings and structures, in Keyser, West Virginia valued at \$1.3 million.
- The University entered into a lease and development agreement with HSC Fresh Kitchen, LLC to renovate and improve, as well as operate and maintain 12,680 square feet of space in the WVU Health Sciences Cafeteria building.

In June 2016, the WVU Research Corporation received a short-term (90-day note) loan in the principal amount of \$12.0 million from United Bank, Inc. The loan proceeds were used to reimburse the University for the acquisition and start-up costs of the new campus in Beckley, West Virginia.

During fiscal year 2015, 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.

During Fiscal Year 2016, Marshall University's construction projects of new facilities financed by capital gifts and other University funds in previous years were completed. Projects that were completed in Fiscal Year 2016 include the Applied Engineering Complex and the Indoor Athletic Complex as well as various renovation and maintenance projects at the Medical School, Harless Dining Hall and Twin Towers.

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 \$58.0 million as of June 30, 2016. This includes the 2007 Refunding Bonds of \$17.1 million, which are funded from tuition collections at the institutions, the Council 2009 Revenue Bonds of \$69.7 million, the Facilities 2010 System bonds of \$69.8 million and the 2012 System Bonds of \$122.1 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 \$863 million as of June 30, 2016. 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's financial condition is strong. The net position of the Fund is \$1,953.5 million. The continued success of the Fund is closely tied to the economic strength of the State of West Virginia. Over 27% of operating and nonoperating revenues of the Fund in FY 2016 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 4.7% in FY 2016 from FY 2015. 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 2017, the Governor's Office has recommended a 2.2% 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 but is projected to be relatively stable over the next several years. Significant efforts are underway to expand the participation rate in higher education by both high school graduating seniors as well as adults to improve the economic environment of the State. Increased attendance by non-resident students is another factor in the future financial stability of the Fund. Net student tuition and fees provide approximately 36.2% of the total revenues of the Fund, an increase of .8% over FY 2015.

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, 2016 and 2015**  
(Dollars in thousands)

	<u>2016</u>	<u>2015</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 378,544	\$ 409,650
Investments	124,768	24,495
Investment Settlements Pending	12,505	-
Appropriations due from Primary Government	10,017	12,388
Accounts receivable-net	91,483	86,611
Loans receivable-current portion	7,468	7,795
Other current assets	9,321	10,484
Inventories	<u>4,566</u>	<u>4,789</u>
Total current assets	<u>638,672</u>	<u>556,212</u>
<b>NONCURRENT ASSETS</b>		
Cash and cash equivalents	83,983	120,240
Investments	154,992	343,667
Loans receivable-net of allowance \$10,623 and \$10,132 in 2016 and 2015, respectively	46,747	46,836
Other assets	29,891	29,152
Capital assets-net	<u>3,149,948</u>	<u>2,904,473</u>
Total noncurrent assets	<u>3,465,561</u>	<u>3,444,368</u>
Total assets	<u>4,104,233</u>	<u>4,000,580</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	29,828	31,359
Interest rate swap agreement	333	891
Deferred outflows related to pensions	<u>3,038</u>	<u>3,212</u>
Total deferred outflows of resources	<u>33,199</u>	<u>35,462</u>
<b>TOTAL ASSETS AND DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 4,137,432</u>	<u>\$ 4,036,042</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF NET POSITION (CONTINUED)**  
**June 30, 2016 and 2015**  
(Dollars in thousands)

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 81,910	\$ 71,685
Due to State of West Virginia	582	212
Accrued liabilities	79,913	74,396
Unearned revenue	73,181	75,847
Deposits	7,854	7,343
Real estate purchase agreements payable-current portion	591	581
Other liabilities-current portion	1,200	1,000
Compensated absences-current portion	43,690	42,844
Notes payable-current portion	13,433	1,375
Capital lease obligations-current portion	9,735	3,606
Interest payable	11,888	11,596
Bonds payable-current portion	<u>60,715</u>	<u>36,676</u>
Total current liabilities	<u>384,692</u>	<u>327,161</u>
<b>NONCURRENT LIABILITIES</b>		
Advances from federal sponsors	44,180	46,080
Real estate purchase agreement payable	14,692	15,935
Compensated absences	4,418	4,907
Notes payable	28,914	30,416
Capital lease obligations	42,412	48,018
Future interest payable	35,891	36,003
Bonds payable	1,195,903	1,257,228
Other post employment benefit liability	326,975	308,758
Net pension liability	23,450	25,755
Other noncurrent liabilities	<u>36,314</u>	<u>39,865</u>
Total noncurrent liabilities	<u>1,753,149</u>	<u>1,812,965</u>
Total liabilities	<u>2,137,841</u>	<u>2,140,126</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF NET POSITION (CONTINUED)**  
**June 30, 2016 and 2015**  
(Dollars in thousands)

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (CONTINUED)</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Service concession arrangements	\$ 39,746	\$ 36,449
Deferred inflows related to pensions	5,829	6,206
Other	<u>515</u>	<u>803</u>
Total deferred inflows of resources	<u>46,090</u>	<u>43,458</u>
Total liabilities and deferred inflows of resources	<u>2,183,931</u>	<u>2,183,584</u>
<b>NET POSITION</b>		
Net investment in capital assets	<u>2,140,789</u>	<u>1,999,927</u>
Restricted for:		
Expendable:		
Scholarships	9,079	6,517
Sponsored projects	29,709	30,646
Loans	13,845	14,032
Capital projects	15,181	15,910
Debt service	3,137	11,315
Other	<u>4,273</u>	<u>4,283</u>
Total restricted expendable	<u>75,224</u>	<u>82,703</u>
Nonexpendable	<u>35,219</u>	<u>35,784</u>
Unrestricted	<u>(297,731)</u>	<u>(265,956)</u>
Total net position	<u>1,953,501</u>	<u>1,852,458</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b><u>\$ 4,137,432</u></b>	<b><u>\$ 4,036,042</u></b>

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, 2016 and 2015**  
(Dollars in thousands)

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees - net of scholarship allowance of \$182,099 in 2016 and \$176,845 in 2015	\$ 600,847	\$ 578,175
Federal and local land grants	9,202	9,437
Contracts and grants:		
Federal	142,116	125,706
State	47,638	44,488
Local	1,501	1,356
Private	90,881	87,280
Interest on student loans receivable	1,200	1,276
Sales and services of educational activities	26,353	25,498
Auxiliary enterprise revenue - net of scholarship allowance of \$27,618 in 2016 and \$25,465 in 2015	254,636	249,341
Other operating revenues	<u>30,100</u>	<u>30,633</u>
Total operating revenues	<u>1,204,474</u>	<u>1,153,190</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	850,837	834,006
Benefits	246,304	246,518
Supplies and other services	443,339	419,479
Utilities	59,025	59,232
Student financial aid - scholarships and fellowships	108,669	106,883
Depreciation and amortization	139,037	132,253
Other operating expenses	<u>3,900</u>	<u>3,461</u>
Total operating expenses	<u>1,851,111</u>	<u>1,801,832</u>
<b>OPERATING LOSS</b>	<u>(646,637)</u>	<u>(648,642)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	429,237	451,673
State lottery appropriations	27,213	27,323
Federal Pell grants	114,899	122,371
Gifts	53,729	37,372
Investment income (including unrealized loss of \$5,021 in 2016 and \$4,286 in 2015)	205	5,638
Interest on indebtedness	(54,295)	(49,254)

**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, 2016 and 2015**  
(Dollars in thousands)

	<u>2016</u>	<u>2015</u>
<b>NONOPERATING REVENUES (EXPENSES) (CONTINUED)</b>		
Payments made on behalf of the Fund	\$ 5,066	\$ 3,304
Other nonoperating (expense) income - net	<u>(340)</u>	<u>1,244</u>
Net nonoperating revenues	<u>575,714</u>	<u>599,671</u>
<b>LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	(70,923)	(48,971)
<b>CAPITAL GRANTS, APPROPRIATIONS, AND GIFTS</b>	170,190	108,376
<b>CAPITAL BOND PROCEEDS FROM THE STATE</b>	424	25
<b>CAPITAL PAYMENTS AND TRANSFERS TO OUTSIDE ENTITIES</b>	-	(424)
<b>STATE CAPITAL GRANTS (FEDERAL)</b>	<u>1,352</u>	<u>5,691</u>
<b>INCREASE IN NET POSITION</b>	101,043	64,697
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>1,852,458</u>	<u>1,787,761</u>
<b>NET POSITON - END OF YEAR</b>	<u>\$ 1,953,501</u>	<u>\$ 1,852,458</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, 2016 and 2015**  
(Dollars in thousands)

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition and fees	\$ 612,775	\$ 580,769
Federal and local land grants	9,201	9,438
Contracts and grants	282,314	257,526
Payments to and on behalf of employees	(1,072,377)	(1,057,852)
Payments to suppliers	(433,195)	(404,610)
Payments to utilities	(58,987)	(59,766)
Payments for scholarships and fellowships	(114,167)	(113,736)
Loans issued to students	(2,687)	(3,533)
Collection of loans to students	2,801	2,931
Sales and services of educational activities	25,626	24,224
Interest earned on loans to students	889	940
Auxiliary enterprise charges	246,901	250,976
Other receipts - net	8,816	12,012
Net cash used in operating activities	<u>(492,090)</u>	<u>(500,681)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	456,618	486,007
Federal Pell grants	114,988	122,319
Gift receipts	46,296	34,498
Direct lending receipts	452,768	456,426
Direct lending payments	(452,836)	(455,829)
Other nonoperating receipts - net	8,803	4,394
Net cash provided by noncapital financing activities	<u>626,637</u>	<u>647,815</u>
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from bond issuances and borrowings	12,333	254,121
Proceeds from capital asset disposals and sale of natural resources	51	28
Capital bond proceeds from State	329	1,547
Withdrawals from noncurrent cash and cash equivalents	30,889	78,532
Deposits to noncurrent cash and cash equivalents	5,373	(34,433)
Capital grants and gifts received	21,303	28,324
State capital grants (federal) received	1,352	5,916
Purchases of capital assets	(213,442)	(252,328)
Principal paid on notes, bonds, and leases	(40,620)	(89,575)
Interest paid on notes, bonds, and leases	(58,309)	(54,237)
Reimbursement from the county commission	-	18,630
Other	(900)	(833)
Net cash used in capital financing	<u>(241,641)</u>	<u>(44,308)</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, 2016 and 2015**  
(Dollars in thousands)

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipts from sales/maturities of investments	\$ 130,745	\$ 79,336
Purchases of investments	(61,982)	(245,498)
Investment income	7,225	9,316
Net cash provided by (used in) investing activities	<u>75,988</u>	<u>(156,846)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(31,106)	(54,020)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>409,650</u>	<u>463,670</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 378,544</u>	<u>\$ 409,650</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (646,637)	\$ (648,642)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	139,037	132,253
Donated/noncapitalized expense	7,896	5,746
Accretion on bond premium/discount	(26)	(27)
Loan cancellations and write-offs	149	131
Expenses paid on behalf of the Fund	2,175	1,851
Changes in assets and liabilities:		
Receivables - net	(9,594)	(33,325)
Loans receivable - net	626	(1,214)
Prepaid expenses	1,274	(1,859)
Inventories	223	(630)
Accounts payable	(2,921)	1,143
Accrued liabilities	11,913	22,690
Defined benefit pension	(1,751)	(653)
Compensated absences	643	2,605
Unearned revenue	(3,055)	7,424
Deposits	414	343
Other post employment benefit liability	7,640	6,697
Advances from federal sponsors	(1,706)	4,961
Other	1,610	(175)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>\$ (492,090)</u>	<u>\$ (500,681)</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, 2016 and 2015**  
(Dollars in thousands)

	<u>2016</u>	<u>2015</u>
<b>SIGNIFICANT NONCASH TRANSACTIONS</b>		
Construction in progress and capital asset additions included in accounts payable and accrued liabilities	\$ 25,636	\$ 20,118
Donated capital assets	\$ 153,232	\$ 82,190
Loss on disposal of fixed assets	\$ 3,677	\$ 763
Capitalized interest	\$ 2,539	\$ 6,821
Unrealized loss on investment	\$ (5,021)	\$ (4,286)
Bond & real estate agreements payable discounts, premiums, losses	\$ 1,541	\$ 997
Other post employment benefits	\$ 10,290	\$ 9,303
Gift of noncapital asset	\$ 7,488	\$ 2,644
Capital assets obtained under capital leases	\$ 1,353	\$ 21,352
Adjustment to medical malpractice liability	\$ 5,050	\$ 5,425
Deferred service concession arrangements, net	\$ 3,738	\$ 34,151
Expenses paid on behalf	\$ 3,834	\$ 9,556
Deferred gain on refunding	\$ 45	\$ 45

See accompanying notes to the financial statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS - STATEMENTS OF NET ASSETS**  
**June 30, 2016**

	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>	Blue Ridge Community & Technical College Foundation, <u>Inc.</u>
<b>ASSETS</b>																	
Cash and cash equivalents	\$ 1,949,426	\$ 1,424,770	\$ -	\$ 649,782	\$ 652,248	\$ 50,881	\$ 31,874,886	\$ 376,849	\$ 1,161,884	\$ 23,098,204	\$ 331,883	\$ 69,844	\$ 94,894	\$ 1,045,610	\$ 2,444,734	\$ 474,206	\$ 678,365
Investments	7,098,840	10,784,627	-	34,850,509	19,678,963	7,461,765	163,332,662	337,969	-	21,523,684	3,079,273	12,461,210	3,609,896	33,319,574	11,039,761	10,527,627	-
Pledges and contributions receivable, net	557,308	2,000,000	94,219	716,777	1,002,501	-	18,549,171	103,580	413,185	3,198,860	281,094	242,226	1,480	1,342,364	3,299,621	-	17,000
Other assets	2,783,778	38,415	287,780	1,455	2,191	1,550,867	1,024,866	-	6,075,437	937,024	28,673	79,766	312,972	250,000	21,917,515	2,014	5,000
Beneficial interests	685,021	-	-	-	2,781,130	-	9,070,277	1,219,250	-	-	-	2,056,347	1,028,174	-	246,825	-	-
Assets of discontinued operations, held for sale	-	-	1,362,903	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment, net	<u>76,582</u>	<u>-</u>	<u>373,089</u>	<u>1,986</u>	<u>9,546</u>	<u>3,434,623</u>	<u>13,175,952</u>	<u>323,263</u>	<u>64,364,161</u>	<u>2,007,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>737,883</u>	<u>418,873</u>	<u>-</u>
<b>TOTAL</b>	<u>\$ 13,150,955</u>	<u>\$ 14,247,812</u>	<u>\$ 2,117,991</u>	<u>\$ 36,220,509</u>	<u>\$ 24,126,579</u>	<u>\$ 12,498,136</u>	<u>\$ 237,027,814</u>	<u>\$ 2,360,911</u>	<u>\$ 72,014,667</u>	<u>\$ 50,765,456</u>	<u>\$ 3,720,923</u>	<u>\$ 14,909,393</u>	<u>\$ 5,047,416</u>	<u>\$ 35,957,548</u>	<u>\$ 39,686,339</u>	<u>\$ 11,422,720</u>	<u>\$ 700,365</u>

\* December 31 year-end

See accompanying notes to the financial statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS - STATEMENTS OF NET ASSETS**  
**June 30, 2016**

	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>	Blue Ridge Community & Technical College Foundation, <u>Inc.</u>
<b>LIABILITIES AND NET ASSETS</b>																	
<b>Liabilities:</b>																	
Accounts payable	\$ 83,896	\$ -	\$ 132,629	\$ 45,000	\$ 23,722	\$ 46,727	\$ 28,146	-	\$ 107,707	\$ 1,104,397	\$ 12,236	\$ 11,075	\$ 7,935	\$ -	\$ 125,146	\$ 24,790	\$ -
Other accrued liabilities	-	-	18,456	-	-	61,876	200,735	170,451	1,199,821	27,485	114,226	-	-	180,000	-	-	-
Amounts held on behalf of others	-	31,156	282,012	4,263,096	-	8,539	59,438,399	-	-	1,574,435	-	-	-	29,402,928	-	24,230	-
Annuity obligations	-	-	-	79,958	43,328	-	319,025	56,712	-	134,986	-	24,701	-	-	-	-	-
Bonds and notes payable	2,650,398	-	2,000,000	-	-	3,389,899	7,967,895	-	88,366,136	22,385,000	-	-	-	-	24,864,088	-	-
Liabilities of discontinued operations, held for sale	-	-	1,312,165	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swap liability	-	-	-	-	-	-	347,176	-	23,670,020	-	-	-	-	-	-	-	1,500
<b>Total liabilities</b>	<b>2,734,294</b>	<b>31,156</b>	<b>3,745,262</b>	<b>4,388,054</b>	<b>67,050</b>	<b>3,507,041</b>	<b>68,301,376</b>	<b>227,163</b>	<b>113,343,684</b>	<b>25,226,303</b>	<b>126,462</b>	<b>35,776</b>	<b>7,935</b>	<b>29,582,928</b>	<b>24,989,234</b>	<b>49,020</b>	<b>1,500</b>
<b>Net assets (deficit):</b>																	
Unrestricted	2,458,661	11,796,932	(1,627,271)	375,511	3,530,924	(463,795)	10,555,898	76,988	(41,329,017)	(6,772,981)	69,949	1,282,238	793,574	1,696,273	722,712	793,680	109,151
Temporarily restricted	685,021	702,361	-	7,893,612	5,360,432	1,557,179	55,469,110	640,312	-	7,079,385	3,509,512	3,494,435	2,409,708	1,455,809	6,909,618	9,426,102	89,714
Permanently restricted	7,272,979	1,717,363	-	23,563,332	15,168,173	7,897,711	102,701,430	1,416,448	-	25,232,749	15,000	10,096,944	1,836,199	3,222,538	7,064,775	1,153,918	500,000
<b>Total net assets (deficit)</b>	<b>10,416,661</b>	<b>14,216,656</b>	<b>(1,627,271)</b>	<b>31,832,455</b>	<b>24,059,529</b>	<b>8,991,095</b>	<b>168,726,438</b>	<b>2,133,748</b>	<b>(41,329,017)</b>	<b>25,539,153</b>	<b>3,594,461</b>	<b>14,873,617</b>	<b>5,039,481</b>	<b>6,374,620</b>	<b>14,697,105</b>	<b>11,373,700</b>	<b>698,865</b>
<b>TOTAL</b>	<b>\$ 13,150,955</b>	<b>\$ 14,247,812</b>	<b>\$ 2,117,991</b>	<b>\$ 36,220,509</b>	<b>\$ 24,126,579</b>	<b>\$ 12,498,136</b>	<b>\$ 237,027,814</b>	<b>\$ 2,360,911</b>	<b>\$ 72,014,667</b>	<b>\$ 50,765,456</b>	<b>\$ 3,720,923</b>	<b>\$ 14,909,393</b>	<b>\$ 5,047,416</b>	<b>\$ 35,957,548</b>	<b>\$ 39,686,339</b>	<b>\$ 11,422,720</b>	<b>\$ 700,365</b>

\* December 31 year-end

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS - STATEMENTS OF NET ASSETS**  
**June 30, 2015**

	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>	West Virginia Community College Foundation, <u>Inc.</u> *	West Liberty University Foundation, <u>Inc.</u>	Virginia Northern Community College Foundation, <u>Inc.</u>	Virginia School of Osteopathic Medicine Foundation, <u>Inc.</u>	West Virginia State University Foundation, <u>Inc.</u>	WVU at Parkersburg Foundation, <u>Inc.</u>	Blue Ridge Community & Technical College Foundation, <u>Inc.</u>
<b>ASSETS</b>																	
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	\$ 143,668
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	-	23,000
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	5,000
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	-	-
<b>TOTAL</b>	<u>\$ 13,656,174</u>	<u>\$ 11,874,096</u>	<u>\$ 3,949,736</u>	<u>\$ 37,672,385</u>	<u>\$ 23,704,636</u>	<u>\$ 13,810,794</u>	<u>\$ 188,423,953</u>	<u>\$ 2,214,129</u>	<u>\$ 74,070,067</u>	<u>\$ 28,881,942</u>	<u>\$ 4,163,182</u>	<u>\$ 15,443,705</u>	<u>\$ 5,229,684</u>	<u>\$ 29,978,755</u>	<u>\$ 37,432,856</u>	<u>\$ 9,939,599</u>	<u>\$ 171,668</u>

\* December 31 year-end

See accompanying notes to the financial statements.



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS - STATEMENTS OF NET ASSETS**  
**June 30, 2015**

	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>	Blue Ridge Community & Technical College Foundation, <u>Inc.</u>
<b>LIABILITIES AND NET ASSETS</b>																	
Liabilities:																	
Accounts payable	\$ 36,955	\$ -	\$ 116,251	\$ -	\$ 100,382	\$ 27,311	\$ 32,675	\$ 84,084	\$ 170,329	\$ 7,322	\$ 37,500	\$ 11,924	\$ 5,556	\$ -	\$ 27,323	\$ 3,391	\$ 8,832
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	-	2,000,000	-	-	3,455,857	8,879,881	-	88,553,753	-	-	-	-	-	24,849,038	-	-
Liabilities of discontinued operations, held for sale	-	-	1,478,373	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swap liability	-	-	-	-	-	-	75,795	-	17,128,945	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>3,244,303</b>	<b>40,963</b>	<b>3,830,593</b>	<b>4,469,847</b>	<b>154,918</b>	<b>3,938,616</b>	<b>9,881,560</b>	<b>246,262</b>	<b>107,614,708</b>	<b>2,174,966</b>	<b>163,166</b>	<b>49,761</b>	<b>5,556</b>	<b>25,535,139</b>	<b>24,876,361</b>	<b>25,424</b>	<b>8,832</b>
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	79,079
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	83,757
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	-
<b>Total net assets (deficit)</b>	<b>10,411,871</b>	<b>11,833,133</b>	<b>119,143</b>	<b>33,202,538</b>	<b>23,549,718</b>	<b>9,872,178</b>	<b>178,542,393</b>	<b>1,967,867</b>	<b>(33,544,641)</b>	<b>26,706,976</b>	<b>4,000,016</b>	<b>15,393,944</b>	<b>5,224,128</b>	<b>4,443,616</b>	<b>12,556,495</b>	<b>9,914,175</b>	<b>162,836</b>
<b>TOTAL</b>	<b>\$ 13,656,174</b>	<b>\$ 11,874,096</b>	<b>\$ 3,949,736</b>	<b>\$ 37,672,385</b>	<b>\$ 23,704,636</b>	<b>\$ 13,810,794</b>	<b>\$ 188,423,953</b>	<b>\$ 2,214,129</b>	<b>\$ 74,070,067</b>	<b>\$ 28,881,942</b>	<b>\$ 4,163,182</b>	<b>\$ 15,443,705</b>	<b>\$ 5,229,684</b>	<b>\$ 29,978,755</b>	<b>\$ 37,432,856</b>	<b>\$ 9,939,599</b>	<b>\$ 171,668</b>

\* December 31 year-end

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS - STATEMENTS OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Bluefield State College Research and Development Corporation	Concord University Foundation, Inc.	Fairmont State 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.	Blue Ridge Community & Technical College Foundation, Inc.
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>																	
Unrestricted:																	
Gifts, contributions, and other	\$ 3,966,503	\$ 2,016,094	\$ 815,627	\$ 385,871	\$ 236,972	\$ 982,540	\$ 674,190	\$ 267,504	\$ 10,455,133	\$ 23,311	\$ -	\$ 294,675	\$ 65,750	\$ 358,092	\$ 317,005	\$ 362,955	\$ 28,475
Investment income (loss)	91,112	694,535	-	(448,925)	(1,873,883)	60,065	(474,704)	3,763	307	(1,472,419)	42,459	(127,267)	5,453	(8,943)	3,928	198	108
Reclassifications	373,924	88,665	-	1,350,924	2,103,133	670,482	9,635,006	162,960	-	1,533,524	615,724	(173,789)	256,711	423,000	2,091,723	711,951	30,101
Temporarily restricted:																	
Gifts, contributions, and other	-	119,296	-	336,155	1,410,630	571,257	3,969,443	63,230	-	1,120,990	198,387	1,058,406	124,559	42,325	2,115,648	1,509,771	36,058
Investment income (loss)	(64,364)	40,669	-	92,231	1,411,050	(138,205)	(3,374,394)	46,551	-	730,298	(37,114)	(226,240)	(56,083)	(25,821)	158,501	53,986	-
Reclassifications	-	(88,665)	-	(876,282)	(1,843,219)	(676,611)	(10,162,125)	(162,960)	-	(1,509,285)	(615,724)	173,789	(256,711)	(419,032)	(2,380,913)	(711,951)	(30,101)
Permanently restricted:																	
Gifts, contributions, and other	206,422	71,066	-	134,223	1,345,393	294,551	2,672,038	57,906	-	693,774	-	43,256	(9,122)	2,206,678	1,702,928	-	500,000
Investment income	(84,198)	-	-	(122,551)	166,489	-	(64,130)	-	-	25,748	-	94,332	-	-	-	-	-
Reclassifications	(373,923)	-	-	(474,642)	(259,914)	6,129	527,119	-	-	(24,239)	-	-	-	(3,968)	289,190	-	-
Total revenues, gains, and other support	4,115,476	2,941,660	815,627	377,004	2,696,651	1,770,208	3,402,443	438,954	10,455,440	1,121,702	203,732	1,137,162	130,557	2,572,331	4,298,010	1,926,910	564,641
<b>EXPENSES</b>																	
Scholarships, awards, and grants	1,852,500	123,171	381,828	772,333	871,247	528,292	3,627,154	113,413	-	1,509,129	300,220	460,414	67,698	401,736	8,597	198,930	23,048
College support	907,681	72,414	-	649,900	919,101	1,649,690	8,016,695	-	-	76,809	192,220	1,044,891	185,865	-	1,764,541	24,029	5,564
Management and general	1,350,505	362,552	161,026	324,854	396,492	473,309	1,574,549	159,660	18,239,816	703,587	116,847	152,184	61,641	239,591	384,262	244,426	-
Total expenses	4,110,686	558,137	542,854	1,747,087	2,186,840	2,651,291	13,218,398	273,073	18,239,816	2,289,525	609,287	1,657,489	315,204	641,327	2,157,400	467,385	28,612
Change in net assets from discontinued operations	-	-	(2,019,187)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>CHANGE IN NET ASSETS</b>																	
Unrestricted	320,853	2,241,157	(1,746,414)	(459,217)	(1,720,618)	(938,204)	(3,383,906)	161,154	(7,784,376)	(2,205,109)	48,896	(1,663,870)	12,710	130,822	255,256	607,719	30,072
Temporarily restricted	(64,364)	71,300	-	(447,896)	978,461	(243,559)	(9,567,076)	(53,179)	-	342,003	(454,451)	1,005,955	(188,235)	(402,528)	(106,764)	851,806	5,957
Permanently restricted	(251,699)	71,066	-	(462,970)	1,251,968	300,680	3,135,027	57,906	-	695,283	-	137,588	(9,122)	2,202,710	1,992,118	-	500,000
Total change in net assets	4,790	2,383,523	(1,746,414)	(1,370,083)	509,811	(881,083)	(9,815,955)	165,881	(7,784,376)	(1,167,823)	(405,555)	(520,327)	(184,647)	1,931,004	2,140,610	1,459,525	536,029
<b>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</b>																	
	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	162,836
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>																	
	\$ 10,416,661	\$ 14,216,656	\$ (1,627,271)	\$ 31,832,455	\$ 24,059,529	\$ 8,991,095	\$ 168,726,438	\$ 2,133,748	\$ (41,329,017)	\$ 25,539,153	\$ 3,594,461	\$ 14,873,617	\$ 5,039,481	\$ 6,374,620	\$ 14,697,105	\$ 11,373,700	\$ 698,865

See accompanying notes to the financial statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS - STATEMENTS OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Bluefield State College Research and Development Corporation	Concord University Foundation, Inc.	Fairmont State 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.	Blue Ridge Community & Technical College Foundation, Inc.
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>																	
Unrestricted:																	
Gifts, contributions, and other	\$ 3,042,104	\$ 48,619	\$ 344,172	\$ 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	\$ 33,376
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	58
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	7,286
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	22,149
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)	(7,286)
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	3,266,009	599,364	344,172	3,350,524	3,084,554	3,201,393	27,217,410	479,151	9,666,462	790,940	782,819	1,790,159	634,166	1,707,455	3,232,921	465,137	55,583
<b>EXPENSES</b>																	
Scholarships, awards, and grants	1,680,370	241,559	220,170	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	20,120
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	2,243,939	47,814	123,741	247,468	434,096	500,423	2,825,913	149,431	14,433,697	657,788	139,298	133,740	47,981	235,058	1,248,053	161,781	591
Total expenses	3,924,309	402,565	343,911	1,433,912	2,099,261	4,500,157	23,253,099	1,295,860	14,433,697	2,197,817	518,167	4,832,407	217,241	641,682	2,503,585	428,990	20,711
Change in net assets from discontinued operations	-	-	(189,687)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>CHANGE IN NET ASSETS</b>																	
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	20,009
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)	14,863
Permanently restricted	154,945	172,437	-	2,228,116	535,429	218,299	7,780,867	129,367	-	400,214	-	134,312	60,797	77,169	674,124	-	-
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	34,872
<b>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</b>																	
	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	127,964
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>																	
	\$ 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	\$ 162,836

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, 2016 and 2015**

**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 (Shepherd)
- 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
- BridgeValley Community and Technical College
- Eastern West Virginia 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, 2016 and 2015**

**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.

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 East, Suite 700, Charleston, WV 25301.

The Fund applies GASB discretely presented component unit requirements and, as a result, the financial statements of certain component units as first presented in the Component Units – Statement of Net Assets are discretely presented here with the Fund's financial statements. The component units are the separate private nonprofit organizations of each applicable institution that are required to be reported under GASB. These discretely presented component unit organizations report under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The component units consist of foundations and other entities which meet the criteria for inclusion under GASB discretely presented component unit requirements.

**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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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

**Financial Statement Presentation (Continued)**

*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.

*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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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

**Cash and Cash Equivalents (Continued)**

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.

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 measured and reported at fair value are classified according to the following hierarchy. Level 1, investments reflect prices quoted in active markets. Level 2, investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active. Level 3, investments reflect prices based upon unobservable inputs. The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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

**Investments (Continued)**

Alternative investments are carried at fair value using the net asset value as a practical expedient. These valuations include assumptions and methods that were reviewed by Fund management and are primarily based on quoted market prices or other readily determinable market values for the underlying investments. The Fund believes that the carrying amount of its alternative investments is a reasonable estimate of fair value. 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.

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.

**Investment Settlements Pending** - Receivables with settlements pending arise out of the ordinary course of buys and sells within the Fund's alternative investment portfolio. These items are short term in nature and are settled in the next year. The amounts due from fiscal agents for securities with settlements pending result from the sales of securities made prior to the end of the fiscal year, but settled after the fiscal year-end.

**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.



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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

**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 \$3.3 million and \$6.8 million for the years ended June 30, 2016 and 2015, 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.

**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>.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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

**Compensated Absences and Other Post Employment Benefits (Continued)**

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, 2016 and 2015**

**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 2016 and 2015, the Fund had a deferred loss on refunding of approximately \$29,828,000 and \$31,359,000 respectively, deferred outflows of resources related to interest rate swap agreement of approximately \$333,000 and \$891,000 respectively, and deferred outflows of resources related to pensions of approximately \$3,038,000 and \$3,212,000, respectively (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, 2016 and 2015, the Fund had total deferred inflows of resources of approximately \$39,746,000 and \$36,449,000 related to service concession arrangements. As of June 30, 2016 and 2015, the deferred inflows related to pensions were approximately \$5,829,000 and \$6,206,000 (Note 14). Other deferred inflows of resources include deferred gains on refunding and deferred federal Pell grants of approximately \$515,000 and \$803,000 as of June 30, 2016 and 2015, 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.

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**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 and Marshall Schools of Medicine (SOMs) have established a \$250,000 deductible program under BRIM's professional liability coverage for the SOMs effective July 1, 2005. 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. From July 1, 2005 until June 30, 2015, BRIM provided coverage for indemnity amounts between \$250,000 and \$1,000,000 per occurrence. For fiscal year 2016, BRIM will provide coverage for indemnity amounts between \$250,000 and \$1,500,000 per occurrence. After June 30, 2016, BRIM coverage may increase annually based on the Consumer Price Index until it reaches a maximum of \$2,000,000 per occurrence. Prior to July 1, 2005, the SOMs were totally covered by BRIM at a limit of \$1,000,000 per occurrence.

Under the program, the SOMs entered into an agreement with BRIM whereby the SOMs have on deposit \$4.5 million as of June 30, 2016 and 2015, in escrow accounts created in the State Treasury from which BRIM may withdraw amounts to pay indemnity costs and allocated expenses in connection with medical malpractice claims against the SOMs. Additionally, the WVU Health Sciences Center also has on deposit \$26.0 million and \$21.2 million as of June 30, 2016 and 2015, 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 \$7.9 million and \$7.5 million as of June 30, 2016 and 2015, respectively. Based on actuarial valuations of this self-insurance program, the Fund has recorded a liability of \$29.6 million and \$29.4 million to reflect projected claim payments at June 30, 2016 and 2015, 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.

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

**Classification of Revenues** - The Fund has classified its revenues according to the following criteria:

*Operating Revenues* - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, (4) federal appropriations for land grant institutions, (5) sales and services of educational activities, and (6) revenue from leasing.

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

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

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

**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 position. In 2016 and 2015, the Fund received and disbursed, or awarded, approximately \$453 million and \$456 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 2016 and 2015, the Fund received and disbursed approximately \$123 million and \$130 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.

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

**Scholarship Allowances (Continued)**

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash.

Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on an institution basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

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

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

**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 2015 financial statements have been reclassified to conform to the 2016 presentation.

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

**Newly Adopted Statements Issued by the Governmental Accounting Standards Board**

The Fund has implemented GASB 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. In accordance with the implementation of this standard, the Fund has classified its investments as Level 1, 2, or 3 to indicate the valuation inputs used to measure the fair value.

The Fund has implemented GASB 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. 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 adoption of this statement did not have a material impact on the financial statements.

The Fund has implemented GASB 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 GAAP for state and local governments. The adoption of this statement did not have a material impact on the financial statements.

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

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

The Fund has implemented GASB 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 accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meets certain criteria in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and that is not a state or local governmental pension plan; is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The adoption of this statement did not have a material impact on the financial statements.

The Fund has implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. The requirements of this statement are effective for fiscal years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The adoption of this statement did not have a material impact on the financial statements.

The Fund has implemented GASB Statement No. 82, *Pension Issues*, which is effective for fiscal years beginning after June 15, 2016, except for the requirements of this statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This statement establishes accounting and financial reporting requirements for pensions provided to employees of state or local governmental employers. This statement also establishes financial reporting requirements for pension plans administered through trusts that meet the criteria in Statement No. 67. The Fund has not yet determined the effect that the adoption of GASB Statement No. 81 may have on its financial statements.



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

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

The GASB has 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. 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. 80, *Blending Requirements for Certain Component Units*, which is effective for fiscal years beginning after June 15, 2016. This statement amends the blending requirements for the financial presentation of component units of all state and local governments established in Statement No. 14, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Fund has not yet determined the effect that the adoption of GASB Statement No. 80 may have on its financial statements.

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

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

The GASB has also issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which is effective for fiscal years beginning after December 15, 2016. This statement establishes recognition and measurement requirements for irrevocable split-interest agreements created through trusts – or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements – in which a donor irrevocably transfers resources to an intermediary. The intermediary administers these resources for the unconditional benefit of a government or at least one other beneficiary. The Fund has not yet determined the effect that the adoption of GASB Statement No. 81 may have on its financial statements.

The GASB has also issued Statement No. 83, *Certain Asset Retirement Obligations*, which is effective for fiscal years beginning after June 15, 2018. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Fund has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

The GASB has also issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2018. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Criteria for identifying fiduciary activities are generally defined as 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also defines four fiduciary funds that should be reported. The Fund has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

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**NOTE 3 - CASH AND CASH EQUIVALENTS**

The composition of cash and cash equivalents at June 30, 2016 and 2015, was held as follows (dollars in thousands):

	<b>2016</b>		
	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
State Treasurer	\$ 306,558	\$ 16,048	\$ 322,606
Municipal Bond Commission	1,974	-	1,974
Trustee	8,437	62,728	71,165
Bank	52,080	675	52,755
Cash equivalents	9,380	-	9,380
Escrowed cash	-	4,532	4,532
On hand	115	-	115
	<b>\$ 378,544</b>	<b>\$ 83,983</b>	<b>\$ 462,527</b>

	<b>2015</b>		
	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
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
	<b>\$ 409,650</b>	<b>\$ 120,240</b>	<b>\$ 529,890</b>

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 \$26.7 million and \$24.1 million of restricted cash at June 30, 2016 and 2015, 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, 2016 and 2015, were \$52.7 million and \$52.2 million, as compared with the combined bank balance of \$39.1 million and \$56.9 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.

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

Amounts with the State Treasurer as of June 30, 2016 and 2015 are comprised of approximately \$15.4 million and \$2.5 million, respectively, held by the State Treasury Fund and not invested, and three investment pools, the WV Money Market Pool, the WV Government Money Market Pool and the WV Short Term Bond Pool.

*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	2016		2015	
	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	\$ 300,172	AAAm	\$ 229,248	AAAm
WV Government Money Market Pool	\$ 2,064	AAAm	\$ 44,225	AAAm
WV Short Term Bond Pool	\$ 4,992	Not Rated	\$ 100	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	2016		2015	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 300,172	49	\$ 299,248	47
WV Government Money Market Pool	\$ 2,064	50	\$ 44,225	51

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

External Pool	2016		2015	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	\$ 4,992	462	\$ 100	410

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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 various bond agreements.

<u>Investment Type</u>	Carrying Value	
	2016	2015
	(in Thousands)	(in Thousands)
Money Market Fund	\$ 71,165	\$ 100,489

*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.

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**NOTE 4 - INVESTMENTS**

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Fund had the following recurring fair value measurements comprised of investments as of June 30, 2016 and 2015 (dollars in thousands):

	2016			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
U.S. government investments				
Agency Obligations	\$ 2,536	-	\$ 2,536	-
Treasury Obligations	73,606	73,606	-	-
Mutual Money Market Funds	1,892	14	1,878	-
Corporate Bonds	10,263	10,228	35	-
Mutual Bond funds				
Brandywine Global Fixed Income	5,988	5,036	952	-
Guggenheim TR Bond	4,601	369	4,157	75
iShares Barclays 3-7 Year Treasury	3,616	379	3,237	-
iShares Barclays 7-10 Year Treasury	2,190	132	2,058	-
Wells Fargo	5	5	-	-
Fixed Income Funds				
CF Multi-Strategy Bond Fund	5,652	-	5,652	-
CFI Multi-Strategy Bond Investors Fund	1,428	-	1,428	-
IR&M Core Bond	8,962	-	8,962	-
Other	4,570	4,570	-	-
Mutual Stock Funds				
Aberdeen Emerging Markets	1,478	349	1,129	-
Burgundy Emerging Markets	1,293	1,263	30	-
Dodge & Cox International Stock Fund	1,322	744	578	-
Dodge & Cox Stock Fund	5,614	5,491	123	-
Eaton Vance	839	839	-	-
Equity Mutual Funds	23,718	23,718	-	-
Maingate MLP Fund	880	880	-	-
MFS International Value Fund	8,455	6,326	2,129	-
MFS Investment Management	5,064	5,064	-	-
Oppenheimer International Growth Fund	7,220	1,860	5,360	-
Other	182	182	-	-
SPDR S&P Oil and Gas	482	482	-	-
Van Eck Global Hard Assets	1,026	990	34	2
Vanguard S&P 500ETF	9,488	9,485	3	-
Vanguard Total Stock Market	18,958	18,937	7	14
Wells Fargo	326	326	-	-
Limited Partnership Equity				
Frontier Small Cap	693	693	-	-
TI Platform Fund	138	-	-	138
Investments Held by Marshall University Foundation	45,831	-	45,831	-
Other	13,570	12,931	-	639
Total	<u>271,886</u>	<u>\$ 184,899</u>	<u>\$ 86,119</u>	<u>\$ 868</u>
<b>Investments Measured at Net Asset Value (NAV)</b>				
BHR Offshore Fund	1,685			
Mudricks Dist Opportunity Fund	2,507			
RBR European Fund	1,229			
Salsman Offshore Fund	2,353			
<b>Investments Measured at Cost</b>				
Progenesis Technologies	100			
Total Investments	<u>\$ 279,760</u>			

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**NOTE 4 - INVESTMENTS (CONTINUED)**

	2015			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
U.S. government investments				
Agency Obligations	\$ 30,348	\$ 30,188	\$ 160	\$ -
Treasury Obligations	145,037	145,037	-	-
Mutual Money Market Funds	1,395	7	1,388	-
Corporate Bonds	2,835	2,825	10	-
Mutual Bond funds				
Brandywine Global Fixed Income	6,068	1,353	4,715	-
Federated Ultra Short Bond Fund	1,005		1,005	-
Fidelity Floating Rate High Income	2,366	126	2,227	13
Guggenheim TR Bond	4,540	503	3,964	73
iShares Barclays 3-7 Year Treasury	2,953	2,953	-	-
iShares Barclays 7-10 Year Treasury	1,371	1,371	-	-
Wells Fargo	117	117	-	-
Fixed Income Funds				
CF Multi-Strategy Bond Fund	5,411	-	5,411	-
CFI Multi-Strategy Bond Investors Fund	1,367	-	1,367	-
IR&M Core Bond	7,306	-	7,248	58
Jefferies & Co. Mid Term Fund	5,817	-	5,817	-
Other	89	89	-	-
Mutual Stock Funds				
Aberdeen Emerging Markets	3,571	1,052	2,519	-
Dodge & Cox International Stock Fund	3,223	599	2,624	-
Dodge & Cox Stock Fund	6,339	6,270	69	-
Eaton Vance	827	827	-	-
Equity Mutual Funds	5,304	5,304	-	-
Jefferies & Co. Han Mid Term Fund	1,591	-	1,591	-
MFS International Value Fund	5,140	5,140	-	-
Multi-Strategy Equity Fund	7,545	5,626	1,919	-
Oppenheimer International Growth Fund	6,987	6,906	81	-
Other	418	418	-	-
SPDR S&P Oil and Gas	644	644	-	-
SPDR S&P 500 ETF	3,217	-	3,217	-
Van Eck Global Hard Assets	1,178	1,090	86	2
Vanguard Total Stock Market	27,395	27,384	11	-
Other	15,843	15,121	-	722
Total	307,247	<u>\$ 260,950</u>	<u>\$ 45,429</u>	<u>\$ 868</u>
<b>Investments Measured at Net Asset Value (NAV)</b>				
BHR Offshore Fund	7,987			
Salsman Offshore Fund	8,155			
Z Capital Loan Op Offshore Fund	2,202			
Mudricks Dist Opportunity Fund	8,016			
RBR European Fund	3,620			
CF High Quality Bond Fund	3,792			
CF Equity Index Fund	1,847			
CF Intermediate Term Fund	582			
CF Multi-Strategy Equity Fund	17,214			
CF Core Equity Fund	783			
CF Multi-Strategy Bond Fund	6,022			
CF Multi-Strategy Commodities Fund	595			
<b>Investments Measured at Cost</b>				
Progenesis Technologies	100			
Total Investments	<u>\$ 368,162</u>			

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**NOTE 4 - INVESTMENTS (CONTINUED)**

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 certain institutions the ability to invest a limited amount of funds with their foundations. In 2015, the Legislature passed Senate Bill 425 which allowed all monies of certain institutions to be invested with their foundations except for General Revenue funds.

As of June 30, 2016 and 2015, WVU's investments held with the Foundation were \$91.4 million and \$89.7 million, respectively. 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.

During 2016 Marshall and its foundation executed the Investment Management Agency Agreement in which the foundation was appointed as Marshall's investment agent. Under the agreement the foundation has full power and authority to make purchases and sales of securities on behalf of Marshall. Other responsibilities of the foundation, in part, are to account for Marshall assets separately from foundation assets, provide monthly investment reports to Marshall and engage third party investment managers to invest Marshall assets in accordance with the asset allocation provisions established by Marshall's Investment Committee. The Marshall's investments are held in the name of the foundation. In return for the above noted services, Marshall pays the foundation investment advisory fees as defined in the agreement.

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued based on the securities' relationship to benchmark quoted prices. Level 3 represents investments with no observable market.

Marshall's investments held by the foundation are classified in Level 2 of the fair value hierarchy are valued at quoted prices for the underlying assets which are considered to be similar assets in active markets.



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**NOTE 4 - INVESTMENTS (CONTINUED)**

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following tables as of June 30, 2016 and 2015 (dollars in thousands):

	2016			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Jefferies & Company, Inc.:				
BHR Offshore Fund (8)	1,685	None	Quarterly	30 days
Salsman Offshore Fund (9)	2,353	None	Quarterly	92 days
Mudrick Dist Opportunity Fund (11)	2,507	None	Quarterly	90 days
RBR European Fund (12)	1,229	None	Daily	35 days
Total Investments Measured at the NAV	<u>\$ 7,774</u>			

	2015			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commonfund:				
High Quality Bond Fund (1)	3,792	None	Monthly	30 day
Equity Index Fund (2)	1,847	None	Daily	1 day
Intermediate Term Fund (3)	582	None	Weekly	5 day
Multi-Strategy Equity Fund (4)	17,214	None	Daily to Quarterly	1-90 day
Core Equity Fund (5)	783	None	Weekly	5 days
Multi-Strategy Bond Fund (6)	6,022	None	Daily to Monthly	1-5 day
Multi-Strategy Commodities Fund (7)	595	None		
Jefferies & Company, Inc.:				
BHR Offshore Fund (8)	7,987	None	Quarterly	60 to 92 days
Salsman Offshore Fund (9)	8,155	None	Quarterly	30 to 60 days
Z Capital Loan Op Offshore Fund (10)	2,202	None	Quarterly	60 days
Mudrick Dist Opportunity Fund (11)	8,016	None	Quarterly	60 to 90 days
RBR European Fund (12)	3,620	None	Quarterly	35 to 60 days
Total Investments Measured at the NAV	<u>\$ 60,815</u>			

1. *High Quality Bond Fund.* The investment object of the high quality bond fund is to offer a program devoted to investing in high quality, investment grade-only, fixed income securities. The high quality bond fund seeks to outperform its benchmark, the Barclays Aggregate Bond Index, over a full market cycle.
2. *Equity Index Fund.* The investment objective of the equity index fund is to pool assets to obtain an index product that tracks the S&P 500 Index at a competitive price. The Fund may use a multi-manager approach, allocating assets to investment sub-advisors or investment funds managed by third party investment managers.

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**NOTE 4 - INVESTMENTS (CONTINUED)**

3. *Intermediate Term Fund.* The investment objective of the Fund is to offer a program to be used for core cash balances or operating funds that are not expected to be needed for expenditure for a period of at least a year. The Fund seeks to produce a total return in excess of its benchmark, the Merrill Lynch 1-3 Year Treasury Index, but attaches greater emphasis to its goal of generating a higher current yield than short-term money market instruments in a manner that mitigates the chances of a negative total return over any 12-month period.
4. *Multi-Strategy Equity Fund.* The investment objective of this Fund is to offer an investment program that will provide, in a single fund, all of the strategy and manager diversification that an endowment would normally require for its equity allocation. The Fund seeks to add value over long periods of time, above the return of the U.S. equity market as measured by the S&P 500 Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index.
5. *Core Equity Fund.* The investment objective of the Fund is to offer access to large capitalization and, to a lesser extent, mid-capitalization companies. The Fund seeks to outperform its benchmark, the S&P 500 Index, over a full market cycle.
6. *Multi-Strategy Bond Fund.* The investment objective of the Fund is to offer an actively managed, multi-manager investment program that will provide, in a single fund, broad exposure to global debt markets. The Fund seeks to add value above the return of the broad U.S. bond market over a full market cycle, as measured by the Barclays Capital U.S. Aggregate Bond Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index.
7. *Multi-Strategy Commodities Fund.* The Fund uses a Multi-manager approach, allocating assets to investment Sub-Advisors (Sub-Advisors), third party investment managers (Third Party Investment Funds) and Direct investment by the Investment Manager. The Fund seeks to outperform its benchmark, the Dow Jones-AIG Commodity Index.
8. *BHR Offshore Fund.* The Fund seeks to protect against capital losses through rigorous research combined with active hedging techniques. The Fund invests primarily in U.S. publicly traded debt and equity securities and focuses on special situations where it identifies one or more catalysts providing paths to value.
9. *Salzman Offshore Fund.* The Fund's primary investment objective is to employ a value-oriented, event-driven approach to produce superior capital appreciation while minimizing the risk of permanent capital loss by investing and trading in a variety of investment securities.
10. *Z Capital Loan Opportunity Offshore Fund Ltd.* The Fund primarily invests in debt instruments, including below investment grade secured obligation, collateralized transactions, asset-based debt and other debt and debt-like instrument.

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**NOTE 4 - INVESTMENTS (CONTINUED)**

11. *Mudrick Distressed Opportunity Fund*. The Fund's investment objective is to maximize total return through investment in a portfolio of distressed debt and equities, focused predominantly on event driven value investments such as debt that trades at a discount to par, distressed and turnaround equities, post-reorganized equities, spin-offs and other event driven investments such as broken merger or acquisition deals and activist situations, among other. The Fund will invest in securities that the Investment Manager believes are trading at a significant discount to their intrinsic value, thus providing a large margin of safety.
12. *RBR European Fund*. The objective of the Fund is to achieve an above average annual return by investing long/short in quoted equities.

**Credit Risk**

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

WVU, Marshall and WVSOM investment policies generally 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, 2016 and 2015, Standard & Poor's (S&P) credit ratings were as follows:

<u>Investment Type</u>	<u>Standard &amp; Poor's Rating</u>	
	<u>2016</u>	<u>2015</u>
Brandywine Global Fixed Income	AA- to Aa3	A
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
IR&M Core Bond	Aa3	Aa2
Intermediate Term Fund	-	AA
Guggenheim TR Bond	A	A
High Quality Bond Fund	-	A+
iShares Barclays 3-7 Year Treasury	AAA	AAA
iShares Barclays 7-10 Year Treasury	AAA	AAA
Multi-Strategy Commodities Fund	-	AA-
Mutual Money Market Funds	AAA to BA	AAA - BA

Remaining investments have not been rated.

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**NOTE 4 - INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

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

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

**2016**

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	\$67,367	\$40,768	\$26,599	\$ -	\$ -
Mutual Bond Funds	16,400	944	5,338	5,614	4,504
Cash/Mutual Money Market Funds	1,878	1,878	-	-	-
Fixed Income Funds	16,042	1,023	4,825	3,667	6,527
Other Alternative Investments	162	2	-	-	160
	<u>\$101,849</u>	<u>\$44,615</u>	<u>\$36,762</u>	<u>\$9,281</u>	<u>\$11,191</u>

**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	\$142,963	\$75,639	\$67,324	\$ -	\$ -
Mutual Bond Funds	17,415	5,842	4,534	4,322	2,717
Cash/Mutual Money Market Funds	1,388	1,388	-	-	-
Fixed Income Funds	14,083	351	10,895	1,616	1,221
Other Alternative Investments	245	85	-	-	160
	<u>\$176,094</u>	<u>\$83,305</u>	<u>\$82,753</u>	<u>\$5,938</u>	<u>\$4,098</u>

For WVU, interest rate risk is managed by limiting the time period or duration of the specific investment. At June 30, 2016, the U.S. Treasury Notes have maturities through November 30, 2017 and interest rates which range from .5% to 1.1%. 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%.

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**NOTE 4 - INVESTMENTS (CONTINUED)**

**Interest Rate Risk (Continued)**

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

<b>Bond Maturity</b>	<b>Market Value</b>	<b>% of Bond Market Value</b>
7 to 12 months	\$ 727	5.00%
1 to 5 years	7,128	47.00%
6 to 10 years	5,357	35.00%
Over 10 years	1,902	13.00%
Total	<u>\$ 15,114</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.

**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, 2016 and 2015, 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 Fund investments, at June 30, 2016 and 2015, there was no custodial credit risk.

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**NOTE 4 - INVESTMENTS (CONTINUED)**

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

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

<u>Currency</u>		<u>2016</u>		<u>2015</u>
Australian Dollar	\$	1,126	\$	927
Brazilian Real		652		524
British Pence		3,246		639
British Pound Sterling		333		1,875
Canadian Dollar		727		561
Czech Koruna		14		-
Chilean Peso		587		442
Danish Krone		360		254
Euro		5,586		5,032
Great Britain Pound		-		1,336
Hong Kong Dollar		349		679
Hungarian Forint		17		37
Indian Rupee		572		704
Indonesian Rupiah		66		146
Israeli Agorot		34		-
Japanese Yen		2,577		2,652
Malaysian Ringgit		297		239
Mexican Peso		989		998
New Turkish Lira		82		222
New Zealand Dollar		227		24
Norwegian Krone		421		480
Philippine Peso		64		138
Polish Zloty		327		378
Russian Ruble		25		70
Singapore Dollar		114		-
South African Cent		199		341
South African Rand		193		306
South Korean Won		219		572
Swedish Krona		1,015		811
Swiss Franc		1,989		2,036
Taiwanese Dollar		66		161
Thai Baht		169		287
US Dollar		27,436		10,241
	\$	<u>50,078</u>	\$	<u>33,112</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
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**NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2016 and 2015, were as follows (dollars in thousands):

	<u><b>2016</b></u>	<u><b>2015</b></u>
Students - net of allowance of \$23,100 and \$22,780 in 2016 and 2015, respectively	\$ 19,843	\$ 14,941
Grants and contracts - net of allowance of \$1,546 and \$1,659 in 2016 and 2015, respectively	43,465	42,297
Auxiliary services	1,760	2,584
Due from State and State agencies	4,403	5,073
Other - net of allowance of \$888 and \$1,590 in 2016 and 2015, respectively	<u>22,012</u>	<u>21,716</u>
	<u><u><b>\$ 91,483</b></u></u>	<u><u><b>\$ 86,611</b></u></u>

**NOTE 6 - CAPITAL ASSETS**

The following, for the years ended June 30, 2016 and 2015, is a summary of capital assets transactions for the Fund (dollars in thousands):

	<b>2016</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Capital assets not being depreciated or amortized:				
Land	\$ 162,751	\$ 3,449	\$ 1,544	\$ 164,656
Construction in progress	317,885	199,875	213,584	303,176
Other	<u>132</u>	<u>-</u>	<u>-</u>	<u>132</u>
<b>Total capital assets not being depreciated or amortized</b>	<u><u><b>\$ 480,768</b></u></u>	<u><u><b>\$ 202,324</b></u></u>	<u><u><b>\$ 215,128</b></u></u>	<u><u><b>\$ 467,964</b></u></u>

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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

	2016			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Other capital assets:				
Land improvements	\$ 85,449	\$ 2,969	\$ 5	\$ 88,413
Infrastructure	378,242	8,467	62	386,647
Buildings	2,892,116	355,778	3,950	3,243,944
Equipment	378,570	28,526	14,244	392,852
Software	63,719	258	338	63,639
Library books	184,539	6,850	749	190,640
Intangibles and other	<u>120,118</u>	<u>247</u>	<u>-</u>	<u>120,365</u>
Total other capital assets	<u>4,102,753</u>	<u>403,095</u>	<u>19,348</u>	<u>4,486,500</u>
Less accumulated depreciation or amortization for:				
Land improvements	40,445	4,895	2	45,338
Infrastructure	277,394	9,573	49	286,918
Buildings	803,089	66,858	386	869,561
Equipment	254,165	29,282	12,884	270,563
Software	57,120	2,239	315	59,044
Library books	157,027	7,580	19	164,588
Intangibles and other	<u>89,808</u>	<u>18,696</u>	<u>-</u>	<u>108,504</u>
Total accumulated depreciation and amortization	<u>1,679,048</u>	<u>139,123</u>	<u>13,655</u>	<u>1,804,516</u>
<b>Other capital assets - net</b>	<u><b>\$2,423,705</b></u>	<u><b>\$263,972</b></u>	<u><b>\$ 5,693</b></u>	<u><b>\$2,681,984</b></u>



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

	<b>2016</b>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital asset summary:				
Capital assets not being depreciated or amortized	\$ 480,768	\$ 202,324	\$ 215,128	\$ 467,964
Other capital assets	<u>4,102,753</u>	<u>403,095</u>	<u>19,348</u>	<u>4,486,500</u>
Total cost of capital assets	4,583,521	605,419	234,476	4,954,464
Less accumulated depreciation and amortization	<u>1,679,048</u>	<u>139,123</u>	<u>13,655</u>	<u>1,804,516</u>
<b>Capital assets - net</b>	<u><u>\$2,904,473</u></u>	<u><u>\$ 466,296</u></u>	<u><u>\$ 220,821</u></u>	<u><u>\$3,149,948</u></u>
	<b>2015</b>			
	<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>
<b>Total capital assets not being depreciated     or amortized</b>	<u><u>\$ 434,105</u></u>	<u><u>\$ 208,104</u></u>	<u><u>\$ 161,441</u></u>	<u><u>\$ 480,768</u></u>
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>

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

	<u>2015</u>			
	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</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>
<b>Other capital assets - net</b>	<u>\$2,215,203</u>	<u>\$210,938</u>	<u>\$ 2,436</u>	<u>\$2,423,705</u>
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>
<b>Capital assets - net</b>	<u>\$2,649,308</u>	<u>\$ 419,042</u>	<u>\$ 163,877</u>	<u>\$2,904,473</u>

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 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, 2016, of approximately the following (dollars in thousands):

Concord	\$	8,000
Fairmont		10,297
Marshall		584
Eastern West Virginia Community and Technical College		142
Pierpont		564
West Liberty		178
Policy Commission		1,100
WVSOM		1,296
WVU		<u>71,800</u>
	<u>\$</u>	<u>93,961</u>

**NOTE 7 - LONG-TERM LIABILITIES**

The following, for the years ended June 30, 2016 and 2015, is a summary of long-term obligation transactions for the Fund (dollars in thousands):

	<u>Beginning Balance</u>	<u>2016</u>		<u>Ending Balance</u>	<u>Current Portion</u>
		<u>Additions</u>	<u>Reductions</u>		
Bonds, capital leases, and notes payable:					
Notes payable	\$ 31,791	\$ 12,000	\$ (1,544)	\$ 42,247	\$13,433
Capital leases payable	51,624	4,275	(3,752)	52,147	9,735
Bonds payable	<u>1,293,904</u>	<u>331</u>	<u>(37,617)</u>	<u>1,256,618</u>	60,715
Total bonds, capital leases, and notes payable	1,377,319	16,606	(42,913)	1,351,012	
Advances from federal sponsors	46,080	5	(1,905)	44,180	-
Real estate purchase agreements payable	16,516	-	(1,233)	15,283	591
Accrued compensated absences	47,751	3,030	(2,673)	48,108	43,690
Future interest payable	40,126	62	-	40,188	4,297*
OPEB liability	308,758	22,725	(4,508)	326,975	-
Net pension liability	25,755	533	(2,838)	23,450	-
Other noncurrent liabilities	<u>40,865</u>	<u>8,380</u>	<u>(11,731)</u>	<u>37,514</u>	1,200
<b>Total long-term liabilities</b>	<u>\$1,903,170</u>	<u>\$ 51,341</u>	<u>\$ (67,801)</u>	<u>\$1,886,710</u>	

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

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

	2015				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds, capital leases, and notes payable:					
Notes payable	\$ 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
<b>Total long-term liabilities</b>	<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.

**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, 2016, 2015, and 2014, the noncurrent liability related to OPEB costs was \$327.0 million, \$308.8 million, and \$292.5 million, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees were \$40.5 million and \$22.5 million, respectively, during 2016 or 55.6 percent, \$39.1 million and \$20.2 million, respectively, during 2015 or 51.7 percent, and \$31.1 million and \$23.8 million, respectively, during 2014 or 76.5 percent. As of June 30, 2016, 2015, and 2014, there were approximately 1,500, 1,400, and 1,400 retirees receiving these benefits, respectively.

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**NOTE 9 - LEASE OBLIGATIONS**

**Capital** - The Fund leases certain property, plant, and equipment through capital leases. At June 30, 2016 and 2015, leased equipment and buildings with a net book value of approximately \$39.0 million and \$38.7 million, respectively, are included in equipment and buildings. The following is a schedule by year of future annual minimum payments required under the lease obligations existing at June 30, 2016 (dollars in thousands):

Years Ending June 30:

2017	\$ 12,205
2018	5,629
2019	5,525
2020	5,621
2021	5,490
2022-2026	18,323
2027-2031	10,559
2032-2036	10,110
2037-2041	10,045
2042-2046	<u>5,715</u>
Future minimum lease payments	89,222
Less interest	<u>37,075</u>
<b>Total</b>	<b><u>\$ 52,147</u></b>

The following is a related-party capital lease:

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

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

**Operating** - The Fund had entered into various operating lease agreements. Future annual minimum lease payments for years subsequent to June 30, 2016, are as follows (dollars in thousands):

Years Ending June 30:

2017	\$ 8,346
2018	6,840
2019	5,950
2020	4,450
2021	3,783
2022-2026	14,852
2027-2031	11,494
2032-2036	782
2037-2041	5
2042-2046	5
2047-2051	5
2052-2056	5
2057-2058	<u>2</u>
<b>Total</b>	<b><u>\$ 56,519</u></b>

Total rent expense for these operating leases for the years ended June 30, 2016 and 2015, was approximately \$11.2 million and \$11.9 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 \$2,700,000 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. In February 2016, the Board of WVSU Foundation voted to submit \$55,000 for an extra payment of principal annually. The note balance at June 30, 2016 and 2015 was approximately \$2,500,000 and \$2,700,000, 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, 2016 and 2015 was approximately \$19,600,000 and \$20,300,000, respectively. During fiscal year 2016, the West Virginia University Research Corporation negotiated a 90-day note with United Bank in the amount of \$12,000,000 for reimbursement of the purchase and start-up costs related to the Beckley campus. On September 27, 2016, the West Virginia University Research Corporation entered into an extension of this 90-day note. The extension was for a 30 day period for the same amount under the same terms. It is expected that the Corporation will enter into a long term note payable during fiscal year 2017 and use a portion of the proceeds to pay the 90-day note in full.

During fiscal year 2008, Marshall University Research Corporation (MURC), (a blended component unit of Marshall), 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, 2016 and 2015, is \$1,932,000 and \$2,093,000, respectively.

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

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, 2016 and 2015 was \$2,627,000 and \$2,805,000, 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, 2016 and 2015 was \$2,107,000 and \$2,196,000, respectively.

On November 7, 2013, the Commission executed a note payable to the West Virginia Economic Development Authority to finance a new boiler system for the property in the amount of \$1,485,000. 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, 2016 and 2015 was \$1,282,000 and \$1,411,000, respectively.

Annual minimum payments for the years ending after June 30, 2016, are as follows (dollars in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2017	\$ 13,433	\$ 427	\$13,860
2018	1,803	404	2,207
2019	1,474	379	1,853
2020	1,512	353	1,865
2021	1,403	326	1,729
2022-2026	8,088	1,197	9,285
2027-2031	7,225	495	7,720
2032-2036	5,764	59	5,823
2037-2040	<u>1,645</u>	<u>-</u>	<u>1,646</u>
<b>Total</b>	<u>\$ 42,347</u>	<u>\$ 3,640</u>	<u>\$45,987</u>



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**NOTE 11 - INSTITUTION BONDS PAYABLE**

The Institutions within the Fund, at June 30, 2016 and 2015, have the following outstanding bonds payable (dollars in thousands):

	<u>Maximum Interest Rate</u>	<u>Annual Installments</u>	<u>Principal Outstanding</u>	
			<u>2016</u>	<u>2015</u>
Concord University – Revenue Bonds, 2014 Series, due through 2044	5.00	320-950	\$ 16,460	\$ 16,460
Fairmont State University – Facilities Improvement Revenue Bonds, 2006 Series, due through 2026	4.18 (10-year reset)	343-611	5,113	5,517
Fairmont State University – Revenue Refunding Bonds, 2012, Series A, due through 2032	5.00	730-1,155	17,185	17,955
Fairmont State University – Revenue Refunding Bonds, 2012, Series B, due through 2032	5.00	1,080-1,720	25,710	26,880
Fairmont State University – Revenue Refunding Bonds, 2015, Series A, due through 2045	5.00	580-1,665	30,200	30,200
Glenville State University – Student Housing Bonds, Series 2011A, due 2030	5.25	170-325	3,590	3,770
Glenville State University – Campus Community Center Bonds, Series 2006, due 2026	4.30 (10-year reset)	55-107	944	1,013
Glenville State University – Science Building Bonds, Series 2007, due in 2037	4.68 (10-year reset)	107-237	2,919	3,034
Glenville State University – Goodwin Hall Bonds, Series 2009, due in 2040	Variable	497-1,517	23,582	24,104
Marshall University – University Refunding Revenue Bonds 2010, due through 2030	5.00	915-2,885	30,410	31,930
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	2,289	2,651
Shepherd University – Refinance Revenue Bonds, due through 2033	4.375	365-460	5,835	6,200
Shepherd University – Residence Facilities Revenue Bonds, due through 2035	4.50	575-1,450	18,435	19,010
Shepherd University – Wellness Center Facilities Revenue Bonds, Series 2007, due through 2037	5.00	450-1,170	16,250	16,700
West Liberty University – Revenue Refunding Bonds 2013, due through 2028	2.68	580-765	8,040	8,640
West Liberty University – Revenue Bonds 2012, due through 2027	3.25	585-785	8,100	8,695
West Virginia State University – University Refunding and Improvement Series 2012, due through 2030	4.50	50-2,775	8,785	8,835
West Virginia State University – University Revenue Bonds Series 2013, due through 2021	3.00	290-1,000	1,925	2,225

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

	<u>Maximum Interest Rate</u>	<u>Annual Installments</u>	<u>Principal Outstanding</u>	
			<u>2016</u>	<u>2015</u>
West Virginia University – Revenue Improvement Bonds 2011, Series A, due through 2026	3.87	35-62	\$ 10,484	\$ 10,979
West Virginia University – Revenue Improvement Bonds 2011, Series B, due through 2037	4.14	0-21,800	167,240	172,335
West Virginia University – Revenue Bonds (Taxable) 2012, Series A, due through 2042	4.50	35-62	12,411	12,659
West Virginia University - Revenue Bonds (Taxable) 2012, Series B, due through 2032	Variable	0-50	4,123	4,323
West Virginia University – Revenue Refunding and Improvement Bonds 2013, Series A, due through 2043	3.55	0-13,715	137,475	137,905
West Virginia University – Revenue Refunding and Improvement Bonds (Taxable) 2013, Series B, due through 2043	3.00	995-7,440	63,950	70,030
West Virginia University –Improvement Revenue Bonds 2014 Series A, due through 2045	4.30	855-30,285	60,000	60,000
West Virginia University –Improvement Revenue Bonds (Taxable) 2014 Series B, due through 2043	4.50	10,075-24,105	79,050	79,050
West Virginia University –Improvement Revenue Bonds 2014 Series C, due through 2042	.58	9,730-10,705	50,190	50,190
West Virginia University–Improvement Revenue Bonds 2016 Series A, due through 2043	1.74	0-678	<u>327</u>	<u>-</u>
			862,932	883,200
Less unamortized bond discount			(209)	(218)
Add unamortized bond premium			<u>44,743</u>	<u>46,762</u>
			<u>\$ 907,466</u>	<u>\$929,744</u>

The issuance of various bonds during fiscal year 2016 and 2015 resulted in a combined loss of A summary of the annual aggregate principal payments for years subsequent to June 30, 2016, is as follows (dollars in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2017	\$ 47,197	\$ 35,926	\$ 83,123
2018	24,081	34,404	58,485
2019	24,919	33,556	58,475
2020	25,845	32,661	58,506
2021	26,773	31,759	58,532
2022-2026	158,240	147,209	305,449
2027-2031	154,946	106,045	260,991
2032-2036	146,608	70,704	217,312
2037-2041	137,924	38,659	176,583
2042-2045	<u>116,399</u>	<u>11,372</u>	<u>127,771</u>
<b>Total</b>	<u>\$862,932</u>	<u>\$542,295</u>	<u>\$1,405,227</u>

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

The Glenville State College Series 2009 Goodwin Hall Bonds (Glenville 2009 Bonds) are classified as a current liability; however, Glenville anticipates that the bonds will continue to be paid according to their scheduled maturity.

Future debt service requirements assuming the Glenville 2009 Bonds are paid as scheduled total \$41,059,548.

Future debt service requirements with the Glenville 2009 Bonds as current total \$34,816,795.

The Glenville 2009 Bonds contain a provision whereby the bondholder has the option to declare all outstanding principal and accrued interest to be immediately due and payable on December 21, 2014, or any day thereafter, with 120 days prior written notice. However, by agreements dated November 17, 2015 and December 23, 2014, the bondholder, extended this date to December 21, 2016.

The bondholder has not exercised this option, however, the outstanding principal of the Glenville 2009 Bonds are classified as a current liability due to this provision.

Glenville is diligently working with the bondholder to refinance the Glenville 2009 Bonds and to resolve the call provision.

**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.

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

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

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

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

The Commission, at June 30, 2016 and 2015, has the following outstanding bonds payable (dollars in thousands):

	Maximum Interest Rate	Original Range of Annual Installments	Principal Outstanding	
			2016	2015
Series 2012A — Revenue Refunding Bonds, due through 2034	5.00%	\$1,425–\$42,100	\$ 115,100	\$ 119,025
Series 2012B — Revenue Bonds, due through 2034	5.00	200–2,400	6,985	7,265
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	3,000	4,510
Series 2009A — Community and Technical College Improvement Revenue Bonds, due through 2039	5.25	1,425–4,760	69,650	71,185
Series 2007A — Revenue Refunding Bonds, due through 2027	5.00	185–1,880	17,130	18,435
Series 2004B — Higher Education Facilities Bonds, due through 2034	6.00	2,680–9,520	-	1,135
Series 2000A — University System Bonds, due through 2031	6.26	0–3,264	24,732	27,410
Series 1998 — University System Bonds, due through 2028	5.25	1,065–3,625	<u>33,305</u>	<u>35,245</u>
			336,687	350,995
Add bond premium			12,834	13,549
Less bond discount			<u>(369)</u>	<u>(384)</u>
<b>Total</b>			<u>\$ 349,152</u>	<u>\$ 364,160</u>

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2016, is as follows (dollars in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
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	15,199	18,851	34,050
2022-2026	84,000	85,594	169,594
2027-2031	81,305	67,715	149,020
2032-2036	63,185	20,761	83,946
2037-2040	<u>36,555</u>	<u>6,106</u>	<u>42,661</u>
<b>Total</b>	<u>\$336,687</u>	<u>\$278,790</u>	<u>\$ 615,477</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, 2016 and 2015, includes certain designated net position as follows (dollars in thousands):

	<u>2016</u>	<u>2015</u>
Designated for auxiliaries	\$ 11,720	\$ 11,495
Designated for repair, replacement, and new property	11,358	10,063
Other	11,629	7,642
Undesignated	<u>(5,463)</u>	<u>13,602</u>
Total unrestricted net assets before OPEB liability	29,244	42,802
Less OPEB liability	<u>326,975</u>	<u>308,758</u>
<b>Total unrestricted net position</b>	<u><b>\$(297,731)</b></u>	<u><b>\$(265,956)</b></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, 2016, 2015, and 2014, were approximately \$1,361,000, \$1,365,000, and \$1,266,000, respectively, which consisted of approximately \$681,000, \$682,000, and \$633,000, from the Fund in 2016, 2015, and 2014, respectively, and approximately \$681,000, \$682,000, and \$633,000, from the covered employees in 2016, 2015, and 2014, 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, 2016, 2015, and 2014, were approximately \$88.2 million, \$84.6 million, and \$84.0 million, respectively, which consisted of approximately \$44.1 million, \$43.1 million, and \$42.0 million from the Fund in 2016, 2015, and 2014, respectively, and approximately \$44.1 million, \$43.2 million, and \$42.0 million, from the covered employees in 2016, 2015, and 2014, respectively.

The Fund's total payroll for the years ended June 30, 2016, 2015, and 2014, was approximately \$847.7 million, \$831.5 million, and \$818.7 million, respectively, and total covered employees' salaries in the TIAA-CREF and Educators Money were approximately \$738.4 million, and \$11.3 million for the year ended June 30, 2016; \$613.7 million and \$11.3 million for the year ended June 30, 2015; and \$702.8 million and \$10.5 million for the year ended June 30, 2014.

**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 years ended June 30, 2016 and 2015 (dollars in thousands):

	2016	2015
Net Pension Liability	\$23,450	\$25,755
Deferred Outflows of Resources	3,038	3,212
Deferred Inflows of Resources	5,829	6,206
Revenues	4,083	3,438
Pension Expense	4,179	4,096
Contributions Made by the Fund	2,496	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, 2015 and 2014, respectively, the Fund's proportionate share attributable to this special funding subsidy was \$3,764 and \$3,438.

The Fund's contributions to TRS for the years ended June 30, 2016, 2015, and 2014 were approximately \$2.5 million, \$3.0 million, and \$4.6 million, respectively.

***Assumptions***

For the year ended June 30, 2016, the total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2014 and rolled forward to June 30, 2015. For the year ended June 30, 2015, 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 for contributions: 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 1.9%
- 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%

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

**Defined Benefit Plan (Continued)**

**Assumptions (Continued)**

- Disability rates: 0-0.88%
- 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, 2016 are summarized below.

<b>Asset Class</b>	<b>Long-term Expected Real Rate of Return</b>	<b>Target Allocation</b>
Domestic Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High-yield Fixed Income	5.5%	7.5%
Real Estate	5.6%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%
Cash	1.5%	0.0%

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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 3.73% 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, 2015.

**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, 2016 and 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).

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Net Pension Liability 2016	\$29,975	\$23,450	\$17,366
Net Pension Liability 2015	\$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 at June 30, 2016 was measured as of June 30, 2015. The total pension liability at June 30, 2016 was determined by an actuarial valuation as of July 1, 2014 and rolled forward to the measurement date.

The TRS net pension liability at June 30, 2015 was measured as of June 30, 2014. The total pension liability at June 30, 2015 was determined by an actuarial valuation as of July 1, 2013 and rolled forward to the measurement date.

At June 30, 2016, the Fund's proportionate share of the TRS net pension liability was \$76.9 million. Of this amount, the Fund recognized approximately \$23.5 million as its proportionate share on the Statement of Net Position. The remainder of \$53.4 million denotes the Fund's proportionate share of net pension liability attributable to the special funding.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
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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)***

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.

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, 2015 and 2014. Employer contributions are recognized when due. At June 30, 2016, the Fund's proportion was 0.676359%, a decrease of 0.070129% from its proportion of 0.759412% calculated as of June 30, 2015. At June 30, 2015, the Fund's proportion was 0.759412%, a decrease of 0.064517% from its proportion of 0.823929% calculated as of June 30, 2014.

For the years ended June 30, 2016 and 2015, the Fund recognized TRS pension expense of \$4.2 million and \$4.1 million, respectively. Of this amount, \$.6 million and \$.8 million, respectively, was recognized as the Fund's proportionate share of the TRS expense, \$3.8 million and \$3.4 million, respectively, as the amount of pension expense attributable to special funding from a non-employer contributing entity and \$.2 and \$0, respectively as the amount of pension expense from a non-employer contributing entity not attributable to a special funding situation. The Fund also recognized revenue of \$4,083 and \$3,438, respectively, for support provided by the State.

At June 30, 2016, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows (dollars in thousands).

2016	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	\$423	\$4,377
Net Difference between Projected and Actual Experience	-	193
Net Difference between Projected and Actual Investment Earnings	-	1,259
Contributions After the Measurement Date	2,615	-
	<u>\$3,038</u>	<u>\$5,829</u>

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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)***

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

<b>2015</b>	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
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	<u>3,099</u>	<u>-</u>
	<u><u>\$3,212</u></u>	<u><u>\$6,206</u></u>

The Fund will recognize the \$2,555 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 ended June 30, 2017. 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).

<b><u>Fiscal Year Ended</u></b>	<b><u>Amortization</u></b>
June 30, 2017	\$1,395
June 30, 2018	1,395
June 30, 2019	1,397
June 30, 2020	736
June 30, 2021	<u>483</u>
	<u><u>\$5,406</u></u>

***Payables to the pension plan***

The Fund did not report any amounts payable for normal contributions to the TRS as of June 30, 2016 or 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 and the Fund’s financial statements in accordance with GASB discretely presented component unit requirements.

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 \$774.8 million and \$803.7 million at June 30, 2016 and 2015, respectively. 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, 2016 and 2015 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, 2016 and 2015, because it was not significant to the Fund.

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

**NOTE 16 - OTHER DISCRETE COMPONENT UNITS**

In addition to the Foundations included as discretely presented component units, the Fund has 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 Fund’s 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.

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**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, 2016 or 2015.

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.

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

**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. WVU is committed to an additional \$1.4 million purchase to meet the minimum steam purchase requirement for the contract year ended September 30, 2016. 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 \$3 million and \$4 million of unearned revenue is recorded as of June 30, 2016 and 2015, 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 - COMPONENT UNITS' DISCLOSURES**

The following is an aggregation of the significant notes for the financial statements of the discretely presented component units:

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Operations** - The foundations are nonprofit organizations incorporated in the State of West Virginia. The primary purpose of the foundations is to provide assistance and support for the students, facilities, and programs of their respective institution. The other three component units are also nonprofit organizations – incorporated in the State of West Virginia. Their primary purpose is also to support their respective institutions.

**Basis of Presentation** - Financial statement presentation follows the requirements of the FASB. In accordance with such requirements, the component units are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Basis of Accounting** - The financial statements of the component units are presented on the accrual basis of accounting, in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the component units and changes therein are classified and reported as follows:

*Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations.



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**NOTE 19 - COMPONENT UNITS' DISCLOSURES (CONTINUED)**

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that will be met either by actions of the component units and/or the passage of time.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the component units. Generally, the donors of these assets permit the component units to use all or part of the income earned from related investments for general or specific purposes. Included in the permanently restricted net assets is a general scholarship account that has been funded by the board of directors designating investment gains to the account. This account is generally used for general scholarships and funding of operating expense shortfalls.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Custodial accounts representing funds held by the component units on behalf of an Institution and/or departments of the Institution are reported as custodial liabilities. The component units are responsible for the management and administration of these funds.

**Investments** - The component units account for their investments in accordance with generally accepted accounting principles. Under generally accepted accounting principles, investments are valued at their fair values in the statement of net assets. Unrealized gains and losses are included in the change in net assets. See separately issued component units financial statements for fair value disclosures.

**Property and Equipment** - Purchased assets are recorded at cost. Donated assets are recorded at their fair value at the date they are donated. Expenditures for replaced items are capitalized and the replaced items are retired. Maintenance and repairs are expensed as incurred. Depreciation is calculated primarily by the straight-line method over the estimated useful lives of the assets.

**Gift Annuities** - The assets received are recognized at fair value when received, and the gift annuity liabilities are recorded using the present value of future cash flows expected to be paid to the donors and are being amortized over the expected lives of the donors.

**Contributions** - Contributions, including unconditional promises to give, are recognized as revenue in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable.

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**NOTE 19 - COMPONENT UNITS' DISCLOSURES (CONTINUED)**

**Endowments** - See separately issued component unit financial statements for endowment related disclosures. For the years ended June 30, 2016 and 2015, there were no material reclasses among net asset classes no were there material changes in the endowments.

**Pledges Receivable** - Pledges receivable represent amounts due to the foundations at their present value less allowance for uncollectible amounts.

**Funds Held in Custody for Others** - The Marshall University Foundation, Inc. holds and invests funds for Marshall under an agency agreement. The investments and other funds are reported as assets, while the corresponding liability is reported as funds held in custody for others.

**Management's Plan for Continuing Operations** - The Provident – Marshall Properties, LLC senior tax-exempt revenue bonds payable are secured by an irrevocable letter of credit issued by a commercial bank which expired on January 30, 2017. Therefore, the bonds are currently classified as a current obligation in the Component Units – Statement of Net Assets as of June 30, 2016. Provident – Marshall Properties, LLC continues to have a high occupancy, performs to budgeted expectations, and generates sufficient cash to maintain operation and fund senior debt service and a portion of subordinate debt service. Provident – Marshall Properties, LLC intends to work with the commercial bank to either renew or extend the terms of the Letter of Credit.

**Discontinued Operations** - Bluefield State College Research and Development Corporation's Mountain View dormitory has been accounted for as discontinued operations for the year ended June 30, 2016 and 2015. As of June 30, 2016, the building and land associated with the Mountain View dormitory were being actively marketed for sale to a third party. All of the assets and related liabilities of the dormitory are considered to be held for sale in accordance with accounting principles generally accepted in the United States of America. Depreciation and amortization expense associated with discontinued operations was \$248,412 and \$250,911 for the years ended June 30, 2016 and 2015, respectively.

The following is a summary of the change in net assets from discontinued operations for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Rental income	\$ 477,869	\$ 581,106
Contributions	410,489	100,000
Other income	43,923	69,804
Program services expense	(961,260)	(940,497)
Support services expense	(30,343)	(100)
Impairment loss	<u>(1,959,865)</u>	<u>-</u>
Change in net assets from discontinued operations	<u>\$ (2,019,187)</u>	<u>\$ (189,687)</u>

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**NOTE 19 - COMPONENT UNITS' DISCLOSURES (CONTINUED)**

**Student Housing Facility Project and Construction in Progress** - During 2016, the Shepherd University Foundation Supporting Organization (Supporting Organization) began the design and construction of a new student housing facility on the Shepherd campus. The Supporting Organization received interim financing for the project in the form of bond anticipation notes issued by the West Virginia Economic Development Authority. The Supporting Organization has received a rural development loan commitment for a 40-year permanent loan from the United States Department of Agriculture that will retire the West Virginia bond anticipation notes at the completion of construction and upon obtaining an occupancy permit. The Supporting Organization will own the building and associated equipment and furnishings and has entered into a ground lease with Shepherd. The ground lease began in June 2016 and will expire upon the repayment of all associated outstanding debt borrowed by the Supporting Organization. Upon the expiration of the lease, the building and associated equipment and furnishings will be transferred to Shepherd. The ground lease agreement requires annual rental payments due 30 days after the receipt of the Supporting Organization's audited financial statements. Rental payments will equal the net available cash flow generated from the student housing facility project.

In June 2016, the Supporting Organization entered into a management agreement with Shepherd. The management agreement appointed Shepherd as the Supporting Organization's exclusive agent for the construction, operation, management and maintenance of the student housing facility project.

Construction in progress reported on the component units – statements of net assets at June 30, 2016 and 2015 of \$2,001,552 and \$0, respectively, represent costs incurred related to the construction of the student housing facility project. No depreciation will be recognized on these costs until the construction is complete and the building is placed into service.

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**NOTE 19 - COMPONENT UNITS' DISCLOSURES (CONTINUED)**

**INVESTMENTS**

The component units' investment securities at June 30, 2016 and 2015, are composed of the following:

	2016													
	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glennville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	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.
Cash and temporary investments	\$ 579,210	\$ 510,978	\$ 1,111,707	\$ 656,780	\$ 1,378,558	\$ -	\$ -	\$ 778,988	\$ 59,116	\$ 315,107	\$ 501,243	\$ 1,166,284	\$ 188,292	\$ 50,000
U.S. government securities	2,047,794	-	3,889,712	-	-	-	-	2,290,350	-	618,007	104,922	4,988,334	-	349,271
Corporate and municipal bonds and notes	-	1,111,893	-	6,109,850	1,475,313	-	-	1,837,558	-	415,338	284,859	11,879,328	2,856,521	439,128
Mutual funds	-	3,205,191	20,207,567	1,109,028	4,265,169	30,013,333	337,969	14,832,667	-	2,395,707	1,268,589	-	5,141,035	6,304,906
Equity investments	4,471,836	5,544,674	8,835,993	11,803,305	342,725	81,612,197	-	1,667,357	3,020,157	7,837,999	1,299,304	7,044,999	14,531	3,384,322
Other	-	411,891	805,530	-	-	51,707,132	-	116,764	-	879,052	150,979	8,240,629	2,839,382	-
	<u>\$ 7,098,840</u>	<u>\$ 10,784,627</u>	<u>\$ 34,850,509</u>	<u>\$ 19,678,963</u>	<u>\$ 7,461,765</u>	<u>\$ 163,332,662</u>	<u>\$ 337,969</u>	<u>\$ 21,523,684</u>	<u>\$ 3,079,273</u>	<u>\$ 12,461,210</u>	<u>\$ 3,609,896</u>	<u>\$ 33,319,574</u>	<u>\$ 11,039,761</u>	<u>\$ 10,527,627</u>
	2015													
	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glennville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	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.
Cash and temporary investments	\$ 1,083,786	\$ 665,156	\$ 1,123,581	\$ 2,792,316	\$ 1,895,384	\$ -	\$ -	\$ 776,632	\$ 58,944	\$ 311,304	\$ 818,346	\$ 5,313,618	\$ 670,261	\$ -
U.S. government securities	1,955,748	-	165,237	127,828	-	-	-	2,822,492	-	618,201	100,135	2,252,305	-	859,231
Corporate and municipal bonds and notes	-	1,577,363	-	271,878	1,822,312	55,500	-	1,747,479	-	414,174	350,124	2,824,602	2,058,791	-
Mutual funds	-	2,298,409	34,160,495	11,347,961	4,593,282	18,829,598	-	16,166,996	-	3,687,440	1,172,777	2,262,514	3,429,424	7,060,364
Equity investments	4,260,677	5,654,254	752,503	4,888,134	342,252	58,510,965	-	1,571,971	2,993,683	6,651,102	1,390,080	6,149,279	-	1,453,016
Other	-	372,490	339,805	-	-	43,234,174	334,199	439,351	-	1,296,753	232,713	9,635,702	-	-
	<u>\$ 7,300,211</u>	<u>\$ 10,567,672</u>	<u>\$ 36,541,621</u>	<u>\$ 19,428,117</u>	<u>\$ 8,653,230</u>	<u>\$ 120,630,237</u>	<u>\$ 334,199</u>	<u>\$ 23,524,921</u>	<u>\$ 3,052,627</u>	<u>\$ 12,978,974</u>	<u>\$ 4,064,175</u>	<u>\$ 28,438,020</u>	<u>\$ 6,158,476</u>	<u>\$ 9,372,611</u>

\* December 31 year-end

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**NOTE 19 - COMPONENT UNITS' DISCLOSURES (CONTINUED)**

**PROPERTY AND EQUIPMENT**

The component units' property and equipment at June 30, 2016 and 2015, consists of the following:

	2016										
	Big Green Scholarship Foundation Inc.	Bluefield State College Research and Development Corporation	Concord University Foundation, Inc.	Fairmont State 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.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.
Land and Land Improvements	\$ -	\$ 380,165	\$ -	\$ -	\$ 550,043	\$ 2,442,000	\$ 66,808	\$ -	\$ -	\$ -	\$ -
Buildings	-	-	-	-	3,067,718	12,323,230	307,746	77,378,002	-	166,000	24,592
Equipment	-	-	72,746	21,062	50,387	1,095,672	-	7,528,178	18,970	1,282,353	-
Furniture	-	-	-	-	-	-	-	-	-	63,463	3,900
Other	262,741	-	-	-	69,048	-	-	-	2,001,552	-	390,511
Accumulated Depreciation	(186,159)	(7,076)	(70,760)	(11,516)	(302,573)	(2,684,950)	(51,291)	(20,542,019)	(12,838)	(773,933)	(130)
Property and Equipment, Net	<u>\$ 76,582</u>	<u>\$ 373,089</u>	<u>\$ 1,986</u>	<u>\$ 9,546</u>	<u>\$ 3,434,623</u>	<u>\$ 13,175,952</u>	<u>\$ 323,263</u>	<u>\$ 64,364,161</u>	<u>\$ 2,007,684</u>	<u>\$ 737,883</u>	<u>\$ 418,873</u>
	2015										
	Big Green Scholarship Foundation Inc.	Bluefield State College Research and Development Corporation	Concord University Foundation, Inc.	Fairmont State 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.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.
Land and Land Improvements	\$ -	\$ 499,365	\$ -	\$ -	\$ 550,043	\$ 2,442,000	\$ 66,808	\$ -	\$ -	\$ 166,000	\$ -
Buildings	-	4,710,547	-	-	3,067,718	12,304,863	307,746	77,375,774	-	1,282,353	-
Equipment	208,860	-	72,746	15,639	49,638	1,070,665	-	7,433,204	28,115	63,463	-
Furniture	-	152,292	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	69,048	-	-	139,330	-	-	-
Accumulated Depreciation	(90,506)	(1,867,239)	(70,082)	(8,781)	(184,828)	(2,282,043)	(35,903)	(17,735,127)	(22,606)	(735,497)	-
Property and Equipment, Net	<u>\$ 118,354</u>	<u>\$ 3,494,965</u>	<u>\$ 2,664</u>	<u>\$ 6,858</u>	<u>\$ 3,551,619</u>	<u>\$ 13,535,485</u>	<u>\$ 338,651</u>	<u>\$ 67,213,181</u>	<u>\$ 5,509</u>	<u>\$ 776,319</u>	<u>\$ -</u>

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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 Revenue Bonds 2016 Series A (Tax Exempt) ("2016 Bonds")** - The 2016 Bonds were issued in the amount of \$20,000,000 to finance Phase 1 of the Health Science Center infrastructure plan and to pay costs of issuance.

**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 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)**

**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.

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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, 2016 and 2015, is as follows (dollars in thousands):

	2016														
	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	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
<b>CONDENSED STATEMENT OF NET POSITION</b>															
Assets:															
Current assets	\$ 59,391	\$ 11,235	\$ 203	\$ 301	\$ 234	\$ 1,033	\$ 12,536	\$ -	\$ 8,314	\$ 9,299	\$ 1,127	\$ 2,165	\$ 2,104	\$ 7,948	\$ 737
Noncurrent assets	1,100,770	146,951	3,530	7,934	8,024	23,457	53,524	6,790	26,466	20,598	16,527	6,480	13,567	10,241	9,533
Total assets	1,160,161	158,186	3,733	8,235	8,258	24,490	66,060	6,790	34,780	29,897	17,654	8,645	15,671	18,189	10,270
Deferred outflows of resources	13,534	1,049	-	-	-	-	1,122	-	-	-	-	-	-	80	-
<b>TOTAL</b>	<b>\$ 1,173,695</b>	<b>\$ 159,235</b>	<b>\$ 3,733</b>	<b>\$ 8,235</b>	<b>\$ 8,258</b>	<b>\$ 24,490</b>	<b>\$ 67,182</b>	<b>\$ 6,790</b>	<b>\$ 34,780</b>	<b>\$ 29,897</b>	<b>\$ 17,654</b>	<b>\$ 8,645</b>	<b>\$ 15,671</b>	<b>\$ 18,269</b>	<b>\$ 10,270</b>
Liabilities:															
Current liabilities	\$ 56,616	4,382	177	156	118	569	2,534	487	5,882	1,608	615	609	1,273	641	649
Noncurrent liabilities	666,872	83,855	3,328	870	2,802	23,366	42,790	4,641	29,977	18,362	15,695	5,494	10,355	7,430	7,520
Total liabilities	723,488	88,237	3,505	1,026	2,920	23,935	45,324	5,128	35,859	19,970	16,310	6,103	11,628	8,071	8,169
Deferred inflows of resources	38,068	673	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	761,556	88,910	3,505	1,026	2,920	23,935	45,324	5,128	35,859	19,970	16,310	6,103	11,628	8,071	8,169
Net position:															
Net investment in capital assets	486,844	62,765	(147)	6,991	5,104	(2,046)	9,635	1,662	(1,079)	1,605	360	606	9,727	2,281	1,433
Restricted/designated	113,211	-	175	-	-	1,589	12,223	-	-	-	-	-	461	-	-
Unrestricted	(187,916)	7,560	200	218	234	1,012	-	-	-	8,322	984	1,936	(6,145)	7,917	668
Total net position	412,139	70,325	228	7,209	5,338	555	21,858	1,662	(1,079)	9,927	1,344	2,542	4,043	10,198	2,101
<b>TOTAL</b>	<b>\$ 1,173,695</b>	<b>\$ 159,235</b>	<b>\$ 3,733</b>	<b>\$ 8,235</b>	<b>\$ 8,258</b>	<b>\$ 24,490</b>	<b>\$ 67,182</b>	<b>\$ 6,790</b>	<b>\$ 34,780</b>	<b>\$ 29,897</b>	<b>\$ 17,654</b>	<b>\$ 8,645</b>	<b>\$ 15,671</b>	<b>\$ 18,269</b>	<b>\$ 10,270</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>															
Operating:															
Operating revenues	\$ 137,320	\$ 28,240	\$ 784	\$ 427	\$ 334	\$ 2,690	\$ 12,399	\$ 631	\$ -	\$ 15,082	\$ 2,489	\$ 2,785	\$ 2,102	\$ 1,455	\$ 840
Operating expenses	(157,860)	(18,781)	(419)	(512)	(200)	(1,158)	(7,239)	-	-	(13,008)	(1,767)	(778)	(1,622)	-	-
Other	30,699	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net operating income	10,159	9,459	365	(85)	134	1,532	5,160	631	-	2,074	722	2,007	480	1,455	840
Nonoperating:															
Transfers from Institution	(2,016)	(8,487)	-	-	-	(10)	-	-	-	-	-	-	-	-	-
Nonoperating revenues	156,188	1,698	-	-	-	1	190	-	62	88	4	7	2	-	
Nonoperating expenses	(25,805)	(6,047)	(169)	(42)	(141)	(1,053)	(3,598)	(465)	(796)	(960)	(769)	(233)	(58)	(462)	
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>138,526</b>	<b>(3,377)</b>	<b>196</b>	<b>(127)</b>	<b>(7)</b>	<b>470</b>	<b>1,752</b>	<b>166</b>	<b>(734)</b>	<b>1,202</b>	<b>(43)</b>	<b>1,781</b>	<b>424</b>	<b>993</b>	<b>422</b>
<b>NET POSITION – Beginning of year</b>	<b>273,613</b>	<b>73,702</b>	<b>32</b>	<b>7,336</b>	<b>5,345</b>	<b>85</b>	<b>20,106</b>	<b>1,496</b>	<b>(345)</b>	<b>8,725</b>	<b>1,387</b>	<b>761</b>	<b>3,619</b>	<b>9,205</b>	<b>1,679</b>
<b>NET POSITION – End of year</b>	<b>\$ 412,139</b>	<b>\$ 70,325</b>	<b>\$ 228</b>	<b>\$ 7,209</b>	<b>\$ 5,338</b>	<b>\$ 555</b>	<b>\$ 21,858</b>	<b>\$ 1,662</b>	<b>\$ (1,079)</b>	<b>\$ 9,927</b>	<b>\$ 1,344</b>	<b>\$ 2,542</b>	<b>\$ 4,043</b>	<b>\$ 10,198</b>	<b>\$ 2,101</b>
<b>CONDENSED STATEMENT OF CASH FLOWS:</b>															
Net cash provided by (used in) operating activities	\$ 27,008	\$ 6,063	\$ 320	\$ (83)	\$ 331	\$ 1,502	\$ 3,961	\$ -	(1) \$ -	\$ 3,073	\$ 1,203	\$ 2,403	\$ 480	\$ 1,455	\$ 840
Net cash provided by (used in) capital financing activities	(40,930)	(10,321)	(342)	87	(255)	(1,585)	(3,652)	-	(22,078)	(2,882)	(1,159)	(1,857)	(700)	(803)	(793)
Net cash provided by investing activities	833	-	-	-	-	-	34	-	63	-	-	-	-	-	-
<b>INCREASE (DECREASE) IN CASH</b>	<b>(13,089)</b>	<b>(4,258)</b>	<b>(22)</b>	<b>4</b>	<b>76</b>	<b>(83)</b>	<b>343</b>	<b>-</b>	<b>(22,015)</b>	<b>191</b>	<b>44</b>	<b>546</b>	<b>(220)</b>	<b>652</b>	<b>47</b>
<b>CASH – Beginning of year</b>	<b>109,944</b>	<b>15,423</b>	<b>210</b>	<b>123</b>	<b>126</b>	<b>1,837</b>	<b>10,694</b>	<b>-</b>	<b>30,329</b>	<b>8,517</b>	<b>395</b>	<b>1,353</b>	<b>861</b>	<b>7,291</b>	<b>690</b>
<b>CASH – End of year</b>	<b>\$ 96,855</b>	<b>\$ 11,165</b>	<b>\$ 188</b>	<b>\$ 127</b>	<b>\$ 202</b>	<b>\$ 1,754</b>	<b>\$ 11,037</b>	<b>\$ -</b>	<b>\$ 8,314</b>	<b>\$ 8,708</b>	<b>\$ 439</b>	<b>\$ 1,899</b>	<b>\$ 641</b>	<b>\$ 7,943</b>	<b>\$ 737</b>

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

(1) Activity netted to zero.

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

	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
<b>CONDENSED STATEMENT OF NET POSITION</b>															
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	-
<b>TOTAL</b>	<b>\$ 1,039,246</b>	<b>\$ 165,696</b>	<b>\$ 3,708</b>	<b>\$ 8,439</b>	<b>\$ 8,378</b>	<b>\$ 25,081</b>	<b>\$ 67,804</b>	<b>\$ 7,052</b>	<b>\$ 31,021</b>	<b>\$ 29,841</b>	<b>\$ 18,173</b>	<b>\$ 7,498</b>	<b>\$ 15,281</b>	<b>\$ 17,878</b>	<b>\$ 10,415</b>
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 assets	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
Restricted/designated	195,591	-	176	-	-	1,588	11,408	-	-	-	-	-	456	-	-
Unrestricted	(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
<b>TOTAL</b>	<b>\$ 1,039,246</b>	<b>\$ 165,696</b>	<b>\$ 3,708</b>	<b>\$ 8,440</b>	<b>\$ 8,378</b>	<b>\$ 25,081</b>	<b>\$ 67,805</b>	<b>\$ 7,052</b>	<b>\$ 31,021</b>	<b>\$ 29,841</b>	<b>\$ 18,173</b>	<b>\$ 7,498</b>	<b>\$ 15,280</b>	<b>\$ 17,878</b>	<b>\$ 10,415</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>															
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 expenses	(25,730)	(2,824)	(173)	(45)	(144)	(1,073)	(3,686)	(534)	(356)	(985)	(816)	(256)	(627)	(473)	(415)
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>99,158</b>	<b>56,448</b>	<b>91</b>	<b>(231)</b>	<b>-</b>	<b>388</b>	<b>1,566</b>	<b>97</b>	<b>(345)</b>	<b>2,260</b>	<b>(51)</b>	<b>394</b>	<b>82</b>	<b>1,146</b>	<b>531</b>
<b>NET POSITION – Beginning of year</b>	<b>174,455</b>	<b>17,255</b>	<b>(58)</b>	<b>7,568</b>	<b>5,345</b>	<b>(303)</b>	<b>18,540</b>	<b>1,399</b>	<b>-</b>	<b>6,465</b>	<b>1,438</b>	<b>367</b>	<b>3,536</b>	<b>8,059</b>	<b>1,148</b>
<b>NET POSITION – End of year</b>	<b>\$ 273,613</b>	<b>\$ 73,703</b>	<b>\$ 33</b>	<b>\$ 7,337</b>	<b>\$ 5,345</b>	<b>\$ 85</b>	<b>\$ 20,106</b>	<b>\$ 1,496</b>	<b>\$ (345)</b>	<b>\$ 8,725</b>	<b>\$ 1,387</b>	<b>\$ 761</b>	<b>\$ 3,618</b>	<b>\$ 9,205</b>	<b>\$ 1,679</b>
<b>CONDENSED STATEMENT OF CASH FLOWS:</b>															
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)	(5,664)	-	30,329	(2,961)	(1,329)	(1,571)	(700)	(803)	(825)
Net cash provided by investing activities	576	-	-	-	-	-	14	-	-	-	-	-	-	-	-
<b>INCREASE (DECREASE) IN CASH</b>	<b>(37,904)</b>	<b>905</b>	<b>17</b>	<b>(191)</b>	<b>86</b>	<b>137</b>	<b>(385)</b>	<b>-</b>	<b>30,329</b>	<b>784</b>	<b>(11)</b>	<b>(868)</b>	<b>9</b>	<b>816</b>	<b>121</b>
<b>CASH – Beginning of year</b>	<b>147,848</b>	<b>14,518</b>	<b>193</b>	<b>314</b>	<b>39</b>	<b>1,700</b>	<b>11,079</b>	<b>-</b>	<b>-</b>	<b>7,733</b>	<b>406</b>	<b>2,221</b>	<b>852</b>	<b>6,475</b>	<b>569</b>
<b>CASH – End of year</b>	<b>\$ 109,944</b>	<b>\$ 15,423</b>	<b>\$ 210</b>	<b>\$ 123</b>	<b>\$ 125</b>	<b>\$ 1,837</b>	<b>\$ 10,694</b>	<b>\$ -</b>	<b>\$ 30,329</b>	<b>\$ 8,517</b>	<b>\$ 395</b>	<b>\$ 1,353</b>	<b>\$ 861</b>	<b>\$ 7,291</b>	<b>\$ 690</b>

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

(1) Activity netted to zero.

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

For the years ended June 30, 2016 and 2015, the following tables represent operating expenses within both natural and functional classifications (dollars in thousands):

	<b>2016</b>							<b>Total</b>
	<b>Salaries And Wages</b>	<b>Benefits</b>	<b>Supplies and Other Services</b>	<b>Utilities</b>	<b>Scholarships and Fellowships</b>	<b>Depreciation and Amortization</b>	<b>Other</b>	
Instruction	\$ 392,823	\$ 110,244	\$ 64,820	\$ 440	\$ 91	\$ -	\$ 850	\$ 569,268
Research	70,964	28,750	49,894	148	-	-	49	149,805
Public service	51,075	12,854	24,409	347	-	-	36	88,721
Academic support	53,552	14,324	28,498	207	12	-	164	96,757
Student services	48,613	16,417	27,165	76	8	-	45	92,324
Operations and maintenance of plant	40,368	14,373	51,059	38,980	-	-	85	144,865
General institutional support	119,397	31,862	86,119	1,063	1,186	-	721	240,348
Total education and general	776,792	228,824	331,964	41,261	1,297	-	1,950	1,382,088
Student financial aid	333	55	100	-	107,350	-	-	107,838
Auxiliary enterprises	72,602	17,075	109,258	14,831	22	-	396	214,184
Depreciation and amortization	-	-	-	-	-	139,037	-	139,037
Administration of leasing activities	1,110	350	1,415	2,933	-	-	-	5,808
Other	-	-	602	-	-	-	1,554	2,156
<b>Total</b>	<b>\$ 850,837</b>	<b>\$ 246,304</b>	<b>\$ 443,339</b>	<b>\$ 59,025</b>	<b>\$ 108,669</b>	<b>\$ 139,037</b>	<b>\$ 3,900</b>	<b>\$ 1,851,111</b>

	<b>2015</b>							<b>Total</b>
	<b>Salaries And Wages</b>	<b>Benefits</b>	<b>Supplies and Other Services</b>	<b>Utilities</b>	<b>Scholarships and Fellowships</b>	<b>Depreciation/ Amortization</b>	<b>Other</b>	
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	229,374
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
<b>Total</b>	<b>\$ 834,006</b>	<b>\$ 246,518</b>	<b>\$ 419,479</b>	<b>\$ 59,232</b>	<b>\$ 106,883</b>	<b>\$ 132,253</b>	<b>\$ 3,461</b>	<b>\$ 1,801,832</b>



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**NOTE 22 - SUBSEQUENT EVENTS**

On July 1, 2016, West Liberty University purchased a piece of property adjacent its campus for \$128,000 to provide additional student housing. To fund the purchase of this property, the West Liberty Foundation funded a loan to the University in the amount of \$130,098, which includes the purchase price of the property and any settlement charges. The terms of this loan include an interest rate of 3% to be paid off over ten years ending on July 1, 2026.

In September 2016, Shepherd University received an interest free loan from the West Virginia Higher Education Policy Commission in the amount of \$750,000 for the demolition of Sara Cree building. This loan is to be paid back in semi-annual payments of \$75,000 for the next 5 years.

On December 15, 2016, the West Virginia University Research Corporation (the Corporation) closed on a note payable for \$36,090,000. The proceeds of the loan were used to reimburse WVU for the purchase of the Beckley campus as well as for capital improvements to the campus. Additionally, the proceeds include capital interest of \$3,000,000 as the loan will have a capitalized interest period of three years.

The amortization term is 30 years. The interest rate is set for 5-year increments beginning with a rate of 3.11% fixed for the first five years and a spread to the 5-year constant U.S. Treasury Maturity rate thereafter. The spread is based on WVU's rating with Moody's.

On August 9, 2016, the Corporation entered into a lease agreement with WVU for the lease of assets required by WVU for the operation of the Beckley campus. This agreement was amended on December 15, 2016 to reflect an increase in the principal amount of the loan. The base rentals are to equal the principal and interest payments on the loan with the appropriate credit reflected during the three-year capitalized interest period.

In December 2016, Glenville State College's blended component unit, Glenville State College Housing Corporation, Inc. borrowed \$200,000 from private individuals, some of whom are members of Glenville State College's Board of Governors. The loans bear interest at a rate of the higher of 4% or the WJS Prime Rate plus .5%. The loans are secured by revenue from rental properties.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 23 - CONDENSED BLENDED COMPONENT UNIT INFORMATION**

Condensed combining information for the Fund's blended component units, for the years ended June 30, 2016 and 2015, is as follows:

**Condensed Combining Statements of Net Position**

**June 30, 2016**

(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
<b>Assets</b>														
Inter Entity Receivables	\$ 10	\$ 20	\$ -	\$ 43	\$ -	\$ 3,444	\$ -	\$ 3,504	\$ -	\$ 15	\$ 76,971	\$ 802	\$ (84,809)	\$ -
Other Current Assets	1,943	19,556	8,321	18,155	1,847	37,015	4,831	258,706	101,402	56,060	51,945	82,259	(3,368)	638,672
Capital Assets, Net	17,177	54,466	74,461	126,716	79,701	136,823	78,379	1,760,116	426,848	79,572	76,225	239,464	-	3,149,948
Other Noncurrent Assets	631	8,012	1,753	709	2,064	4,520	536	170,530	93,726	5,894	22,023	5,215	-	315,613
<b>Total Assets</b>	<b>19,761</b>	<b>82,054</b>	<b>84,535</b>	<b>145,623</b>	<b>83,612</b>	<b>181,802</b>	<b>83,746</b>	<b>2,192,856</b>	<b>621,976</b>	<b>141,541</b>	<b>227,164</b>	<b>327,740</b>	<b>(88,177)</b>	<b>4,104,233</b>
Deferred Outflows of Resources	121	198	204	54	575	1,215	122	14,645	1,496	-	14,240	329	-	33,199
<b>Total Assets and Deferred Outflows</b>	<b>\$ 19,882</b>	<b>\$ 82,252</b>	<b>\$ 84,739</b>	<b>\$ 145,677</b>	<b>\$ 84,187</b>	<b>\$ 183,017</b>	<b>\$ 83,868</b>	<b>\$ 2,207,501</b>	<b>\$ 623,472</b>	<b>\$ 141,541</b>	<b>\$ 241,404</b>	<b>\$ 328,069</b>	<b>\$ (88,177)</b>	<b>\$ 4,137,432</b>
<b>Liabilities</b>														
Inter Entity Payables	186	304	2,003	-	823	1,761	-	58,099	11,756	8	1,744	106	(76,790)	-
Other Current Liabilities	2,244	8,308	3,670	7,718	27,072	16,289	7,712	205,670	38,801	4,934	32,656	32,257	(2,639)	384,692
Other Long-Term Liabilities	6,815	30,179	24,549	52,120	19,300	90,248	48,678	908,278	153,966	9,013	376,296	42,455	(8,748)	1,753,149
<b>Total Liabilities</b>	<b>9,245</b>	<b>38,791</b>	<b>30,222</b>	<b>59,838</b>	<b>47,195</b>	<b>108,298</b>	<b>56,390</b>	<b>1,172,047</b>	<b>204,523</b>	<b>13,955</b>	<b>410,696</b>	<b>74,818</b>	<b>(88,177)</b>	<b>2,137,841</b>
Deferred Inflows of Resources	178	1,076	200	287	374	358	254	40,835	1,408	-	40	1,080	-	46,090
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>9,423</b>	<b>39,867</b>	<b>30,422</b>	<b>60,125</b>	<b>47,569</b>	<b>108,656</b>	<b>56,644</b>	<b>1,212,882</b>	<b>205,931</b>	<b>13,955</b>	<b>410,736</b>	<b>75,898</b>	<b>(88,177)</b>	<b>2,183,931</b>
<b>Net Position</b>														
Net Investment in Capital Assets	16,992	45,087	57,133	85,101	42,190	62,084	43,792	1,085,219	323,000	79,572	75,076	225,543	-	2,140,789
Restricted														
Nonexpendable	492	2,664	-	-	-	-	-	16,836	15,176	-	-	51	-	35,219
Expendable	142	1,475	312	281	1,782	3,854	377	7,743	16,466	10,298	20,596	11,898	-	75,224
Unrestricted	(7,167)	(6,841)	(3,128)	170	(7,354)	8,423	(16,945)	(115,179)	62,899	37,716	(265,004)	14,679	-	(297,731)
<b>Total Net Position</b>	<b>\$ 10,459</b>	<b>\$ 42,385</b>	<b>\$ 54,317</b>	<b>\$ 85,552</b>	<b>\$ 36,618</b>	<b>\$ 74,361</b>	<b>\$ 27,224</b>	<b>\$ 994,619</b>	<b>\$ 417,541</b>	<b>\$ 127,586</b>	<b>\$ (169,332)</b>	<b>\$ 252,171</b>	<b>\$ -</b>	<b>\$ 1,953,501</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 23 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

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

**June 30, 2016**

(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
<b>Operating Revenues</b>														
Student Tuition and Fees, Net	\$ 4,133	\$ 7,541	\$ 13,320	\$ 17,850	\$ 5,560	\$ 13,879	\$ 9,926	\$ 385,121	\$ 80,424	\$ 33,223	\$ -	\$ 29,870	\$ -	\$ 600,847
Federal, State, Local Contracts and Grants	4,890	7,771	4,463	5,554	5,663	9,351	13,748	174,174	63,637	1,457	7,715	33,612	(49,899)	282,136
Sales and Services of Educational Activity	107	10	-	46	286	57	4	18,701	167	-	5,747	1,228		26,353
Auxiliary Enterprise Revenue	735	8,651	8,018	16,820	4,237	12,863	5,112	154,607	36,222	405	5,432	1,534		254,636
Other Operating Revenues	70	1,052	258	538	875	4,598	1,420	19,908	9,128	316	7,975	2,699	(8,335)	40,502
<b>Total Operating Revenues</b>	<b>9,935</b>	<b>25,025</b>	<b>26,059</b>	<b>40,808</b>	<b>16,621</b>	<b>40,748</b>	<b>30,210</b>	<b>752,511</b>	<b>189,578</b>	<b>35,401</b>	<b>26,869</b>	<b>68,943</b>	<b>(58,234)</b>	<b>1,204,474</b>
<b>Operating Expenses</b>														
Operations	20,658	37,008	35,224	52,072	22,808	57,116	46,855	971,525	257,565	35,529	27,848	155,812	(7,946)	1,712,074
Depreciation	1,428	2,144	2,929	6,930	2,446	3,892	2,923	82,523	16,537	3,106	3,198	10,981		139,037
<b>Total Operating Expenses</b>	<b>22,086</b>	<b>39,152</b>	<b>38,153</b>	<b>59,002</b>	<b>25,254</b>	<b>61,008</b>	<b>49,778</b>	<b>1,054,048</b>	<b>274,102</b>	<b>38,635</b>	<b>31,046</b>	<b>166,793</b>	<b>(7,946)</b>	<b>1,851,111</b>
<b>Operating Loss</b>	<b>(12,151)</b>	<b>(14,127)</b>	<b>(12,094)</b>	<b>(18,194)</b>	<b>(8,633)</b>	<b>(20,260)</b>	<b>(19,568)</b>	<b>(301,537)</b>	<b>(84,524)</b>	<b>(3,234)</b>	<b>(4,177)</b>	<b>(97,850)</b>	<b>(50,288)</b>	<b>(646,637)</b>
<b>Nonoperating Revenues (Expenses)</b>														
State Appropriations	5,583	8,576	7,869	9,438	5,793	15,041	11,479	178,104	65,314	7,443	51,517	63,080		429,237
Federal Pell Grants	3,953	4,759	3,572	5,084	2,879	7,116	5,215	29,890	16,829	-	-	35,602		114,899
Other Nonoperating Revenues (Expenses)	102	(283)	(401)	(601)	(1,427)	(2,195)	(1,708)	33,056	(3,841)	(730)	(38,206)	(2,476)	50,288	31,578
<b>Total Nonoperating Revenues</b>	<b>9,638</b>	<b>13,052</b>	<b>11,040</b>	<b>13,921</b>	<b>7,245</b>	<b>19,962</b>	<b>14,986</b>	<b>241,050</b>	<b>78,302</b>	<b>6,713</b>	<b>13,311</b>	<b>96,206</b>	<b>50,288</b>	<b>575,714</b>
<b>Capital Grants, Appropriations, and Gifts</b>	<b>-</b>	<b>559</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>612</b>	<b>163,628</b>	<b>4,076</b>	<b>513</b>	<b>1,352</b>	<b>1,671</b>	<b>(495)</b>	<b>171,966</b>
<b>Capital Transfers to Institutions and Outside Entities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(495)</b>	<b>(120)</b>	<b>495</b>	<b>-</b>
<b>Increase (Decrease) in Net Position</b>	<b>(2,513)</b>	<b>(516)</b>	<b>(1,054)</b>	<b>(4,273)</b>	<b>(1,338)</b>	<b>(178)</b>	<b>(3,970)</b>	<b>103,141</b>	<b>(2,146)</b>	<b>3,992</b>	<b>9,991</b>	<b>(93)</b>	<b>-</b>	<b>101,043</b>
<b>Net Position - Beginning of Year</b>	<b>12,972</b>	<b>42,901</b>	<b>55,371</b>	<b>89,825</b>	<b>37,956</b>	<b>74,539</b>	<b>31,194</b>	<b>891,478</b>	<b>419,687</b>	<b>123,594</b>	<b>(179,323)</b>	<b>252,264</b>	<b>-</b>	<b>1,852,458</b>
<b>Net Position - End of Year</b>	<b>\$ 10,459</b>	<b>\$ 42,385</b>	<b>\$ 54,317</b>	<b>\$ 85,552</b>	<b>\$ 36,618</b>	<b>\$ 74,361</b>	<b>\$ 27,224</b>	<b>\$ 994,619</b>	<b>\$ 417,541</b>	<b>\$ 127,586</b>	<b>\$ (169,332)</b>	<b>\$ 252,171</b>	<b>\$ -</b>	<b>\$ 1,953,501</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 23 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statements of Cash Flows**

**June 30, 2016**

(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
Net Cash Provided By (Used In):														
Operating Activities	\$ (10,129)	\$ (11,411)	\$ (9,194)	\$ (11,049)	\$ (5,676)	\$ (16,598)	\$ (14,948)	\$ (204,533)	\$ (74,483)	\$ 582	\$ 207	\$ (84,309)	\$ (50,549)	\$ (492,090)
Noncapital Financing Activities	9,535	13,413	11,456	15,688	8,672	21,948	16,674	261,455	85,241	7,698	27,283	99,825	47,749	626,637
Capital Financing Activities	(353)	(3,341)	(2,909)	(6,320)	(3,032)	(28,080)	(2,460)	(172,181)	(10,554)	(13,748)	(23,470)	(8,996)	33,803	(241,641)
Investing Activities	16	4,799	26	61	5	98	20	76,097	3,844	(9,318)	114	226	-	75,988
Increase (Decrease) in Current Cash and Cash Equivalents	(931)	3,460	(621)	(1,620)	(31)	(22,632)	(714)	(39,162)	4,048	(14,786)	4,134	6,746	31,003	(31,106)
Cash - Beginning 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
Cash - End of Year	\$ 1,076	\$ 6,844	\$ 6,699	\$ 16,259	\$ 1,322	\$ 38,965	\$ 2,848	\$ 146,765	\$ 72,624	\$ 25,656	\$ 39,392	\$ 79,720	\$ (59,626)	\$ 378,544

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 23 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

**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
<b>Assets</b>														
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
<b>Total Assets</b>	<b>21,986</b>	<b>80,505</b>	<b>87,504</b>	<b>151,437</b>	<b>85,897</b>	<b>180,196</b>	<b>86,892</b>	<b>2,072,024</b>	<b>630,267</b>	<b>137,141</b>	<b>231,974</b>	<b>331,457</b>	<b>(96,700)</b>	<b>4,000,580</b>
<b>Deferred Outflows of Resources</b>	<b>74</b>	<b>158</b>	<b>174</b>	<b>43</b>	<b>1,182</b>	<b>1,341</b>	<b>135</b>	<b>15,336</b>	<b>1,680</b>	<b>-</b>	<b>15,020</b>	<b>319</b>	<b>-</b>	<b>35,462</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 22,060</b>	<b>\$ 80,663</b>	<b>\$ 87,678</b>	<b>\$ 151,480</b>	<b>\$ 87,079</b>	<b>\$ 181,537</b>	<b>\$ 87,027</b>	<b>\$ 2,087,360</b>	<b>\$ 631,947</b>	<b>\$ 137,141</b>	<b>\$ 246,994</b>	<b>\$ 331,776</b>	<b>\$ (96,700)</b>	<b>\$ 4,036,042</b>
<b>Liabilities</b>														
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
<b>Total Liabilities</b>	<b>8,860</b>	<b>36,691</b>	<b>32,056</b>	<b>61,420</b>	<b>48,877</b>	<b>106,726</b>	<b>55,612</b>	<b>1,158,278</b>	<b>210,386</b>	<b>13,309</b>	<b>426,249</b>	<b>78,362</b>	<b>(96,700)</b>	<b>2,140,126</b>
<b>Deferred Inflows of Resources</b>	<b>228</b>	<b>1,071</b>	<b>251</b>	<b>235</b>	<b>246</b>	<b>272</b>	<b>221</b>	<b>37,604</b>	<b>1,874</b>	<b>238</b>	<b>68</b>	<b>1,150</b>	<b>-</b>	<b>43,458</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>9,088</b>	<b>37,762</b>	<b>32,307</b>	<b>61,655</b>	<b>49,123</b>	<b>106,998</b>	<b>55,833</b>	<b>1,195,882</b>	<b>212,260</b>	<b>13,547</b>	<b>426,317</b>	<b>79,512</b>	<b>(96,700)</b>	<b>2,183,584</b>
<b>Net Position</b>														
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)
<b>Total Net Position</b>	<b>\$ 12,972</b>	<b>\$ 42,901</b>	<b>\$ 55,371</b>	<b>\$ 89,825</b>	<b>\$ 37,956</b>	<b>\$ 74,539</b>	<b>\$ 31,194</b>	<b>\$ 891,478</b>	<b>\$ 419,687</b>	<b>\$ 123,594</b>	<b>\$ (179,323)</b>	<b>\$ 252,264</b>	<b>\$ -</b>	<b>\$ 1,852,458</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**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
<b>Operating Revenues</b>														
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
<b>Total Operating Revenues</b>	<b>10,189</b>	<b>24,732</b>	<b>31,229</b>	<b>43,174</b>	<b>15,354</b>	<b>39,258</b>	<b>28,704</b>	<b>717,137</b>	<b>182,339</b>	<b>34,428</b>	<b>26,020</b>	<b>62,458</b>	<b>(61,832)</b>	<b>1,153,190</b>
<b>Operating Expenses</b>														
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
<b>Total Operating Expenses</b>	<b>22,750</b>	<b>39,869</b>	<b>40,532</b>	<b>59,427</b>	<b>26,385</b>	<b>62,686</b>	<b>48,133</b>	<b>1,001,523</b>	<b>269,435</b>	<b>38,467</b>	<b>30,726</b>	<b>170,042</b>	<b>(8,143)</b>	<b>1,801,832</b>
<b>Operating Loss</b>	<b>(12,561)</b>	<b>(15,137)</b>	<b>(9,303)</b>	<b>(16,253)</b>	<b>(11,031)</b>	<b>(23,428)</b>	<b>(19,429)</b>	<b>(284,386)</b>	<b>(87,096)</b>	<b>(4,039)</b>	<b>(4,706)</b>	<b>(107,584)</b>	<b>(53,689)</b>	<b>(648,642)</b>
<b>Nonoperating Revenues (Expenses)</b>														
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
<b>Total Nonoperating Revenues</b>	<b>9,885</b>	<b>13,599</b>	<b>12,055</b>	<b>14,684</b>	<b>7,748</b>	<b>21,485</b>	<b>16,554</b>	<b>236,636</b>	<b>89,908</b>	<b>7,993</b>	<b>9,728</b>	<b>105,708</b>	<b>53,688</b>	<b>599,671</b>
<b>Capital Grants, Appropriations, and Gifts</b>	<b>63</b>	<b>548</b>	<b>225</b>	<b>-</b>	<b>1,545</b>	<b>18</b>	<b>887</b>	<b>97,399</b>	<b>5,328</b>	<b>465</b>	<b>5,691</b>	<b>24,306</b>	<b>(22,383)</b>	<b>114,092</b>
<b>Capital Transfers to Institutions and Outside Entities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(363)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(22,808)</b>	<b>363</b>	<b>22,384</b>	<b>(424)</b>
<b>Increase (Decrease) in Net Position</b>	<b>(2,613)</b>	<b>(990)</b>	<b>2,977</b>	<b>(1,569)</b>	<b>(1,738)</b>	<b>(2,288)</b>	<b>(1,988)</b>	<b>49,649</b>	<b>8,140</b>	<b>4,419</b>	<b>(12,095)</b>	<b>22,793</b>	<b>-</b>	<b>64,697</b>
<b>Net Position - Beginning of Year</b>	<b>15,585</b>	<b>43,891</b>	<b>52,394</b>	<b>91,394</b>	<b>39,694</b>	<b>76,827</b>	<b>33,182</b>	<b>841,829</b>	<b>411,547</b>	<b>119,175</b>	<b>(167,228)</b>	<b>229,471</b>	<b>-</b>	<b>1,787,761</b>
<b>Net Position - End of Year</b>	<b>\$ 12,972</b>	<b>\$ 42,901</b>	<b>\$ 55,371</b>	<b>\$ 89,825</b>	<b>\$ 37,956</b>	<b>\$ 74,539</b>	<b>\$ 31,194</b>	<b>\$ 891,478</b>	<b>\$ 419,687</b>	<b>\$ 123,594</b>	<b>\$ (179,323)</b>	<b>\$ 252,264</b>	<b>\$ -</b>	<b>\$ 1,852,458</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**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

**REQUIRED SUPPLEMENTARY INFORMATION**



**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF PROPORTIONATE SHARE OF NET  
PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS  
June 30, 2016 and 2015**

**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, 2015	0.6763590%	\$ 23,450	\$ 53,422	\$ 76,872	\$ 15,069	156%	66.25%
June 30, 2014	0.7594120%	\$ 25,755	\$ 58,191	\$ 83,946	\$ 16,084	160%	65.95%

**TRS Schedule of Employer Contributions**

Measurement Date	Actuarially Determined Contributions	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 2015	\$ 2,902	\$ 2,823	\$ 79	\$ 15,069	18.73%
June 30, 2014	\$ 3,399	\$ 3,439	\$ (40)	\$ 16,084	21.38%

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, 2016**

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

## **SUPPLEMENTARY INFORMATION**

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING NET POSITION INFORMATION**  
**June 30, 2016**  
(Dollars in thousands)

	<b>Higher Education Fund</b>	<b>Aggregate Discretely Presented Component Units</b>	<b>Total</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 378,544	\$ 66,206	\$ 444,750
Short-term investments	124,768	30,623	155,391
Investment Settlements Pending	12,505	-	12,505
Appropriations due from Primary Government	10,017	-	10,017
Accounts receivable-net	91,483	10,128	101,611
Loans receivable - current portion	7,468	-	7,468
Other current assets	9,321	539	9,860
Inventories	4,566	6	4,572
	<u>638,672</u>	<u>107,502</u>	<u>746,174</u>
Total current assets			
<b>NONCURRENT ASSETS</b>			
Cash and cash equivalents	83,983	172	84,155
Investments	154,992	313,787	468,779
Loans receivable - net of allowance of \$10,623	46,747	255	47,002
Other assets	29,891	69,336	99,227
Capital assets-net	3,149,948	84,924	3,234,872
	<u>3,465,561</u>	<u>468,474</u>	<u>3,934,035</u>
Total noncurrent assets			
Total assets	<u>4,104,233</u>	<u>575,976</u>	<u>4,680,209</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	29,828	-	29,828
Interest rate swap agreement	333	-	333
Deferred outflows related to pensions	3,038	-	3,038
	<u>33,199</u>	<u>-</u>	<u>33,199</u>
Total deferred outflows of resources			
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 4,137,432</u></b>	<b><u>\$ 575,976</u></b>	<b><u>\$ 4,713,408</u></b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING NET POSITION INFORMATION (CONTINUED)**  
**June 30, 2016**  
(Dollars in thousands)

	<u>Higher Education Fund</u>	<u>Aggregate Discretely Presented Component Units</u>	<u>Total</u>
<b>LIABILITIES, DEFERRED INFLOWS, OF RESOURCES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 81,910	\$ 1,698	\$ 83,608
Due to State of West Virginia	582	-	582
Accrued liabilities	79,913	1,666	81,579
Unearned revenue	73,181	391	73,572
Deposits/custodial/annuity liabilities	7,854	59,447	67,301
Real estate purchase agreements payable - current portion	591	-	591
Other liabilities - current portion	1,200	37,022	38,222
Compensated absences - current portion	43,690	-	43,690
Notes payable - current portion	13,433	639	14,072
Capital lease obligations - current portion	9,735	-	9,735
Interest payable	11,888	-	11,888
Bonds payable - current portion	<u>60,715</u>	<u>80,614</u>	<u>141,329</u>
Total current liabilities	<u>384,692</u>	<u>181,477</u>	<u>566,169</u>
<b>NONCURRENT LIABILITIES</b>			
Advances from federal sponsors	44,180	-	44,180
Real estate purchase agreement payable	14,692	-	14,692
Compensated absences	4,418	-	4,418
Notes payable	28,914	9,014	37,928
Capital lease obligations	42,412	-	42,412
Future interest payable	35,891	-	35,891
Bonds payable	1,195,903	40,285	1,236,188
Other post employment benefit liability	326,975	-	326,975
Net pension liability	23,450	-	23,450
Other noncurrent liabilities	<u>36,314</u>	<u>45,589</u>	<u>81,903</u>
Total noncurrent liabilities	<u>1,753,149</u>	<u>94,888</u>	<u>1,848,037</u>
Total liabilities	<u>2,137,841</u>	<u>276,365</u>	<u>2,414,206</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING NET POSITION INFORMATION (CONTINUED)**  
**June 30, 2016**  
(Dollars in thousands)

	<u>Higher Education Fund</u>	<u>Aggregate Discretely Presented Component Units</u>	<u>Total</u>
<b>LIABILITIES, DEFERRED INFLOWS, OF RESOURCES AND NET POSITION (CONTINUED)</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Service concession arrangement	\$ 39,746	\$ -	\$ 39,746
Deferred inflows related to pensions	5,829	-	5,829
Other	<u>515</u>	<u>-</u>	<u>515</u>
Total deferred inflows of resources	<u>46,090</u>	<u>-</u>	<u>46,090</u>
Total liabilities, deferred inflows of resources	<u>2,183,931</u>	<u>276,365</u>	<u>2,460,296</u>
<b>NET POSITION</b>			
Net investment in capital assets	<u>2,140,789</u>	<u>13,003</u>	<u>2,153,792</u>
Restricted for:			
Expendable:			
Scholarships	9,079	28,696	37,775
Sponsored projects	29,709	346	30,055
Loans	13,845	-	13,845
Capital projects	15,181	50	15,231
Debt service	3,137	-	3,137
Other	<u>4,273</u>	<u>77,590</u>	<u>81,863</u>
Total restricted expendable	<u>75,224</u>	<u>106,682</u>	<u>181,906</u>
Nonexpendable	<u>35,219</u>	<u>208,860</u>	<u>244,079</u>
Unrestricted	<u>(297,731)</u>	<u>(28,934)</u>	<u>(326,665)</u>
Total net position	<u>1,953,501</u>	<u>299,611</u>	<u>2,253,112</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, OF RESOURCES AND NET POSITION</b>	<u>\$ 4,137,432</u>	<u>\$ 575,976</u>	<u>\$ 4,713,408</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, 2016**  
(Dollars in thousands)

	<u>Higher Education Fund</u>	<u>Aggregate Discretely Presented Component Units</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Student tuition and fees - net of scholarship allowance of \$182,099	\$ 600,847	\$ -	\$ 600,847
Gift and contributions	-	30,806	30,806
Federal and local land grants	9,202	-	9,202
Contracts and grants:			
Federal	142,116	548	142,664
State	47,638	-	47,638
Local	1,501	-	1,501
Private	90,881	-	90,881
Interest on student loans receivable	1,200	-	1,200
Sales and services of educational activities	26,353	-	26,353
Auxiliary enterprise revenue - net of scholarship allowance of \$27,618	254,636	10,534	265,170
Other operating revenues	<u>30,100</u>	<u>1,944</u>	<u>32,044</u>
Total operating revenues	<u>1,204,474</u>	<u>43,832</u>	<u>1,248,306</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	850,837	4,667	855,504
Benefits	246,304	58	246,362
Supplies and other services	443,339	2,344	445,683
Utilities	59,025	128	59,153
Student financial aid - scholarships and fellowships	108,669	9,085	117,754
Depreciation and amortization	139,037	3,398	142,435
Other operating expenses	<u>3,900</u>	<u>24,562</u>	<u>28,462</u>
Total operating expenses	<u>1,851,111</u>	<u>44,242</u>	<u>1,895,353</u>
<b>OPERATING LOSS</b>	<u>(646,637)</u>	<u>(410)</u>	<u>(647,047)</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, 2016**  
(Dollars in thousands)

	<u>Higher Education Fund</u>	<u>Aggregate Discretely Presented Component Units</u>	<u>Total</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	\$ 429,237	\$ -	\$ 429,237
State lottery appropriations	27,213	-	27,213
Federal Pell grants	114,899	-	114,899
Gifts	53,729	-	53,729
Investment income - net	205	(4,991)	(4,786)
Interest on indebtedness	(54,295)	(1,927)	(56,222)
Payments made on behalf of the Fund	5,066	-	5,066
Other nonoperating expenses - net	<u>(340)</u>	<u>(7,417)</u>	<u>(7,757)</u>
Net nonoperating revenues (expenses)	<u>575,714</u>	<u>(14,335)</u>	<u>561,379</u>
<b>LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	<b>(70,923)</b>	<b>(14,745)</b>	<b>(85,668)</b>
<b>CAPITAL GRANTS, APPROPRIATIONS AND GIFTS</b>	<b>170,190</b>	<b>-</b>	<b>170,190</b>
<b>CAPITAL BOND PROCEEDS FROM THE STATE</b>	<b>424</b>	<b>-</b>	<b>424</b>
<b>CAPITAL PAYMENTS AND TRANSFERS TO OUTSIDE ENTITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>STATE CAPITAL GRANTS (FEDERAL)</b>	<u>1,352</u>	<u>-</u>	<u>1,352</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>101,043</b>	<b>(14,745)</b>	<b>86,298</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>1,852,458</u>	<u>314,356</u>	<u>2,166,814</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,953,501</u>	<u>\$ 299,611</u>	<u>\$ 2,253,112</u>



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

West Virginia Higher Education  
Policy Commission  
Charleston, 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 and the aggregate discretely presented component units of the West Virginia Higher Education Fund (the Fund), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 3, 2017. 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 as described in our report on the Fund's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by the auditors of the entities noted above. The financial statements of the Fund's discretely presented component units were not audited in accordance with *Government Auditing Standards*.

**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 certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and management responses as item 2016-001 to be a material weakness.



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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2016-002-2016-005 to be significant deficiencies.

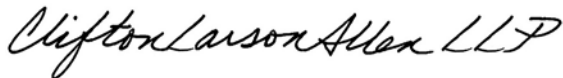
### **Compliance and Other Matters**

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 responses to the findings identified in our audit are described in the accompanying schedule of findings and management responses. West Virginia Higher Education Fund's responses were 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 3, 2017

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED JUNE 30, 2016**

**2016-001 – Lack of Segregation of Duties**

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**Condition:** At West Liberty University, there was a lack of segregation of duties for a significant period of time during the year ended June 30, 2016. The same individual that performed bank reconciliations also had signing authority for certain bank accounts. This same individual also received cash directly from students and recorded cash transactions to the general ledger. In addition, the cash journal entries as well as other journal entries were discussed between the CFO and the individual preparing and recording the journal entries, however, there was no evidence of review or approval.

**Criteria:** The individual that performs bank reconciliations should not be the same person that has bank signing authority. In addition, the individual directly receiving cash should not be the same individual recording cash transactions to the general ledger. Journal entries should be reviewed so that adjustments, if any, can be made on a timely basis.

**Cause:** The lack of segregation of duties existed at June 30, 2016, due to significant turnover of personnel during the year. This also led to the review and approval process of journal entries not being documented.

**Possible Asserted Affect:** Management could improperly record, process, summarize or report financial data and be unable to detect such errors or omissions. This could result in a misappropriation of assets.

**Auditors' Recommendation:** We recommend the University review and modify its internal control system to assure all proper controls are in place to address the lack of segregation of duties.

**Views of Responsible Officials and Planned Corrective Actions:**

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

**Actions planned in response to the finding:** Staffing in the department has stabilized over the past few months and duties have been distributed. The director of accounting updated the internal control handbook for 2016 and reviewed and completed a supplemental report of internal control in November 2016. Any items still questionable at that time were addressed. As the department continues to solidify and restructure, internal control will be reviewed as changes occur. In addition, a staff member will be responsible for the ongoing monitoring of internal control for the department and will report regularly to the VP of Finance and Administration.

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED JUNE 30, 2016**

**2016-001: Lack of Segregation of Duties (Continued)**

**Responsible party:** Roberta C. Linger

**Planned completion date for corrective action plan:** The lack of segregation of duties has been addressed and remedied. However, to ensure completion, a review of procedures will occur in February 2017 with a final report in March 2017.

**Plan to monitor completion of corrective action plan:** A review of the status of internal control will occur in February 2017. In addition, staff will be asked to bring any questionable procedures to the attention of the VP of Finance and Administration and/or the director of accounting for further review.

**2016-002: Accounts Payable Cutoff**

**Type of Finding:** Significant Deficiency in Internal Control over Financial Reporting

**Condition:** Several invoices related to the year ended June 30, 2016 were not properly recorded by West Liberty University to the proper fiscal year end.

**Criteria:** Accounts payable procedures should include proper cutoff between the current and next fiscal year.

**Cause:** Due to the limited personnel, accounts payable cutoff procedures were compromised.

**Possible Asserted Affect:** Improper cutoff increases the potential for misstatement of liabilities.

**Auditors' Recommendation:** We recommend the University management review and modify its internal control system to assure all proper controls are in place to address proper accounts payable cutoff.

**Views of Responsible Officials and Planned Corrective Actions:**

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

**Actions planned in response to the finding:** Internal controls and year end procedures will be reviewed and monitored to ensure that all payables are booked or accrued to the appropriate fiscal year. A plan will be implemented to insure appropriate purchasing cutoff procedures and all outstanding invoices are booked to the appropriate year.

**Responsible party:** Director of Accounting

**Planned completion date for corrective action plan:** April/May 2017

**Plan to monitor completion of corrective action plan:** Implementation of the plan will be discussed at staff meetings and will be the responsibility of the director of accounting to ensure the roll out and compliance with dates and deadlines.

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED JUNE 30, 2016**

**2016-003 – Expense Accrual**

**Type of Finding:** Significant Deficiency in Internal Control over Financial Reporting

**Condition:** During the audit of West Virginia University, it was determined that a June 2016 expense was not recorded as of June 30, 2016. The expense was incurred prior to the end of the fiscal year, and therefore should have been recorded as a liability on the Statement of Net Position as of June 30, 2016 which was corrected during the audit.

**Criteria:** Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the Statement of Net Position, Statement of Revenue, Expenses, and Changes in Net Position, and Statement of Cash Flows, including the notes to the financial statements, in conformity with accounting principles generally accepted in the United States of America. Their responsibilities include recording significant financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

**Context:** The University has a process to review subsequent disbursements to ensure any expense incurred within the fiscal year is properly recognized as accounts payable. As invoices are received, the Payment Services department enters the goods received date, based on the date of expense; the liability is booked within the respective fiscal year.

**Cause:** The expense in question was not processed with the appropriate date and therefore a liability was not recognized as of June 30, 2016.

**Effect:** This omission resulted in an adjustment to record the accounts payable and related expense as of June 30, 2016.

**Recommendation:** We recommend management review policies and procedures regarding the review of subsequent disbursements to ensure expenses are recognized in the proper fiscal year in which they are incurred.

**Management Response:** As part of the FY 2016 financial statements audit, CLA indicated WVU may have a significant deficiency in internal controls related to a failure to record expenses in the correct accounting period. This observation is based on two invoices CLA discovered during their testing – one for \$4,325,893.02 on the main campus and another for \$165,045.04 in the Research Corporation.

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED JUNE 30, 2016**

**2016-003 – Expense Accrual (Continued)**

WVU's current controls around subsequent disbursements include a manual review (by Payment Services) of the goods received date on all PO invoices and all other invoices greater than \$25,000 during the months of July, August, and September. If the review indicates the goods were received by or services were rendered to WVU prior to June 30th, the goods received date is adjusted accordingly, so the expense can be recorded in the correct fiscal year. This process has worked adequately in capturing the subsequent disbursements. However, due to the retirement of a seasoned, 30+ year employee who normally reviewed such invoices, and cross training effort within the AP department where a new employee and an employee who was not accustomed to this review assumed the retiree's duties, coupled with Payment Services resources being stretched thin due to the implementation of new Mountaineer Market Place system during early Fall 2016, the goods received date on the above mentioned invoices was not appropriate identified and adjusted.

As noted above, WVU has already transitioned the procurement and payment of most commodities and services to an electronic system called the Mountaineer Market Place. Mountaineer Marketplace has increased WVU/WVURC's internal control structure for purchasing and payment through several different enhancements. First, an individual is assigned specific, limited permissions in the system based on a system access approval process. The system also allows for automated and auditable workflows based on that approved/controlled system access. Another major control pertains to the payment auditing/approval process within the system. The prior paper intensive process (with hand written signatures) led to confusion within the approval process and also resulted in a lack of awareness/visibility within Payment Services of pending obligations until the paper invoice was delivered by the colleges. Mountaineer Marketplace allows for Payment Services to generate real time reports to confirm outstanding obligations, outstanding goods receipts, etc. along with detailed visibility into the history of the entire procure to pay process (i.e. requisition to purchase order to invoice). The system also has a robust reporting module, which provides detailed and instant visibility into the history of the entire procure to pay process (i.e. requisition to purchase order to invoice).

In addition to the enhanced controls within Mountaineer Marketplace, WVU will institute additional controls around the subsequent disbursement process. The initial review of invoices for good received date will be followed by a second review by the Manager of Payment Services; and Payment Services will generate multiple reports from the Mountaineer Market Place to identify and monitor invoices that could potentially be related to the prior year. WVU will also ensure that all personnel involved in this process receive adequate training to understand their responsibilities and the testing process.

The University feels confident these additional controls should mitigate the risk of failure to record expense in the correct fiscal year.

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED JUNE 30, 2016**

**2016-004 – Federal Grant Receivables and Unearned Revenue**

**Type of Finding:** Significant Deficiency in Internal Control over Financial Reporting

**Condition:** Federal grant receivables and unearned revenue subledgers of Bluefield State College include amounts with no activity in the current year and some which date back as far as 1997/1998.

**Criteria or Specific Requirement:** Sound internal control policies under the Committee of Sponsoring Organizations (COSO) framework requires that all accounts be reconciled to their underlying subsidiary ledger or other supporting documentation on a timely periodic basis. Such reconciliations should include a review for stale dated items for timely clearing.

**Context:** The Veterans Upward Bound grant was closed on 9/30/07 and carried a receivable balance of \$74,029 with no activity in the current year.

**Effect:** Federal grant accounts receivable and unearned revenue may be overstated for amounts that are uncollectible or no longer available for spending.

**Cause:** Reconciliation procedures do not include a review of stale or old amounts for resolution.

**Auditors' Recommendation:** We recommend the College review Federal grant accounts receivable and unearned revenue subledgers to ensure that only collectible amounts are recorded as receivable and that unearned revenue balances are still within the period of availability for spending. Any amounts deemed uncollectible or not spendable should be written off or returned to the respective agencies, as applicable.

**Views of responsible officials and planned corrective actions:** Bluefield State College considers any concerns brought forward by the independent auditors important. Personnel at the institution have worked on correcting some balances in some of the grants in previous years and ongoing. Finance personnel will make a concentrated effort in the next months to correct other outstanding balances.

**2016-005 – Accounts Receivable**

**Type of Finding:** Significant Deficiency in Internal Control over Financial Reporting

**Criteria:** Shepard University should be able to reconcile the accounts receivable subsidiary ledger to the general ledger and identify the cause of any reconciling differences.

**Condition:** As noted in the 2015 audit, Shepard University continues to improve upon their reconciliation process with accounts receivable from the prior year, but still is unable to reconcile and identify the cause of all reconciling differences. The reconciliation of the accounts receivable sub-ledger to the general ledger identified differences which have not been resolved. To ensure that the University is reporting accurate financial data and amounts due to them, all reconciling items should be properly accounted for between the general ledger and sub-ledger. Management has established procedures to reconcile the sub-ledger to the general ledger, but they have been unable to reconcile the two systems nor determine the causes of the variances.

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED JUNE 30, 2016**

**2016-005 – Accounts Receivable (Continued)**

**Cause:** Due to complications from the Chart of Accounts conversion, the University had issues reconciling and identifying reconciling differences. It was noted that there is a control in place to reconcile but the control is not effective at this time as unidentifiable reconciling items still exists. The University continues to improve the control process and is working to identify and reduce reconciling items.

**Effect:** Failure to properly reconcile the accounts receivable to the sub-ledger may result in a misstatement of accounts receivable.

**Recommendation:** The University should review current policies and procedures and make changes where necessary to ensure all reconciling items between the general ledger and sub-ledger are accounted for properly.

**Management Response:** Management agrees with this finding.

The recommendations from the Ellucian consult have been implemented. We have changed the set-up and processing of PELL, Scholarships, Waivers and Third Party Payments as well as the corrections needed from the Chart of Accounts conversion.

In addition to staff having a better understanding of the accounts receivable reconciliation process and report analysis, we have had several key hires in the past year. These are seasoned professionals that have a good understanding of the account reconciliation process. They bring a fresh set of eyes to the issue and have already made great strides in getting it resolved.

Information Technology continues to work closely with Finance as we implement these changes.

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