

**WEST VIRGINIA HIGHER EDUCATION FUND**  
(A Component Unit of the State of West Virginia)

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2018 AND 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**TABLE OF CONTENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>5</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF NET POSITION</b>	<b>20</b>
<b>STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>23</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>25</b>
<b>COMPONENT UNITS – STATEMENTS OF NET ASSETS</b>	<b>28</b>
<b>COMPONENT UNITS – STATEMENTS OF ACTIVITIES</b>	<b>32</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>34</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF PROPORTIONATE SHARE OF TRS NET PENSION LIABILITY</b>	<b>121</b>
<b>SCHEDULE OF EMPLOYER CONTRIBUTIONS</b>	<b>121</b>
<b>SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER POSTEMPLOYMENT LIABILITY</b>	<b>122</b>
<b>SCHEDULE OF EMPLOYER CONTRIBUTIONS</b>	<b>122</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF COMBINING NET POSITION INFORMATION</b>	<b>124</b>
<b>SCHEDULE OF COMBINING REVENUES, EXPENSES, AND CHANGES IN NET POSITION INFORMATION</b>	<b>127</b>
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>129</b>
<b>SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES</b>	<b>131</b>



CliftonLarsonAllen

CliftonLarsonAllen LLP  
CLAAconnect.com

## 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, 2018 and 2017, 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, 2018 and 2017, which represent 18%, 25%, and 15%, respectively, of total assets, total net position, and total revenues of the Fund in 2018 and 18%, 26%, and 16%, respectively, of total assets, total net position and total revenues of the Fund in 2017. 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, 2018 and 2017, which represent 99%, 99%, and 99%, respectively, of total assets, total net assets and total revenues of the discretely presented component units in 2018 and 2017. 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, and the auditors of the Shepherd University Foundation, Inc. and Supporting Organization (SUF) 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, other than SUF, 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.

### ***Opinions***

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, 2018 and 2017, 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 2018 financial statements of Bluefield State Research and Development Corporation (the Corporation), a discretely presented component unit, contained an emphasis of matter paragraph because as discussed in Note 20 to the financial statements, the Corporation had a net deficiency in net assets that raises substantial doubt about its ability to continue as a going concern. The financial statements of the Fund do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, the Fund implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, for the year ended June 30, 2018, which represents a change in accounting principal. As of July 1, 2017, the Fund's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note 2. Our opinion is not modified with respect to this matter.

As discussed in Note 23 to the financial statements, the Fund corrected two prior year errors related to the recognition of a certain portion of the lottery excess revenue and accrued interest expense. Accordingly, certain amounts have been restated in the 2017 financial statements now presented, and adjustments have been made to net position as of June 30, 2016. 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, Schedule of Proportionate Share of Net OPEB 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 October 31, 2018, 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 solely 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 effectiveness of the Fund's 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 31, 2018

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FISCAL YEAR 2018**  
**(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, 2018 and 2017. 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 2018 and 2017 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.

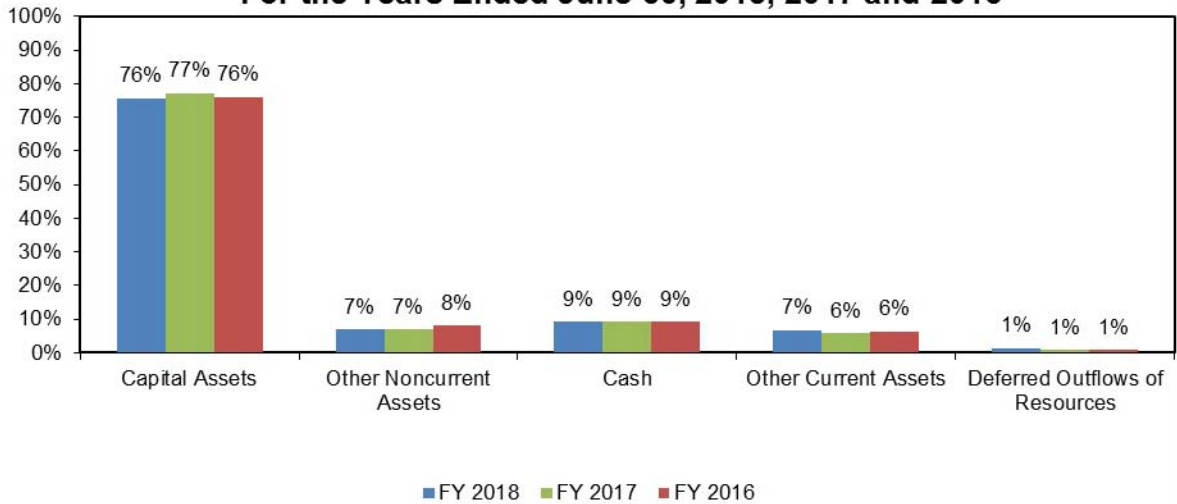
**Condensed Schedules of Net Position**  
**(In thousands of dollars)**

	June 30 2018	June 30 2017 (As Restated)	June 30 2016
<b>Assets</b>			
Current Assets	\$ 665,536	\$ 620,542	\$ 638,672
Capital Assets, Net	3,177,862	3,196,303	3,149,948
Other Noncurrent Assets	291,263	289,998	315,613
Total Assets	<u>4,134,661</u>	<u>4,106,843</u>	<u>4,104,233</u>
Deferred Outflows of Resources	<u>59,903</u>	<u>35,755</u>	<u>33,199</u>
Total	<u>\$ 4,194,564</u>	<u>\$ 4,142,598</u>	<u>\$ 4,137,432</u>
<b>Liabilities</b>			
Current Liabilities	\$ 341,107	\$ 331,167	\$ 384,692
Noncurrent Liabilities	1,712,014	1,793,640	1,753,149
Total Liabilities	<u>2,053,121</u>	<u>2,124,807</u>	<u>2,137,841</u>
Deferred Inflows of Resources	<u>95,848</u>	<u>43,822</u>	<u>46,090</u>
Total	<u>2,148,969</u>	<u>2,168,629</u>	<u>2,183,931</u>
<b>Net Position</b>			
Net Investment in Capital Assets	2,125,363	2,129,316	2,140,789
Restricted-expendable	97,076	95,021	101,541
Restricted-nonexpendable	36,157	35,981	35,219
Unrestricted	<u>(213,001)</u>	<u>(286,349)</u>	<u>(324,048)</u>
Total Net Position	<u>2,045,595</u>	<u>1,973,969</u>	<u>1,953,501</u>
Total	<u>\$ 4,194,564</u>	<u>\$ 4,142,598</u>	<u>\$ 4,137,432</u>



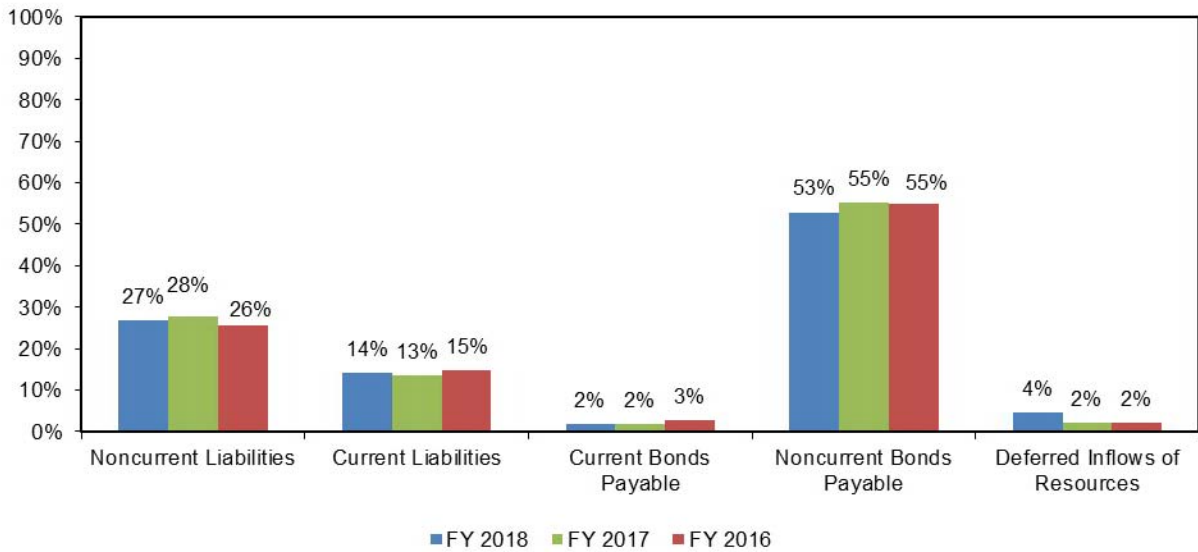
## Assets and Deferred Outflows Composition

For the Years Ended June 30, 2018, 2017 and 2016



## Liabilities and Deferred Inflows Composition

For the Years Ended June 30, 2018, 2017 and 2016



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

- Total current assets of \$665.5 million exceeded total current liabilities of \$341.1 million as of June 30, 2018 for net working capital of \$324.4 million as compared to net working capital of \$289.3 million and \$254.0 million as of June 30, 2017 and 2016, respectively. Current assets increased by \$45.0 million from 2017 to 2018 and decreased \$18.1 million from 2016 to 2017, while current liabilities increased by \$9.9 million from 2017 to 2018 and decreased by \$53.5 million from 2016 to 2017.
- The major components of current assets include cash and cash equivalents of \$385.4 million, \$378.4 million, and \$378.5 million and net accounts receivable of \$140.0 million, \$99.1 million, and \$91.5 million as of June 30, 2018, 2017, and 2016, 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, 2018, 2017 and 2016.
- The major components of current liabilities include \$80.0 million, \$78.9 million, and \$73.2 million of unearned revenue, \$60.4 million, \$61.0 million, and \$81.9 million, in accounts payable, \$87.4 million, \$81.0 million, and \$79.9 million of accrued liabilities, \$45.1 million, \$44.1 million, and \$43.7 million in accrued compensated absences, and \$39.3 million, \$41.1 million, and \$60.7 million in current portion of bonds payable as of June 30, 2018, 2017, and 2016, respectively.
- The changes from last year in the level of most of the current assets and liabilities reflect normal fluctuations in business operations; current construction projects activities and changes in grant activities.
- Noncurrent assets total \$3,468.1 million, \$3,486.3 million, and \$3,465.6 million and noncurrent liabilities total \$1,712.0 million, \$1,793.6 million, and \$1,753.1 million as of June 30, 2018, 2017, and 2016, respectively. Noncurrent assets decreased by \$18.2 million from 2017 to 2018 and increased by \$20.7 million from 2016 to 2017 while noncurrent liabilities decreased by \$81.6 million from 2017 to 2018 and increased \$40.5 million from 2016 to 2017.
- The primary noncurrent asset is \$3,176.8 million, \$3,196.3 million, and \$3,150.0 million, of net capital assets as of June 30, 2018, 2017, and 2016, respectively. Also included as noncurrent assets are cash and cash equivalents primarily for capital purposes of \$51.0 million, \$68.0 million, and \$84.0 million, investments for capital purposes totaling \$169.9 million, \$150.6 million, and \$155.0 million, and net loans to students of \$45.0 million, \$45.5 million, and \$46.7 million as of June 30, 2018, 2017, and 2016, respectively.

- Major components of noncurrent liabilities include long-term bonds payable totaling \$1,172.2 million, \$1,195.1 million, and \$1,195.9 million, capital leases of \$39.6 million, \$46.5 million, and \$42.4 million, advances from federal sponsors of \$37.1 million, \$43.6 million, and \$44.2 million, notes payable of \$70.0 million, \$55.0 million, and \$28.9 million, and accruals for other post employment benefit liability of \$283.6 million, \$336.3 million, and \$327.0 million, as of June 30, 2018, 2017, and 2016, respectively. In addition, the net pension liability recorded was \$20.0 million, \$28.1 million and \$23.5 million, as of June 30, 2018, 2017 and 2016, respectively.
- The decreases in other post-employment benefit liability of \$52.7 million and increase of \$9.0 million, as of 2018 and 2017, respectively, are primarily attributed to the implementation of GASB 75.
- Deferred outflows of resources increased from \$33.2 million, as of June 30, 2016, to \$35.8 million, as of June 30, 2017 and increased to \$60.0 million as of June 30, 2018. The 2018 increase is the result of an increase in the OPEB of \$24.0 million offset by the decline in deferred outflows related to pensions of \$3.0 million. The 2017 increase 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.
- Most of the FY 2018, \$52.0 million increase in deferred inflows was a result of an increase in the inflows related to OPEB of \$48.4 million and inflows related to pensions of \$3.2 million.
- The net position of the Fund totaled \$2,045.0 million, \$1,974.0 million, and \$1,953.5 million as of June 30, 2018, 2017, and 2016, respectively, an increase of \$71.0 million from 2017 to 2018 and \$20.5 million from 2016 to 2017.
  - Net investment in capital assets totaled \$2,124.3 million, \$2,129.3 million, and \$2,140.8 million as of June 30, 2018, 2017, and 2016, respectively.
  - Restricted expendable net position totaled \$97.1 million, \$95.0 million, and \$101.5 million and included \$23.7 million, \$24.7 million, \$22.1 million for sponsored projects, \$29.5 million, \$27.1 million, and \$33.7 million, for capital projects, and \$15.3 million, \$13.6 million, and \$13.8 million for loan programs as of June 30, 2018, 2017, and 2016, respectively.
  - Unrestricted net position totaled (\$213.0) million, (\$286.3) million, and (\$324.0) million as of June 30, 2018, 2017, and 2016, respectively, and represents net position available to the Fund for any lawful purpose of the Fund.
  - The increase in net position is more fully explained in the following section.

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

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

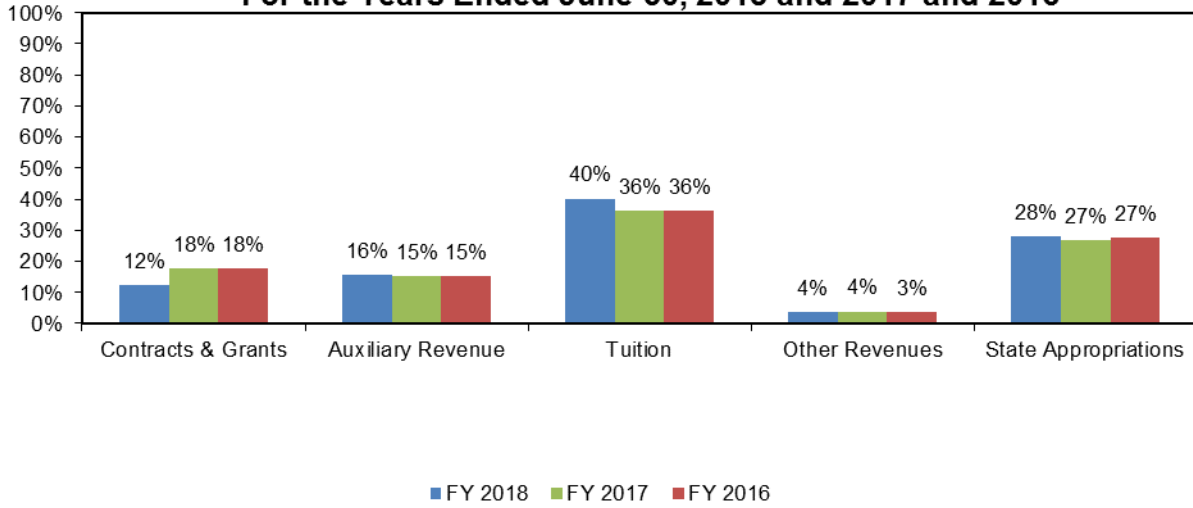
Operating revenues represent the receipts earned from providing goods and service to the various customers and constituencies served by the Fund, including fees from students and revenue in the form of Federal and State grants used to support operations and various initiatives. Operating expenses are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

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

	FY 2018	FY 2017 (As Restated)	FY 2016
Operating Revenues	\$ 1,248,056	\$ 1,233,870	\$ 1,208,672
Operating Expenses	1,835,426	1,855,971	1,851,111
Operating Loss	<u>(587,370)</u>	<u>(622,101)</u>	<u>(642,439)</u>
Net Nonoperating Revenues	<u>606,292</u>	<u>588,153</u>	<u>571,516</u>
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	18,922	(33,948)	(70,923)
Capital Grants, Appropriations and Gifts	35,638	51,907	170,190
Capital Bond Proceeds from State	-	124	424
Capital Payments Made on Behalf of the Fund	1,731	-	-
Transfers to Other Governments	(3,336)	-	-
State Capital Grants (Federal)	<u>-</u>	<u>-</u>	<u>1,352</u>
Increase in Net Position	<u>\$ 52,955</u>	<u>\$ 18,083</u>	<u>\$ 101,043</u>

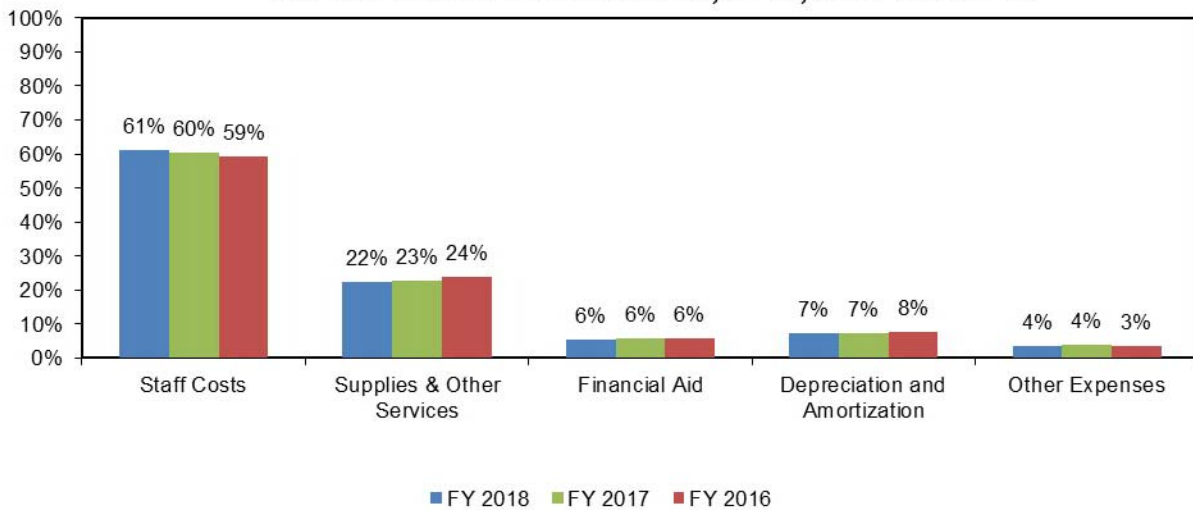
# Operating Revenues and State Appropriations

For the Years Ended June 30, 2018 and 2017 and 2016



# Total Operating Expenses

For the Years Ended June 30, 2018, 2017 and 2016



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

- Operating Revenues of the Fund totaled \$1,248.0 million, \$1,233.9 million, and \$1,208.8 million for the years ended June 30, 2018, 2017, and 2016, respectively, an increase of \$14.0 million from 2017 to 2018 and an increase of \$25.2 million from 2016 to 2017.
  - Student tuition and fees revenues totaled \$634.5 million in FY 2018, \$614.4 million in FY 2017, and \$600.8 million in FY 2016, an increase of \$20.1 or 3.3% in FY 2018 and \$13.6 million or 2.3% in FY 2017. Tuition is reported net of scholarship allowances totaling \$208.6 million, \$194.8 million, and \$182.1 million for the years ended June 30, 2018, 2017, and 2016, 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 \$132.8 million, \$131.6 million, and \$142.1 million, for the years ended June 30, 2018, 2017, and 2016, respectively. The increase of \$1.2 million in FY 2018 mainly represents additional awards received during the year. The decrease of \$10.5 million in FY17 represents decreased revenues from existing federal awards for sponsored research and other miscellaneous federal programs.
  - Auxiliary enterprises generated revenues of \$248.7 million, \$255.5 million, and \$254.6 million, net of \$31.8 million, \$29.5 million, and \$27.6 million, of scholarship allowances for the years ended June 30, 2018, 2017, and 2016, respectively. FY 2018 net auxiliary revenues decreased by \$6.8 million or 2.7%. FY 2017 net auxiliary revenues increased by \$.9 million or .4%, reflecting primarily increases in rates.
  - State grants and contracts totaled \$46.6 million, \$52.4 million, and \$51.8 million for the years ended June 30, 2018, 2017, and 2016, respectively, a decrease of \$5.8 million from 2017 to 2018 and an increase of \$4.6 million from 2016 to 2017. Private grants and contracts totaled \$115.1, \$103.7 million, and \$90.9 million for the years ended June 30, 2018, 2017, and 2016, respectively, an increase of \$11.4 from 2017 to 2018 and increase of \$12.8 million from 2016 to 2017. These changes represent normal fluctuations in grant activities.
- Operating expenses totaled \$1,835.4 million, \$1,856.0 million, and \$1,851.1 million for the years ended June 30, 2018, 2017, and 2016, respectively, a decrease of \$21.0 million from 2017 to 2018 and an increase of \$4.9 million from 2016 to 2017.
  - Staff salary costs totaled \$868.2 million, \$866.4 million, and \$850.8 million, an increase of \$1.8 million or .2% from 2017 to 2018 and \$15.6 million or 1.8% from 2016 to 2017. FY 2018 increase is attributed to the overall salary raises in FY18.
  - Supplies and other services totaled \$411.4 million, \$419.7 million, and \$443.3 million for the years ended June 30, 2018, 2017, and 2016, respectively, a decrease of \$8.3 million or 2.1% from 2017 to 2018 and a decrease \$23.6 million or 5.3% from 2016 to 2017.

- Scholarships and fellowships totaled \$101.0 million, \$106.2 million, and \$108.7 million for the years ended June 30, 2018, 2017, and 2016, respectively, a decrease of \$5.2 million or 4.9% from 2017 to 2018 and a decrease of \$2.5 million or 2.3% from 2016 to 2017. This is primarily a result of decreases in Pell Grant revenues.
- Depreciation and amortization on capital assets totaled \$136.0 million, \$138.3 million, and \$139.0 million for the years ended June 30, 2018, 2017, and 2016, respectively, a decrease of \$2.3 million from 2017 to 2018 and a decrease of \$.7 million from 2016 to 2017. The decrease in FY 2018 is related to disposals of capital assets offset by an increase in depreciation on construction projects completed and placed into service during the year. The FY 2017 increase is related to the completion of construction projects placed into service during the year.
- The result from operations was a net operating loss of \$587.4 million, \$622.1 million, and \$642.4 million for the years ended June 30, 2018, 2017, and 2016, respectively, which excludes State appropriations of \$442.5 million, \$453.4 million, and \$456.6 million, and Federal Pell grants of \$113.6 million, \$113.7 million, and \$114.9 million for the years ended June 30, 2018, 2017, and 2016, respectively. The net operating loss decrease of \$34.7 million in FY 2018 was the outcome of increased tuition revenue and decreased spending in supplies and other services. The net operating loss decrease of \$20.3 million in FY 2017 was the outcome of the decreased spending in supplies and other services.
- Net non-operating revenue totaled \$605.2 million, \$588.2 million, and \$571.5 million for the years ended June 30, 2018, 2017, and 2016, respectively, an increase of \$17.0 million from 2017 to 2018 and an increase of \$16.7 million from 2016 to 2017.
  - State general revenue and lottery appropriations totaled \$442.5 million, \$453.4 million, and \$456.5 million for the years ended June 30, 2018, 2017, and 2016, respectively, a decrease of \$10.9 million from 2017 to 2018 and a decrease of \$3.1 million from 2016 to 2017. The decreases are due primarily to appropriation reductions required to balance the State budget.
  - Interest incurred on indebtedness totaled \$57.4 million, \$55.0 million, and \$54.3 million for the years ended June 30, 2018, 2017, and 2016, an increase of \$2.4 million from 2017 to 2018 and an increase of \$.7 million from 2016 to 2017.
  - Investment income totaled \$23.0, \$29.3 million, and \$.2 million for the years ended June 30, 2018, 2017, and 2016, respectively, a decrease of \$6.3 million from 2017 to 2018 and an increase of \$29.1 million from 2016 to 2017. The decrease is a result of investment performance in FY 2018 not as strong as compared to FY 2017. The FY 2017 changes are a result of positive 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 \$35.6 million, \$51.9 million, and \$170.2 million for the years ended June 30, 2018, 2017, and 2016, respectively, a decrease of \$16.3 from 2017 to 2018 and a decrease of \$118.3 million from 2016 to 2017. These decreases were due to facilities transferred to West Virginia University from its public private partners in FY 2017.
- The activity for FY 2018 resulted in an increase of net position totaling \$51.9 million as compared to the FY 2017 increase of net position totaling \$18.1 million, and an increase of \$101.0 million FY 2016.
- As reported below on a functional expenditure basis, expenditures for Educational and General Expenses were \$1,372.1 million, \$1,388.9 million, and \$1,382.1 million for the years ended June 30, 2018, 2017, and 2016, respectively, a decrease of \$16.8 million or 1.2% from FY 2017 and an increase of \$6.8 million or .5% from FY 2016. Cost of instruction constitutes 42.1%, 41.3%, and 41.2% of total educational and general expenses for the years ended June 30, 2018, 2017, and 2016, respectively. Institutional Support remained consistent as a percentage of E & G at 17.8% in FY 2016, 17.8% in FY 2017 and 17.4% in FY 2018.

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

	<b>FY 18</b>	<b>% of</b>	<b>FY 17</b>	<b>% of</b>	<b>FY 16</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	\$ 578,149	42.1%	\$ 573,045	41.3%	\$ 569,268	41.2%
Research	156,188	11.4%	154,343	11.1%	149,805	10.8%
Public Service	87,125	6.3%	88,747	6.4%	88,721	6.4%
Academic Support	92,148	6.7%	96,887	7.0%	96,757	7.0%
Student Services	89,627	6.5%	91,705	6.6%	92,324	6.7%
Plant Operations	124,424	9.1%	136,339	9.8%	144,865	10.5%
Institutional Support	244,488	17.8%	247,833	17.8%	240,348	17.4%
<b>Total E &amp; G Expenses</b>	<u>1,372,149</u>	<u>98.8%</u>	<u>1,388,899</u>	<u>100.0%</u>	<u>1,382,088</u>	<u>100.0%</u>
Financial Aid	101,824		106,576		107,838	
Auxiliary Enterprises	216,085		213,677		214,184	
Depreciation	135,879		138,312		139,037	
Other	9,489		8,507		7,964	
<b>Total Operating Expenses</b>	<u>\$ 1,835,426</u>		<u>\$ 1,855,971</u>		<u>\$ 1,851,111</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 2018	FY 2017	FY 2016
Cash (Used In) Provided By:			
Operating Activities	\$ (470,276)	\$ (466,270)	\$ (487,892)
Noncapital Financing Activities	622,174	615,813	622,439
Capital Financing Activities	(149,170)	(209,713)	(241,641)
Investing Activities	4,242	60,050	75,988
Increase (Decrease) in Cash and Cash Equivalents	6,970	(120)	(31,106)
Cash and Cash Equivalents, beginning of year	378,424	378,544	409,650
Cash and Cash Equivalents, end of year	<u>\$ 385,394</u>	<u>\$ 378,424</u>	<u>\$ 378,544</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 \$470.3 million, \$466.3 million, and \$487.9 million for the years ended June 30, 2018, 2017, and 2016, 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 2018, 2017, and 2016, respectively, were student tuition and fees of \$649.8 million, \$623.5 million, and \$612.8 million; contracts and grants of \$287.1 million, \$288.6 million, and \$282.3 million; and auxiliary enterprise charges of \$246.2 million, \$249.5 million, and \$246.9 million. Primary uses of cash for FY 2018, 2017, and 2016, respectively, included payments to and on behalf of employees of \$1,092.9 million, \$1,122.0 million, and \$1,097.0 million and payments to suppliers of \$411.9 million, \$419.1 million, and \$433.2 million.
- Net cash provided from noncapital financing activities for FY 2018, 2017, and 2016, respectively, totaled \$622.2 million, \$615.8 million, and \$622.4 million, of which \$440.7 million, \$449.1 million, and \$456.6 million was from State General Revenue and Lottery appropriations, \$114.1 million, \$113.8 million, and \$115.0 million, was from Federal Pell Grants.

- Net cash used by capital financing activities for FY 2018 totaled \$149.2 million. The withdrawals from noncurrent cash and cash equivalents totaled \$27.8 million. Other sources include proceeds from bond issuances and borrowings of \$158.9 million, capital bond proceeds from the State of \$.4 million, offset by purchases of capital assets totaling \$102.8 million, principal and interest paid on notes, bonds and leases of \$140.1 million.
- Net cash used by capital financing activities for FY 2017 totaled \$209.7 million. The withdrawals from noncurrent cash and cash equivalents totaled \$30.9 million. Other sources include proceeds from bond issuances and borrowings of \$79.0 million, capital bond proceeds from the State of \$.9 million, and State capital grants (federal) received of \$18.9 million offset by purchases of capital assets totaling \$188.9 million, principal and interest paid on notes, bonds and leases of \$153.1 million.
- Net cash provided by investing activities for FY 2018, 2017 and 2016 totaled \$4.2 million and \$60.1 million and \$76.0 million. The FY 2018 change is a result of an increase in purchases of investments. The FY 2017 change is a result of an increase in the net receipts from sales/maturities of investments.
- Net cash for FY 2018 increased by \$6.6 million compared to a decrease in net cash for FY 2017 of \$.1 million and FY 2016 of \$31.1 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 \$102.8 million in FY 2018, as compared to \$188.9 million in FY 2017. 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 2018, expenditures at West Virginia University and Marshall University accounted for \$74.2 million of the \$102.7 million total. For FY 2017, expenditures at West Virginia University and Marshall University accounted for \$144.1 million of the \$188.9 million total.

During Fiscal year 2018, West Virginia School of Osteopathic Medicine began the Technology Building HVAC replacement project at a cost of \$.4 million. The project is to be completed in Fall 2018.

On November 7, 2017, The West Virginia Higher Education Policy Commission issued Series 2017 West Virginia Higher Education Policy Commission Community and Technical Colleges Capital Improvement Revenue Refunding Bonds to advance refund the outstanding principal amount of the State of West Virginia Higher Education Policy Commission Community and Technical Colleges Capital Improvement Revenue Refunding Bonds, 2009 Series A and to provide funds to finance the acquisition, construction, equipping or improvement of community and technical college facilities located in the State of West Virginia. The bonds refunded \$66,340,000 in outstanding 2009 Series A bonds.

On December 21, 2017, The Commission issued the State of West Virginia Higher Education Policy Commission Revenue Refunding Bonds (Higher Education Facilities Series 2017). The bonds were issued to provide funds to advance refund the West Virginia Higher Education Policy Commission Revenue Bonds (Higher Education Facilities) 2007 Series A bonds (“the 2007 Series A Bonds”), and a portion of the West Virginia Higher Education Policy Commission Revenue Bonds (Higher Education Facilities) 2010 Series A bonds (the “2010 Series A Bonds”)

to reduce debt service payments and to pay the costs associated with the bonds. The bonds refunded and defeased the \$15,765,000 in outstanding 2007 Series A Bonds and \$12,880,000 of the 2010 Series A Bonds.

On June 26, 2012, the Commission issued \$132,165,000 of Series A Bonds and \$11,130,550 of Series B Bonds to refund \$124,585,000 of Series 2004B Revenue Bonds. The savings in annual payment and transfers from the Series 2004B Revenue Bonds construction fund netted approximately \$8 million for additional capital projects. The annual debt service for the 2012 bonds and the remaining 2004B Bonds is equal to that of the 2004B bonds before the refunding. On December 17, 2010, the Commission issued \$16,520,000 of Series A Bonds, \$50,265,000 of Series B Bonds, and \$10,080,000 of Series C Bonds. State Lottery proceeds of a maximum of \$20,000,000 per year are used to pay bond debt service. In addition to the Lottery revenues, registration and tuition fees and educational and general capital fees collected at the institutions (Universities and Colleges) from students are used for the Commission's bond indebtedness.

The Commission made all required debt service payments and repaid principal of \$14.0 million in FY 2018, \$13.5 million in FY 2017 and \$14.4 million in FY 2016, respectively. See Notes 7 and 12 to the financial statements for further detail of long-term debt.

Glenville State College had capital asset additions of \$1,480 million and \$.9 million for the years ended June 30, 2018 and 2017, respectively. In FY18, the College began construction of the student housing at the site of the former Conrad Motel, now known as Riverfront Residences and the Academic Success Center on the third floor of the Robert F. Kidd Library.

West Virginia University, including the Health Sciences Center and its regional campuses, has a multi-year capital budget including planned capital expenditures of approximately \$306.3 million. The capital plan includes various capital projects to construct, renovate and/or upgrade academic and auxiliary facilities on the University's campuses. These capital projects are being financed through bond proceeds, grants, and other sources of revenues available to the University including internal financing, operational revenue and gifts.

Significant construction, capital and debt activities in fiscal year 2018 was as follows:

- The University completed improvements to the following buildings, infrastructure and land improvements during the fiscal year; renovations to Milan Puskar Stadium, redevelopment of the Reedsville Farm, renovations to the coliseum, various capital projects at the Health Sciences Center ("HSC") and at the WVU Beckley campus, the Evansdale quad and sidewalk widening project and various infrastructure projects. Additionally, other assets increased due to the donation of software to the Statler College of Engineering and the Department of Orthodontics.
- Other on-going capital activity included PRT train control upgrades, various Athletics projects including video boards, training table and other renovations at Milan Puskar Stadium, mechanical system upgrades at the coliseum, various energy performance projects, infrastructure projects at HSC, and various internally developed software projects.
- In December 2017, the WVU Research Corporation closed a loan from Wells Fargo for \$42.0 million. The loan proceeds were used to pay the United Bank loan and provide additional funds for projects at the campus in Beckley, WV

## **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 2013-2018. The master plan entitled *Leading the Way: Access. Success. Impact* sets forth the overarching goals for West Virginia public higher education and provides the conceptual framework plan. Three areas that are central to meeting current challenges in West Virginia higher education are identified in the plan:

1. Access
2. Success
3. Impact

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

In June 2018, The Governor of West Virginia created a Blue Ribbon Commission on Four Year Higher Education and charged it to recommend policies, structure and organization to improve four year higher education. The Report will be submitted to the Governor by December 10, 2018.

The Commission will recommend policies that support keeping schools in communities with institutional local governing boards, and that support mission differentiation, particularly, service, research and innovation. In forming recommendations, the Commission will do the following:

- Examine policies and governance structures to provide institutions with the ability to streamline administrative services to increase quality, create potential economies of scale and scope, including provision of services by a central service-providing entity.
- Examine policies that facilitate compatibility and alignment among the institutions and any central service-providing body.
- Examine policies that enhance the value and ability of four-year institutions to provide high quality instruction, community outreach, economic development, as well as research and creative discovery within the scope of each institution's mission.
- Examine methods used in other states to restructure higher education.

The Commission will recommend policies that provide all four-year institutions the opportunity to meet goals to increase access, retention and degree attainment. The Commission will do the following:

- Identify bureaucratic barriers and inefficiencies that interfere with the efficient delivery of education.
- Identify means to optimize access to instruction.
- Identify all technological breakthroughs to deliver world class educational opportunities.
- Identify the best practices to enroll, retain and graduate at-risk students.

Identify incentives for graduates to remain in West Virginia's workforce and leaders of West Virginia's communities.

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 Fulfilling the Vision: 2015-2020. The plan presented goals in four categories:

- Student Success
- Workforce Development
- Access
- Fiscal Stability

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 \$2,044.6 million. The continued success of the Fund is closely tied to the economic strength of the State of West Virginia. Over 23% of operating and nonoperating revenues of the Fund in FY 2018 are from State general revenue and lottery revenues. This funding is critical to the success of the higher education system in meeting the Compact goals.

State appropriations decreased about 2.4% in FY 2018 from FY 2017. The decline in the extractive industries resulted in reduced severance tax collections for the State. In addition, sales tax reductions reduced funds available for state agencies.

The demographics of the State of West Virginia also have an impact on the future operations of the Fund. 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. Net student tuition and fees provide approximately 33.1% of the total revenues of the Fund, an increase of .62% over FY 2017.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

	2018	2017 (As Restated)
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 385,394	\$ 378,424
Investments	110,460	110,706
Appropriations Due from Primary Government	6,592	8,842
Accounts Receivable, Net	139,786	99,108
Loans Receivable, Current Portion	7,071	8,052
Other Current Assets	12,520	11,079
Inventories	3,713	4,331
Total Current Assets	665,536	620,542
<b>NONCURRENT ASSETS</b>		
Cash and Cash Equivalents	50,930	67,987
Investments	169,868	150,644
Loans Receivable, Net of allowance of \$9,572 and \$10,224 in 2018 and 2017, Respectively	45,098	45,488
Other Assets	25,367	25,879
Capital Assets, Net	3,177,862	3,196,303
Total Noncurrent Assets	3,469,125	3,486,301
Total Assets	4,134,661	4,106,843
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Loss on Refunding	31,520	28,301
Deferred Outflows Related to BRNI Acquisition	265	398
Deferred Outflows Related to Pensions	4,017	7,056
Deferred Outflows Related to OPEB	24,101	-
Total Deferred Outflows of Resources	59,903	35,755
Total Assets and Deferred Inflows of Resources	\$ 4,194,564	\$ 4,142,598

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF NET POSITION (CONTINUED)**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	2018	2017 (As Restated)
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 60,406	\$ 60,997
Due to State of West Virginia	435	544
Accrued Liabilities	87,384	80,979
Unearned Revenue	79,968	78,851
Deposits	8,671	6,303
Real Estate Purchase Agreements Payable, Current Portion	610	600
Other Liabilities, Current Portion	1,255	735
Compensated Absences, Current Portion	45,130	44,066
Notes Payable, Current Portion	2,327	2,482
Capital Lease Obligations, Current Portion	5,763	4,588
Interest Payable	9,829	9,911
Bonds Payable, Current Portion	39,329	41,111
Total Current Liabilities	341,107	331,167
<b>NONCURRENT LIABILITIES</b>		
Advances from Federal Sponsors	37,108	43,639
Real Estate Purchase Agreement Payable	12,448	13,211
Compensated Absences	3,942	4,031
Notes Payable	69,532	54,951
Capital Lease Obligations	39,552	46,487
Future Interest Payable	34,728	35,466
Bonds Payable	1,172,217	1,195,052
Net Other Postemployment Benefit Liability	283,628	336,281
Net Pension Liability	20,016	28,100
Other Noncurrent Liabilities	38,843	36,422
Total Noncurrent Liabilities	1,712,014	1,793,640
Total Liabilities	2,053,121	2,124,807

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF NET POSITION (CONTINUED)**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

	2018	2017 (As Restated)
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (Continued)</b>		
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Service Concession Arrangements	\$ 38,484	\$ 38,538
Deferred Inflows Related to Pensions	7,341	4,140
Deferred Inflows Related to OPEB	48,457	-
Other	1,566	1,144
Total Deferred Inflows of Resources	95,848	43,822
Total Liabilities and Deferred Inflows of Resources	2,148,969	2,168,629
<b>NET POSITION</b>		
Net Investment in Capital Assets	2,125,363	2,129,316
Restricted for:		
Expendable:		
Scholarships	10,412	12,818
Sponsored Projects	23,712	24,729
Loans	15,290	13,618
Capital Projects	29,454	27,146
Debt Service	12,560	11,965
Other	5,648	4,745
Total Restricted Expendable	97,076	95,021
Nonexpendable	36,157	35,981
Unrestricted	(213,001)	(286,349)
Total Net Position	2,045,595	1,973,969
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 4,194,564	\$ 4,142,598

See accompanying Notes to 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**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
(DOLLARS IN THOUSANDS)

	2018	2017 (As Restated)
<b>OPERATING REVENUES</b>		
Student Tuition and Fees, Net of Scholarship Allowance of \$208,646 in 2018 and \$194,840 in 2017	\$ 634,491	\$ 614,353
Federal and Local Land Grants	9,725	9,100
Contracts and Grants:		
Federal	132,796	131,634
State	46,678	52,439
Local	1,827	1,910
Private	115,138	103,709
Interest on Student Loans Receivable	1,231	1,235
Sales and Services of Educational Activities	27,975	27,593
Auxiliary Enterprise Revenue, Net of Scholarship Allowance of \$31,775 in 2018 and \$29,531 in 2017	248,671	255,481
Other Operating Revenues	29,524	36,416
Total Operating Revenues	1,248,056	1,233,870
<b>OPERATING EXPENSES</b>		
Salaries and Wages	868,270	866,409
Benefits	251,119	255,542
Supplies and Other Services	411,415	419,698
Utilities	64,534	62,755
Student Financial Aid, Scholarships and Fellowships	100,969	106,164
Depreciation and Amortization	135,879	138,312
Other Operating Expenses	3,240	7,091
Total Operating Expenses	1,835,426	1,855,971
<b>OPERATING LOSS</b>	(587,370)	(622,101)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	415,499	426,226
State Lottery Appropriations	26,959	27,155
Federal Pell Grants	113,553	113,691
Gifts	66,406	53,239
Investment Income, Including Unrealized Gain of \$3,320 in 2018 and \$6,831 in 2017	22,998	29,254
Interest on Indebtedness	(57,428)	(55,050)

See accompanying Notes to 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 (CONTINUED)**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

	2018	2017 (As Restated)
<b>NONOPERATING REVENUES (EXPENSES) (CONTINUED)</b>		
Payments Made on Behalf of the Fund	\$ 22,847	\$ 6,409
Student Financial Aid and Other Payments to Institutions	(3,634)	(5,592)
Other Nonoperating Expense, Net	(908)	(7,219)
Net Nonoperating Revenues	606,292	588,113
 <b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	 18,922	 (33,988)
 <b>CAPITAL GRANTS, APPROPRIATIONS, AND GIFTS</b>	 35,638	 51,907
 <b>CAPITAL BOND PROCEEDS FROM THE STATE</b>	 -	 124
 <b>CAPITAL PAYMENTS MADE ON BEHALF OF THE FUND</b>	 1,731	 -
 <b>TRANSFERS TO OTHER GOVERNMENTS</b>	 (3,336)	 -
 <b>INCREASE IN NET POSITION</b>	 52,955	 18,043
Net Position - Beginning of Year, as previously reported	1,973,969	1,953,502
Restatement - OPEB Liability	18,671	-
Restatement - Correction of Prior Year Errors	-	2,424
Net Position - Beginning of Year, as restated	1,992,640	1,955,926
 <b>NET POSITON - END OF YEAR</b>	 \$ 2,045,595	 \$ 1,973,969

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
(DOLLARS IN THOUSANDS)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student Tuition and Fees	\$ 649,839	\$ 623,548
Federal and Local Land Grants	9,725	9,100
Contracts and Grants	287,090	288,630
Payments to and on Behalf of Employees	(1,092,096)	(1,101,982)
Payments to Suppliers	(411,821)	(419,119)
Payments to Utilities	(65,969)	(60,877)
Payments for Scholarships and Fellowships	(110,291)	(110,699)
Loans Issued to Students	(2,586)	(2,819)
Collection of Loans to Students	3,452	2,645
Sales and Services of Educational Activities	28,241	26,146
Interest Earned on Loans to Students	839	851
Auxiliary Enterprise Charges	246,188	249,546
Other Receipts, Net	(12,887)	28,760
Net Cash Used by Operating Activities	(470,276)	(466,270)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	440,672	449,135
Federal Pell Grants	114,100	113,785
Payments to Other Institutions	(874)	(5,592)
Gift Receipts	65,176	51,956
Direct Lending Receipts	441,815	465,887
Direct Lending Payments	(442,470)	(464,415)
Other Nonoperating Receipts, Net	3,755	5,057
Net Cash Provided by Noncapital Financing Activities	622,174	615,813
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from Bond Issuances and Borrowings	158,854	78,993
Proceeds from Capital Asset Disposals and Sale of Natural Resources	18	16
Capital Bond Proceeds from State	353	874
Payment of Bond Issuance Costs	(5,512)	-
Withdrawals from Noncurrent Cash and Cash Equivalents	27,833	30,948
Deposits to Noncurrent Cash and Cash Equivalents	(10,775)	(14,190)
Capital Grants and Gifts Received	19,637	18,917
Purchases of Capital Assets	(102,760)	(188,868)
Principal Paid on Notes, Bonds, and Leases	(81,181)	(93,417)
Payoff of Refinanced Bonds	(94,985)	-
Interest Paid on Notes, Bonds, and Leases	(58,879)	(59,644)
Other	(1,773)	16,658
Net Cash Used by Capital Financing Activities	(149,170)	(209,713)

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
(DOLLARS IN THOUSANDS)

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipts from Sales/Maturities of Investments	\$ 28,352	\$ 46,576
Purchases of Investments	(38,711)	1,403
Investment Income	14,601	12,071
Net Cash Provided by Investing Activities	<u>4,242</u>	<u>60,050</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	6,970	(120)
Cash and Cash Equivalents - Beginning of Year	<u>378,424</u>	<u>378,544</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 385,394</u>	<u>\$ 378,424</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (587,370)	\$ (622,101)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization Expense	135,879	138,312
Donated/Noncapitalized Expense	949	2,009
Accretion on Bond Premium/Discount	(2)	(450)
Loan Cancellations and Write-offs	151	152
Expenses Paid on Behalf of the Fund	12,906	2,877
Changes in Assets and Liabilities:		
Receivables, Net	(33,161)	(7,816)
Loans Receivable, Net	855	206
Prepaid Expenses	735	(2,440)
Inventories	617	235
Accounts Payable	3,232	4,152
Accrued Liabilities	(25,985)	8,732
Defined Benefit Pension	9,783	521
Compensated Absences	976	68
Unearned Revenue	853	5,271
Deposits	(110)	(300)
Other Postemployment Benefit Liability	15,941	3,939
Advances from Federal Sponsors	(5,345)	(206)
Other	(1,180)	569
Net Cash Used by Operating Activities	<u>\$ (470,276)</u>	<u>\$ (466,270)</u>

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
(DOLLARS IN THOUSANDS)

	2018	2017
<b>SIGNIFICANT NONCASH TRANSACTIONS</b>		
Construction in Progress and Capital Asset Additions Included in Accounts Payable and Accrued Liabilities	\$ 4,845	\$ 8,407
Donated Capital Assets	\$ 18,867	\$ 22,647
Loss on Disposal of Fixed Assets	\$ (79)	\$ (4,080)
Capitalized Interest	\$ 649	\$ 2,011
Unrealized Gain on Investment	\$ 3,320	\$ 6,831
Bond and Real Estate Agreements, Payable Discounts, Premiums, Losses	\$ 151	\$ 1,541
Other Postemployment Benefits	\$ -	\$ (4,988)
Gift of Noncapital Asset	\$ 1,176	\$ 2,578
Capital Assets Obtained under Capital Leases	\$ 999	\$ 2,359
Adjustment to Medical Malpractice Liability	\$ -	\$ (7,193)
Deferred Service Concession Arrangements, Net	\$ -	\$ 754
Expenses Paid on Behalf	\$ 18,652	\$ 20,686
Deferred Loss on Refunding	\$ -	\$ (466)

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS – STATEMENT OF NET ASSETS**  
**JUNE 30, 2018**

	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 Glenville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc. *	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.	Total
<b>ASSETS</b>																		
Cash and Cash Equivalents	\$ 1,594,800	\$ 925,884	\$ -	\$ 493,873	\$ 902,642	\$ 74,157	\$ 15,151,619	\$ 191,261	\$ 1,705,963	\$ 4,609,572	\$ 214,285	\$ 160,484	\$ 86,479	\$ 362,531	\$ 2,644,862	\$ 31,262	\$ 222,752	\$ 29,372,426
Investments	8,465,964	11,680,035	-	39,224,086	25,732,278	10,425,750	208,815,449	394,674	-	23,558,785	3,480,310	16,033,130	4,655,137	44,259,878	12,461,019	11,100,101	568,584	420,855,180
Pledges and Contributions Receivable, Net	635,933	362,587	103,910	254,520	620,602	-	12,925,224	-	447,970	3,147,314	158,624	256,348	1,422	250,066	2,599,476	-	15,000	21,778,996
Other Assets	1,764,883	2,047,057	306,412	558,218	11,114	1,741,149	1,967,816	952,548	5,257,325	421,518	22,864	84,561	299,488	250,000	22,338,016	13,550	5,868	38,042,387
Beneficial Interests	735,989	-	-	-	2,975,677	-	9,577,362	1,241,051	-	-	-	2,251,816	1,125,908	-	270,955	-	-	18,178,758
Property and Equipment, Net	-	-	766,891	1,120	343,671	3,249,693	12,399,504	-	58,774,976	20,461,999	-	-	-	-	437,673	1,282,039	-	97,717,566
<b>Total</b>	<b>\$ 13,197,569</b>	<b>\$ 15,015,563</b>	<b>\$ 1,177,213</b>	<b>\$ 40,531,817</b>	<b>\$ 30,585,984</b>	<b>\$ 15,490,749</b>	<b>\$ 260,836,974</b>	<b>\$ 2,779,534</b>	<b>\$ 66,186,234</b>	<b>\$ 52,199,188</b>	<b>\$ 3,876,083</b>	<b>\$ 18,786,339</b>	<b>\$ 6,168,434</b>	<b>\$ 45,122,475</b>	<b>\$ 40,752,001</b>	<b>\$ 12,426,952</b>	<b>\$ 812,204</b>	<b>\$ 625,945,313</b>

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS – STATEMENT OF NET ASSETS (CONTINUED)**  
**JUNE 30, 2018**

	Big Green Scholarship Foundation Inc.	Bluefield State College College Foundation Inc.	Bluefield State College Research and Development Corporation	Concord University Foundation, Inc.	Fairmont State University Foundation Inc.	The Glenville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc. *	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.	Total	
<b>LIABILITIES AND NET ASSETS</b>																			
<b>LIABILITIES</b>																			
Accounts Payable	\$ 57,554	\$ -	\$ 173,977	\$ 6,411	\$ 7,293	\$ 27,712	\$ 138,777	\$ 200	\$ 202,402	\$ 16,615	\$ 12,336	\$ 112,446	\$ 6,842	\$ -	\$ 50,057	\$ 13,206	\$ -	\$ 825,828	
Other Accrued Liabilities	4,032	-	11,123	-	-	-	1,178,427	145,147	12,901,945	1,025,877	4,536	-	9,710	120,000	-	-	1,140	15,401,937	
Amounts Held on Behalf of Others	-	39,378	377,253	4,779,446	-	14,230	71,011,547	-	-	846,841	-	-	-	39,060,342	-	13,919	-	116,142,956	
Annuity Obligations	-	-	-	62,993	19,880	-	-	-	-	108,325	-	18,204	-	-	-	-	-	-	209,402
Bonds and Notes Payable	1,557,338	-	3,104,827	-	-	3,232,130	300,000	-	86,769,496	21,740,990	-	-	-	-	-	24,837,602	-	141,542,383	
Total Liabilities	1,618,924	39,378	3,667,180	4,848,850	27,173	3,274,072	72,628,751	145,347	99,873,843	23,738,648	16,872	130,650	16,552	39,180,342	24,887,659	27,125	1,140	274,122,506	
<b>NET ASSETS (DEFICIT)</b>																			
Unrestricted	2,247,810	11,609,546	(2,489,967)	572,133	5,226,922	76,050	8,682,549	37,210	(33,687,609)	(1,283,767)	1,043,974	1,562,149	881,774	1,768,778	767,787	1,517,133	135,521	(1,332,007)	
Temporarily Restricted	735,989	1,440,630	-	9,802,905	5,718,012	2,621,034	65,323,115	829,144	-	9,025,454	2,800,237	3,243,955	3,124,187	1,653,260	8,023,655	9,728,776	175,543	124,245,896	
Permanently Restricted	8,594,846	1,926,009	-	25,307,929	19,613,877	9,519,593	114,202,559	1,767,833	-	20,718,853	15,000	13,849,585	2,145,921	2,520,095	7,072,900	1,153,918	500,000	228,908,918	
Total Net Assets (Deficit)	11,578,645	14,976,185	(2,489,967)	35,682,967	30,558,811	12,216,677	188,208,223	2,634,187	(33,687,609)	28,460,540	3,859,211	18,655,689	6,151,882	5,942,133	15,864,342	12,399,827	811,064	351,822,807	
Total	\$ 13,197,569	\$ 15,015,563	\$ 1,177,213	\$ 40,531,817	\$ 30,585,984	\$ 15,490,749	\$ 260,836,974	\$ 2,779,534	\$ 66,186,234	\$ 52,199,188	\$ 3,876,083	\$ 18,786,339	\$ 6,168,434	\$ 45,122,475	\$ 40,752,001	\$ 12,426,952	\$ 812,204	\$ 625,945,313	

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS – STATEMENT OF NET ASSETS**  
**JUNE 30, 2017**

	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 University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.	Total
<b>ASSETS</b>																		
Cash and Cash Equivalents	\$ 1,597,686	\$ 1,102,405	\$ 54,405	\$ 985,118	\$ 1,098,794	\$ 6,745	\$ 15,491,176	\$ 279,906	\$ 1,183,864	\$ 8,632,553	\$ 231,808	\$ 117,646	\$ 87,864	\$ 410,010	\$ 2,517,905	\$ 31,874	\$ 467,523	\$ 34,297,282
Investments	7,697,483	11,294,994	-	37,107,058	24,280,833	9,492,263	202,130,933	373,264	-	23,025,064	3,552,548	14,638,884	4,096,706	41,976,753	11,412,121	11,114,880	258,425	402,452,209
Pledges and Contributions Receivable, Net	599,201	2,000,000	88,541	747,773	789,831	-	16,303,877	-	590,942	3,585,350	194,807	1,103,234	4,585	1,364,549	2,381,600	-	15,000	29,769,290
Other Assets	2,342,262	52,338	284,838	25,394	2,000	1,671,417	2,084,245	1,851,502	5,419,062	374,633	23,742	75,262	287,277	250,000	22,718,259	5,658	5,498	37,473,387
Beneficial Interests	731,556	-	-	-	2,920,592	-	9,486,260	-	-	-	-	2,175,746	1,087,873	-	263,176	-	-	16,665,203
Property and Equipment, Net	14,767	-	766,891	1,860	6,628	3,369,568	12,771,262	-	61,609,530	18,932,126	-	-	-	-	699,446	1,063,763	-	99,235,841
<b>Total</b>	<b>\$ 12,982,955</b>	<b>\$ 14,449,737</b>	<b>\$ 1,194,675</b>	<b>\$ 38,867,203</b>	<b>\$ 29,098,678</b>	<b>\$ 14,539,993</b>	<b>\$ 258,267,753</b>	<b>\$ 2,504,672</b>	<b>\$ 68,803,398</b>	<b>\$ 54,549,726</b>	<b>\$ 4,002,905</b>	<b>\$ 18,110,772</b>	<b>\$ 5,564,305</b>	<b>\$ 44,001,312</b>	<b>\$ 39,992,507</b>	<b>\$ 12,216,175</b>	<b>\$ 746,446</b>	<b>\$ 619,893,212</b>

See accompanying Notes to Financial Statements.



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS – STATEMENT OF NET ASSETS (CONTINUED)**  
**JUNE 30, 2017**

	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.	Total
<b>LIABILITIES AND NET ASSETS</b>																		
<b>LIABILITIES</b>																		
Accounts Payable	\$ 46,784	\$ -	\$ 59,564	\$ 153,750	\$ 9,797	\$ 69,680	\$ 41,301	\$ 2,568	\$ 140,889	\$ 1,747,003	\$ 247,016	\$ 8,880	\$ 6,575	\$ -	\$ 27,891	\$ 94,233	\$ -	\$ 2,655,931
Other Accrued Liabilities	350	41,738	286,052	4,719,916	27,681	78,647	955,302	101,625	17,640,171	24,381,654	-	21,477	-	37,202,282	-	15,238	80	85,472,213
Amounts Held on Behalf of Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Annuity Obligations	-	-	-	-	-	10,465	66,802,481	-	-	-	-	-	-	-	-	-	-	66,812,946
Bonds and Notes Payable	2,096,023	-	3,183,156	-	-	3,230,483	7,238,376	-	87,225,398	-	-	-	-	-	-	24,814,140	-	127,787,576
Total Liabilities	2,143,157	41,738	3,528,772	4,873,666	37,478	3,389,275	75,037,460	104,193	105,006,458	26,128,657	247,016	30,357	6,575	37,202,282	24,842,031	109,471	80	
<b>NET ASSETS (DEFICIT)</b>																		
Unrestricted	2,273,106	11,642,866	(2,334,097)	382,309	4,401,504	97,805	11,339,231	123,935	(36,203,060)	(6,230,161)	63,028	1,561,783	868,817	1,879,820	807,817	1,220,155	115,328	(7,989,814)
Temporarily Restricted	731,556	910,202	-	9,111,371	5,603,003	1,667,991	61,192,115	690,945	-	8,703,956	3,677,861	5,207,072	2,745,580	1,478,527	7,375,524	9,732,631	131,038	118,959,372
Permanently Restricted	7,835,136	1,854,931	-	24,499,857	19,056,693	9,384,922	110,698,947	1,585,599	-	25,947,274	15,000	11,311,560	1,943,333	3,440,683	6,967,135	1,153,918	500,000	226,194,988
Total Net Assets (Deficit)	10,839,798	14,407,999	(2,334,097)	33,993,537	29,061,200	11,150,718	183,230,293	2,400,479	(36,203,060)	28,421,069	3,755,889	18,080,415	5,557,730	6,799,030	15,150,476	12,106,704	746,366	337,164,546
Total	\$ 12,982,955	\$ 14,449,737	\$ 1,194,675	\$ 38,867,203	\$ 29,098,678	\$ 14,539,993	\$ 258,267,753	\$ 2,504,672	\$ 68,803,398	\$ 54,549,726	\$ 4,002,905	\$ 18,110,772	\$ 5,564,305	\$ 44,001,312	\$ 39,992,507	\$ 12,216,175	\$ 746,446	\$ 619,893,212

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS – STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

	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.	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>																		
Unrestricted:																		
Gifts, Contributions, and Other	\$ 3,680,598	\$ 31,251	\$ 1,135,908	\$ 396,331	\$ 596,498	\$ 971,812	\$ 853,939	\$ 106,472	\$ 10,405,828	\$ 4,401,625	\$ -	\$ 384,318	\$ 18,435	\$ 340,648	\$ 358,853	\$ 83,291	\$ 21,785	\$ 23,787,592
Investment Income (Loss)	358,970	617,514	-	(92,090)	376,833	247,539	1,140,288	3,778	4,716,661	1,402,595	90,530	56,095	34,218	54,898	38,666	13,218	352	9,060,065
Reclassifications	-	228,426	-	1,455,919	2,130,377	1,038,104	11,761,995	136,574	-	-	1,236,131	1,858,620	154,717	102,665	1,785,492	910,735	58,537	22,858,292
Temporarily Restricted:																		
Gifts, contributions, and Other	-	534,602	-	10,862	1,252,573	1,318,825	7,914,276	134,555	-	-	201,598	847,853	248,350	5,413	1,750,819	161,263	80,831	14,461,820
Investment Income	4,433	224,252	-	1,799,780	1,265,576	672,322	7,703,752	119,246	-	-	156,909	132,383	284,974	271,985	670,978	745,617	22,211	14,074,418
Reclassifications	-	(228,426)	-	(1,119,108)	(2,130,377)	(1,038,104)	(11,487,028)	(136,574)	-	-	(1,236,131)	(1,800,353)	(154,717)	(102,665)	(1,773,666)	(910,735)	(58,537)	(22,176,421)
Permanently Restricted:																		
Gifts, Contributions, and Other	473,340	71,078	-	362,129	680,948	134,671	2,647,812	176,246	-	-	-	277,223	115,320	46,000	109,812	-	-	5,094,579
Investment Income	365,451	-	-	782,754	55,085	-	1,130,767	-	-	-	-	1,176,069	87,268	-	7,779	-	-	3,605,173
Reclassifications	-	-	-	(336,811)	-	-	(274,967)	-	-	-	-	(58,267)	-	-	(11,826)	-	-	(681,871)
Total Revenues, Gains, and Other Support	4,882,792	1,478,697	1,135,908	3,259,766	4,227,513	3,345,169	21,390,834	540,297	15,122,489	5,804,220	449,037	2,873,941	788,565	718,944	2,936,907	1,003,389	125,179	70,083,647
<b>EXPENSES</b>																		
Scholarships, Awards, and Grants	10,500	272,484	25,832	900,895	1,205,058	363,375	13,306,357	201,689	-	2,377,696	167,709	396,644	57,614	1,259,758	-	300,352	42,145	20,888,108
College Support	3,540,695	334,526	1,018,568	657,807	1,524,844	1,819,260	1,398,504	64,637	8,958,233	2,894,039	101,756	1,661,032	100,064	138,233	2,057,987	82,138	12,661	26,364,984
Management and General	592,750	303,501	247,378	11,634	-	96,575	1,708,043	40,263	3,648,805	493,014	76,250	240,991	36,735	177,850	165,054	327,776	5,675	8,172,294
Impairment Loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	4,143,945	910,511	1,291,778	1,570,336	2,729,902	2,279,210	16,412,904	306,589	12,607,038	5,764,749	345,715	2,298,667	194,413	1,575,841	2,223,041	710,266	60,481	55,425,386
<b>CHANGE IN NET ASSETS</b>																		
Unrestricted	(104,377)	(33,320)	(155,870)	189,824	373,806	(21,755)	(2,656,682)	(59,765)	2,515,451	39,471	980,946	366	12,957	(1,077,630)	(40,030)	296,978	20,193	280,563
Temporarily Restricted	4,433	530,428	-	691,534	387,772	953,043	4,131,000	117,227	-	-	(877,624)	(820,117)	378,607	174,733	648,131	(3,855)	44,505	6,359,817
Permanently Restricted	838,791	71,078	-	808,072	736,033	134,671	3,503,612	176,246	-	-	-	1,395,025	202,588	46,000	105,765	-	-	8,017,881
Total Change in Net Assets	738,847	568,186	(155,870)	1,689,430	1,497,611	1,065,959	4,977,930	233,708	2,515,451	39,471	103,322	575,274	594,152	(856,897)	713,866	293,123	64,698	14,658,261
Net Assets (Deficit) -																		
Beginning of Year	10,839,798	14,407,999	(2,334,097)	33,993,537	29,061,200	11,150,718	183,230,293	2,400,479	(36,203,060)	28,421,069	3,755,889	18,080,415	5,557,730	6,799,030	15,150,476	12,106,704	746,366	337,164,546
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>																		
	\$ 11,578,645	\$ 14,976,185	\$ (2,489,967)	\$ 35,682,967	\$ 30,558,811	\$ 12,216,677	\$ 188,208,223	\$ 2,634,187	\$ (33,687,609)	\$ 28,460,540	\$ 3,859,211	\$ 18,655,689	\$ 6,151,882	\$ 5,942,133	\$ 15,864,342	\$ 12,399,827	\$ 811,064	\$ 351,822,807

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS – STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

	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.	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>																		
Unrestricted:																		
Gifts, Contributions, and Other	\$ 3,696,781	\$ 28,823	\$ 1,704,527	\$ 280,743	\$ 264,981	\$ 515,858	\$ 447,608	\$ 217,678	\$ 10,690,396	\$ 26,720	\$ -	\$ 374,678	\$ 44,894	\$ 510,334	\$ 437,674	\$ 72,800	\$ 17,106	\$ 19,331,601
Investment Income (Loss)	120,602	852,968	-	(69,253)	529,443	675,087	1,470,404	10,971	7,179,214	1,641,301	24,724	257,861	46,367	163,218	3,782	(9,265)	-	12,897,424
Reclassifications	405,790	29,813	-	1,722,594	2,427,452	1,191,755	15,386,488	68,530	-	1,753,985	444,597	1,154,686	108,020	324,598	1,599,260	887,557	36,800	27,541,925
Temporarily Restricted:																		
Gifts, contributions, and Other	-	138,645	-	263,012	1,054,740	660,769	7,954,133	40,242	-	2,762,450	186,790	1,531,255	64,001	52,615	677,420	183,377	67,220	15,636,669
Investment Income	46,535	103,531	-	2,325,962	1,674,189	641,798	13,142,088	108,448	-	620,718	426,156	1,336,068	379,891	294,701	1,075,504	1,010,709	10,904	23,197,202
Reclassifications	-	(34,335)	-	(1,371,215)	(2,486,358)	(1,191,755)	(15,373,216)	(98,057)	-	(1,758,597)	(444,597)	(1,154,686)	(108,020)	(324,598)	(1,587,286)	(887,557)	(36,800)	(26,857,077)
Permanently Restricted:																		
Gifts, Contributions, and Other	423,513	133,046	-	235,968	3,566,613	1,487,211	6,951,351	139,624	-	688,224	-	1,000,347	107,134	218,145	198,251	-	-	15,149,427
Investment Income	544,434	-	-	1,051,936	263,001	-	1,059,438	-	-	21,689	-	214,269	-	-	16,351	-	-	3,171,118
Reclassifications	(405,790)	4,522	-	(351,379)	58,906	-	(13,272)	29,527	-	4,612	-	-	-	-	(11,974)	-	-	(684,848)
Total Revenues, Gains, and Other Support	4,831,865	1,257,013	1,704,527	4,088,368	7,352,967	3,980,723	31,025,022	516,963	17,869,610	5,761,102	637,670	4,714,478	642,287	1,239,013	2,408,982	1,257,621	95,230	89,383,441
<b>EXPENSES</b>																		
Scholarships, Awards, and Grants	1,852,500	251,477	1,420,318	822,863	1,199,339	422,550	4,024,247	136,309	-	1,757,190	275,228	470,949	45,245	504,783	-	185,949	16,391	13,385,338
College Support	1,150,878	138,580	-	783,523	670,095	888,532	10,831,775	-	-	107,195	95,797	818,510	35,364	-	1,576,239	49,741	30,621	17,176,850
Management and General	1,405,350	675,613	170,945	320,900	481,862	510,018	1,665,145	113,923	12,743,653	1,014,801	105,217	218,221	43,429	309,820	379,372	288,927	717	20,447,913
Impairment Loss	-	-	820,090	-	-	-	-	-	-	-	-	-	-	-	-	-	-	820,090
Total Expenses	4,408,728	1,065,670	2,411,353	1,927,286	2,351,296	1,821,100	16,521,167	250,232	12,743,653	2,879,186	476,242	1,507,680	124,038	814,603	1,955,611	524,617	47,729	
<b>CHANGE IN NET ASSETS</b>																		
Unrestricted	(185,555)	(154,066)	(706,826)	6,798	870,580	561,600	783,333	46,947	5,125,957	542,820	(6,921)	279,545	75,243	183,547	85,105	426,475	6,177	7,940,759
Temporarily Restricted	46,535	207,841	-	1,217,759	242,571	110,812	5,723,005	50,633	-	1,624,571	168,349	1,712,637	335,872	22,718	165,638	306,529	41,324	11,976,794
Permanently Restricted	562,157	137,568	-	936,525	3,888,520	1,487,211	7,997,517	169,151	-	714,525	-	1,214,616	107,134	218,145	202,628	-	-	17,635,697
Total Change in Net Assets	423,137	191,343	(706,826)	2,161,082	5,001,671	2,159,623	14,503,855	266,731	5,125,957	2,881,916	161,428	3,206,798	518,249	424,410	453,371	733,004	47,501	
Net Assets (Deficit) -																		
Beginning of Year	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	299,611,296
<b>NET ASSETS (DEFICIT) -</b>																		
<b>END OF YEAR</b>	<b>\$ 10,839,798</b>	<b>\$ 14,407,999</b>	<b>\$ (2,334,097)</b>	<b>\$ 33,993,537</b>	<b>\$ 29,061,200</b>	<b>\$ 11,150,718</b>	<b>\$ 183,230,293</b>	<b>\$ 2,400,479</b>	<b>\$ (36,203,060)</b>	<b>\$ 28,421,069</b>	<b>\$ 3,755,889</b>	<b>\$ 18,080,415</b>	<b>\$ 5,557,730</b>	<b>\$ 6,799,030</b>	<b>\$ 15,150,476</b>	<b>\$ 12,106,704</b>	<b>\$ 746,366</b>	<b>\$ 337,164,546</b>

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**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 (Northern)
- 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, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**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 26 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, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**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, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**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**

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, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**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.

**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 collectability experienced by the Fund on such balances, and such other factors which, in the Fund's judgment, require consideration in estimating doubtful accounts.



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

**Inventories**

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

**Noncurrent Cash, Cash Equivalents, and Investments**

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

**Capital Assets**

Capital assets include property, plant, and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Capital assets under service concession arrangements are recorded at acquisition value at the date of the gift. Interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction and was approximately \$1.2 million for the years ended June 30, 2018 and 2017, 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 Postemployment Benefits**

GASB provides standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 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, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

**Compensated Absences and Other Postemployment 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, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**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 30, 2018 and 2017, the Fund had a deferred loss on refunding of approximately \$31,520 and \$28,301, respectively, deferred outflows of resources related to pensions of approximately \$4,017 and \$7,056, respectively (Note 14), and deferred outflows of resources related to other postemployment benefits of \$24,101 and \$-0-, respectively, (Note 8). Deferred outflows are accreted over the periods of the refinancing bond issue related to the deferred loss on refinancing.

**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, 2018 and 2017, the Fund had total deferred inflows of resources of approximately \$38,484 and \$38,538 related to service concession arrangements. As of June 30, 2018 and 2017, the deferred inflows related to pensions were approximately \$7,341 and \$4,140 (Note 14). As of June 30, 2018 and 2017, the deferred inflows related to other postemployment benefits were approximately \$48,457 and \$-0-, respectively (Note 8). Other deferred inflows of resources include deferred gains on refunding and deferred federal Pell grants of approximately \$1,566 and \$1,144 as of June 30, 2018 and 2017, respectively.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

**Risk Management**

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

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

The WVU and Marshall Schools of Medicine (SOMs) have established a \$250 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 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. For fiscal year 2018, BRIM will provide coverage for indemnity amounts between \$250 and \$1,542 per occurrence. For fiscal year 2017, BRIM will provide coverage for indemnity amounts between \$250 and \$1,511 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 per occurrence. Prior to July 1, 2005, the SOMs were totally covered by BRIM at a limit of \$1,000 per occurrence.

Under the program, the SOMs entered into an agreement with BRIM whereby the SOMs have on deposit \$3.9 million as of June 30, 2018 and 2017, 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 \$30.6 million and \$25.3 million as of June 30, 2018 and 2017, 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 \$8.1 million and \$7.8 million as of June 30, 2018 and 2017, respectively. Based on actuarial valuations of this self-insurance program, the Fund has recorded a liability of \$32.6 million and \$30.0 million to reflect projected claim payments at June 30, 2018 and 2017, respectively, for both WVU's and Marshall's SOMs.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

**Risk Management (Continued)**

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

**Classification of Revenues**

The Fund has classified its revenues according to the following criteria:

**Operating Revenues**

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

**Nonoperating Revenues**

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

**Other Revenues**

Other revenues consist primarily of capital grants and gifts.

**Use of Restricted Net Position**

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

**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 2018 and 2017, the Fund received and disbursed, or awarded, approximately \$442 million and \$466 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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

**Federal Financial Assistance Programs (Continued)**

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 2018 and 2017, the Fund received and disbursed approximately \$123 million and \$129 million, respectively, under these federal student aid programs.

**Scholarship Allowances**

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

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

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

**Government Grants and Contracts**

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

**Income Taxes**

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

**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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

**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 2018 financial statements have been reclassified to conform to the 2017 presentation.

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

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 requires each entity to report its share of the defined benefit other postemployment benefits (OPEB) liabilities and expenses, as well as the related deferred outflows or resources and deferred inflows of resources, allocated to it by the West Virginia Health Benefit Trust Fund (RHBT). The July 1, 2017, balance of the net OPEB liability and related deferred outflows of resources is reported in the statement of revenues, expenses, and changes in net position as a restatement to the 2017 net position at beginning of year. The RHBT was not able to provide sufficient information to restate the June 30, 2017 financial statements.

Net Position - Beginning of the Year, as Previously Restated	\$ 1,973,969
Balance of the OPEB Liability and Related Deferred Outflows of Resources	<u>18,671</u>
Net Position - Beginning of Year, Restated	<u>\$ 1,992,640</u>

The Fund also implemented Statement No. 85, *Omnibus 2017*. This statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The adoption of this statement did not have a material impact on the financial statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

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

GASB has also issued Statement No. 83, *Certain Asset Retirement Obligations*, which is effective for the fiscal years beginning after June 15, 2018. This statement establishes accounting and financial reporting for certain asset retirement obligations. The Fund has not yet determined the effect that the adoption of the GASB Statement No. 83 may have on its financial statements.

GASB has also issued Statement No. 84, *Fiduciary Activities*, which is effective for the fiscal years beginning after December 15, 2018. This statement establishes standards of accounting and financial reporting for fiduciary activities. The Fund has not yet determined the effect that the adoption of the GASB Statement No. 84 may have on its financial statements.

GASB has also issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The Fund has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The GASB has also issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, which is effective for fiscal years beginning after June 15, 2018. This statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debts for purposes of disclosure in the notes to the financial statements as a liability that arises from contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed as the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in the notes to the financial statements. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The Fund has not yet determined the effect that the adoption of GASB Statement No. 88 may have on its financial statements.

The GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is effective for fiscal years beginning after December 15, 2019. The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowings for a reporting period and to simplify the accounting for certain interest costs. This statement also establishes account requirements for interest cost incurred before the end of a construction period. The Fund has not yet determined the effect that the adoption of GASB No. 89 may have on its financial statements.



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

The GASB has also issued Statement No. 90, *Major Equity Interests*, which is effective for fiscal years beginning after December 15, 2018. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This statement also provides guidance for reporting component unit if a government requires a 100% equity interest in that component unit. The Fund has not yet determined the effect that the adoption of GASB No. 90 may have on its financial statements.

**NOTE 3 CASH AND CASH EQUIVALENTS**

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

	2018		
	Current	Noncurrent	Total
State Treasurer	\$ 331,274	\$ 10,648	\$ 341,922
Municipal Bond Commission	1,829	-	1,829
Trustee	11	35,701	35,712
Bank	47,512	581	48,093
Cash Equivalents	4,653	-	4,653
Escrowed Cash	-	4,000	4,000
On Hand	115	-	115
Total	<u>\$ 385,394</u>	<u>\$ 50,930</u>	<u>\$ 436,324</u>
	2017		
	Current	Noncurrent	Total
State Treasurer	\$ 319,698	\$ 13,769	\$ 333,467
Municipal Bond Commission	1,889	-	1,889
Trustee	2,953	48,947	51,900
Bank	46,376	750	47,126
Cash Equivalents	7,394	-	7,394
Escrowed Cash	-	4,521	4,521
On Hand	114	-	114
Total	<u>\$ 378,424</u>	<u>\$ 67,987</u>	<u>\$ 446,411</u>

Amounts held by the Municipal Bond Commission or trustee represent various project revenue, debt service, and other repair and replacement reserve funds required to be escrowed by various bond trust indentures. Other amounts held by the State Treasurer include \$22.9 million and \$25.8 million of restricted cash at June 30, 2018 and 2017, respectively. Cash equivalents are primarily related to amounts held in money markets, repurchase agreements, and savings accounts.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

The combined carrying amounts of cash in the bank at June 30, 2018 and 2017, were \$49.4 million and \$48.3 million, as compared with the combined bank balance of \$52.1 million and \$52.7 million, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were secured by financial instruments held as collateral by the State's agent. Regarding federal depository insurance, interest bearing accounts are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000.

Amounts with the State Treasurer as of June 30, 2018 and 2017 are comprised of approximately \$82.8 million and \$78.7 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	2018		2017	
	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	\$ 251,464	AAAm	\$ 247,198	AAAm
WV Government Money Market Pool	\$ 1,828	AAAm	\$ 1,889	AAAm
WV Short-Term Bond Pool	\$ 5,834	Not Rated	\$ 5,690	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	2018		2017	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 251,464	34	\$ 247,198	36
WV Government Money Market Pool	\$ 1,828	35	\$ 1,889	52

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

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

External Pool	2018		2017	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short-Term Bond Pool	\$ 5,834	372	\$ 5,690	426

**Cash in Bank with Trustee**

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.

	Carrying Value	
	2018 (in Thousands)	2017 (in Thousands)
Investment Type: Money Market Fund	\$ 35,712	\$ 51,900

*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.

**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, 2018 and 2017 (dollars in thousands):

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 4 INVESTMENTS (CONTINUED)**

	2018			
	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:				
Cash	\$ 2,167	\$ -	\$ 2,167	\$ -
Agency Obligations	621	519	102	-
Treasury Obligations	38,684	38,684	-	-
Mutual Money Market Funds	7	7	-	-
Corporate Bonds	8,656	8,579	77	-
Private CD	377	-	377	-
Mutual Bond Funds:				
Brandywine Global Fixed Income	2,468	537	1,931	-
Guggenheim TR Bond	10,100	362	9,542	196
Loomis Sayles Core	956	-	956	-
iShares Barclays 3-7 Year Treasury	4,301	70	4,231	-
iShares Barclays 7-10 Year Treasury	4,041	66	3,975	-
Wells Fargo	6	6	-	-
PIMPCO Short Term High Yield	526	130	394	2
	10	10	-	-
Fixed Income Funds:				
IR&M Core Bond	9,850	259	9,591	-
Other	5,534	5,534	-	-
Mutual Stock Funds:				
Aberdeen Emerging Markets	-	-	-	-
Burgundy Emerging Markets	438	438	-	-
Dodge & Cox International Stock Fund	6,022	1,232	4,790	-
Dodge & Cox Stock Fund	9,234	9,098	136	-
Eaton Vance	946	946	-	-
Equity Mutual Funds	34,787	34,787	-	-
Goldman Sachs EM	1,690	411	1,279	-
Maingate MLP Fund	698	698	-	-
MFS International Value Fund	6,343	5,039	1,304	-
MFS Investment Management	6,606	6,606	-	-
Oppenheimer International Growth Fund	6,183	788	5,395	-
Other	230	230	-	-
REMS RE	1,042	1,042	-	-
SPDR S&P Oil and Gas	-	-	-	-
Van Eck Global Hard Assets	1,432	1,165	267	-
Vanguard S&P 500ETF	11,797	11,797	-	-
Vanguard Total Stock Market	23,780	23,780	-	-
Wellington EM	1,252	1,173	79	-
Limited Partnership Equity:				
Frontier Small Cap	954	954	-	-
TI Platform Fund	291	-	-	291
Investments Held by Marshall University:				
Foundation	71,012	-	71,012	-
Other	637	-	-	637
Total	<u>273,678</u>	<u>\$ 154,947</u>	<u>\$ 117,605</u>	<u>\$ 1,126</u>
<b>Investments Measured at Net Asset Value (NAV):</b>				
Morgan Stanley	6,550			
<b>Investments Measured at Cost:</b>				
Progenesis Technologies	100			
Total Investments	<u>\$ 280,328</u>			

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 4 INVESTMENTS (CONTINUED)**

	2017			
	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:				
Cash	\$ 1,525	\$ -	\$ 1,525	\$ -
Agency Obligations	855	765	90	-
Treasury Obligations	29,073	29,073	-	-
Mutual Money Market Funds	23	23	-	-
Corporate Bonds	12,521	12,446	75	-
Mutual Bond Funds:				
Brandywine Global Fixed Income	2,607	398	2,209	-
Guggenheim TR Bond	10,061	496	9,405	160
Loomis Sayles Core	1,012	-	1,012	-
iShares Barclays 3-7 Year Treasury	4,329	-	4,329	-
iShares Barclays 7-10 Year Treasury	4,130	41	4,089	-
Wells Fargo	5	5	-	-
Fixed Income Funds:				
IR&M Core Bond	9,966	-	9,966	-
Other	4,673	4,673	-	-
Mutual Stock Funds:				
Aberdeen Emerging Markets	2,766	919	1,847	-
Dodge & Cox International Stock Fund	5,992	1,414	4,578	-
Dodge & Cox Stock Fund	8,255	8,020	235	-
Eaton Vance	891	891	-	-
Equity Mutual Funds	32,106	32,106	-	-
Maingate MLP Fund	930	930	-	-
MFS International Value Fund	6,112	4,573	1,539	-
MFS Investment Management	5,960	5,960	-	-
Oppenheimer International Growth Fund	6,104	1,770	4,334	-
Other	211	211	-	-
SPDR S&P Oil and Gas	442	442	-	-
Van Eck Global Hard Assets	959	901	58	-
Vanguard S&P 500ETF	11,700	11,700	-	-
Vanguard Total Stock Market	23,570	23,570	-	-
Wells Fargo	386	386	-	-
Limited Partnership Equity:				
Frontier Small Cap	832	832	-	-
TI Platform Fund	153	-	-	153
Investments Held by Marshall University:				
Foundation	66,803	-	66,803	-
Other	637	-	-	637
Total	<u>255,589</u>	<u>\$ 142,545</u>	<u>\$ 112,094</u>	<u>\$ 950</u>
<b>Investments Measured at Net Asset Value (NAV):</b>				
Mudrick Dist Opportunity Fund	3,083			
Salzman Offshore Fund	2,578			
<b>Investments Measured at Cost:</b>				
Progenesis Technologies	100			
Total Investments	<u>\$ 261,350</u>			

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**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, 2018 and 2017, WVU's investments held with the Foundation were \$105.1 million and \$101.4 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 an 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. 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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**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 (dollars in thousands):

	2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Morgan Stanley Private:				
Renaissance Institutional Equities	\$ 2,005	None	Monthly	60 Days
HP Millennium International	1,081	None	Quarterly	30 Days
Mudrick Distressed Opportunity Fund	3,464	None	Quarterly	90 Days
Total Investments Measured at the NAV	<u>\$ 6,550</u>			
	2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Jefferies & Company, Inc.:				
Salzman Offshore Fund (2)	\$ 2,578	None	Quarterly	30 days
Mudrick Dist Opportunity Fund (3)	3,083	None	Quarterly	90 days
Total Investments Measured at the NAV	<u>\$ 5,661</u>			

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 4 INVESTMENTS (CONTINUED)**

**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, 2018 and 2017, Standard & Poor's (S&P) credit ratings were as follows:

Brandywine Global Fixed Income	Aa2	A1-Aa2
Corporate Bonds	Aa2	A3-BAa3
IR&M Core Bond	Aa2	Aa3
Guggenheim TR Bond	A	A
iShares Barclays 3-7 Year Treasury	Aaa	Aaa
iShares Barclays 7-10 Year Treasury	Aaa	Aaa
Mutual Money Market Funds	Aaa	Aaa
Loomis Sayles Core	A1	A1
PIMCO Short Term	A3	A3

Remaining investments have not been rated.

**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):

	2018				
	Investment Maturities				
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More Than 10 Years</u>
U.S. Treasury Notes and U.S. Government Backed Money Market Funds	\$ 26,959	\$ 8,605	\$ 18,354	\$ -	\$ -
Mutual Bond Funds	22,398	2,365	3,199	7,444	9,390
Cash/Mutual Money Market Funds	2,168	2,168	-	-	-
Fixed Income Funds	9,850	578	4,818	2,856	1,598
Other Investments	160	-	-	-	160
Total	<u>\$ 61,535</u>	<u>\$ 13,716</u>	<u>\$ 26,371</u>	<u>\$ 10,300</u>	<u>\$ 11,148</u>



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 4 INVESTMENTS (CONTINUED)**

**Interest Rate Risk (Continued)**

<u>Investment Type</u>	2017				
	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	\$ 18,473	\$ 18,473	\$ -	\$ -	\$ -
Mutual Bond Funds	22,144	1,048	4,465	7,857	8,414
Cash/Mutual Money Market Funds	1,525	1,525	-	-	-
Fixed Income Funds	9,966	478	5,918	1,707	1,863
Other Investments	160	-	-	-	160
Total	<u>\$ 52,268</u>	<u>\$ 21,884</u>	<u>\$ 10,383</u>	<u>\$ 9,564</u>	<u>\$ 10,437</u>

For WVU, interest rate risk is managed by limiting the time period or duration of the specific investment. At June 30, 2018, the U.S. Treasury Notes have maturities through May 31, 2022 and interest rates which range from 1.25% to 2.125%. At June 30, 2017, the U.S. Treasury Notes have maturities through November 30, 2017 and interest rates which range from .63% to 1.0%.

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

<u>Bond Maturity</u>	2018		2017	
	Market Value	% of Bond Market Value	Market Value	% of Bond Market Value
Less than 1 Year	\$ -	0.0%	\$ 2,212	12.4%
1 to 5 Years	14,347	94.3%	9,323	52.3%
6 to 10 Years	863	5.7%	4,039	22.7%
Over 10 Years	-	0.0%	2,244	12.6%
Total	<u>\$ 15,210</u>	<u>100.0%</u>	<u>\$ 17,818</u>	<u>100.0%</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 4 INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

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

At June 30, 2018 and 2017, 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, 2018 and 2017, there was no custodial credit risk.

**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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 4 INVESTMENTS (CONTINUED)**

**Foreign Currency Risk (Continued)**

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

<u>Currency</u>	<u>2018</u>	<u>2017</u>
Australian Dollar	\$ 500	\$ 551
Brazilian Real	441	519
British Pence	2,733	2,749
British Pound	291	398
Canadian Dollar	946	793
Czech Koruna	-	74
Chilean Peso	3	27
China Renminbi	19	142
Columbian Peso	5	-
Danish Krone	283	326
Egyptian Pound	3	-
Euro	6,684	5,861
Hong Kong Dollar	1,104	350
Hungarian Forint	199	34
Indian Rupee	456	762
Indonesian Rupiah	65	140
Israeli Shekel	63	2
Japanese Yen	3,236	2,613
Kenyan Shilling	4	-
Malaysian Ringgit	188	167
Mexican Peso	530	532
New Turkish Lira	18	135
Norwegian Krone	342	342
Philippine Peso	14	103
Polish Zloty	149	168
Russian Ruble	86	103
Singapore Dollar	8	-
South African Cent	429	454
South African Rand	164	137
South Korean Won	620	456
Swedish Krona	644	596
Swiss Franc	1,964	1,943
Taiwanese Dollar	220	132
Thai Baht	223	251
Turkish Lira	11	-
Uaw Dirham	4	-
United Arab Emirates Dirham	8	-
Uruguay Peso	3	-
U.S. Dollar	118,036	106,937
Total	<u>\$ 140,696</u>	<u>\$ 127,797</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 5 ACCOUNTS RECEIVABLE**

Accounts receivable at June 30 were as follows (dollars in thousands):

	<u>2018</u>	<u>2017</u>
Students, Net of Allowance of \$27,192 and \$25,393 in 2018 and 2017, Respectively	\$ 26,687	\$ 25,047
Grants and Contracts, Net of Allowance of \$4,600 and \$1,419 in 2018 and 2017, Respectively	48,529	44,643
Auxiliary Services	2,331	1,879
Due from State and State Agencies	5,238	6,097
Other, Net of Allowance of \$189 and \$789 in 2018 and 2018, Respectively	57,001	21,442
Total	<u>\$ 139,786</u>	<u>\$ 99,108</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 6 CAPITAL ASSETS**

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

	2018			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not being Depreciated or Amortized:				
Land	\$ 166,679	\$ 2,364	\$ 755	\$ 168,288
Construction in Progress	165,934	70,156	129,766	106,324
Other	132	-	11	121
Total Capital Assets not being Depreciated or Amortized	332,745	72,520	130,532	274,733
Other Capital Assets:				
Land Improvements	94,684	4,980	18	99,646
Infrastructure	398,316	3,282	244	401,354
Buildings	3,496,360	127,604	5,691	3,618,273
Equipment	407,987	27,826	13,416	422,397
Software	65,228	2,251	55	67,424
Library Books	194,765	5,513	702	199,576
Intangibles and Others	126,372	11,117	-	137,489
Total Other Capital Assets	4,783,712	182,573	20,126	4,946,159
Less Accumulated Depreciation on Amortization for:				
Land Improvements	50,837	5,647	8	56,476
Infrastructure	296,723	9,567	195	306,095
Buildings	934,714	74,739	1,685	1,007,768
Equipment	286,203	28,883	10,873	304,213
Software	60,944	2,159	(183)	63,286
Library Books	169,759	6,778	755	175,782
Intangibles and Others	120,974	8,436	-	129,410
Total Accumulated Depreciation and Amortization	1,920,154	136,209	13,333	2,043,030
Other Capital Assets, Net	2,863,558	46,364	6,793	2,903,129
Capital Assets, Net	<u>\$ 3,196,303</u>	<u>\$ 118,884</u>	<u>\$ 137,325</u>	<u>\$ 3,177,862</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 6 CAPITAL ASSETS (CONTINUED)**

	2018			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital asset summary:				
Capital Assets not being Depreciated or Amortized:	\$ 332,745	\$ 72,520	\$ 130,532	\$ 274,733
Other Capital Assets	4,783,712	182,573	20,126	4,946,159
 Total Cost of Capital Assets	 5,116,457	 255,093	 150,658	 5,220,892
 Less Accumulated Depreciation and Amortization	 1,920,154	 136,209	 13,333	 2,043,030
 Capital Assets, Net	 <u>\$ 3,196,303</u>	 <u>\$ 118,884</u>	 <u>\$ 137,325</u>	 <u>\$ 3,177,862</u>
	2017			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not being Depreciated or Amortized:				
Land	\$ 164,656	\$ 2,026	\$ 3	\$ 166,679
Construction in Progress	303,176	133,858	271,100	165,934
Other	132	-	-	132
Total Capital Assets not being Depreciated or Amortized	467,964	135,884	271,103	332,745
Other Capital Assets:				
Land Improvements	88,413	6,285	14	94,684
Infrastructure	386,647	11,852	183	398,316
Buildings	3,243,944	263,940	11,524	3,496,360
Equipment	392,852	31,343	16,208	407,987
Software	63,639	1,729	140	65,228
Library Books	190,640	6,221	2,096	194,765
Intangibles and Others	120,365	6,007	-	126,372
Total Other Capital Assets	4,486,500	327,377	30,165	4,783,712
Less Accumulated Depreciation on Amortization for:				
Land Improvements	45,338	5,504	5	50,837
Infrastructure	286,918	9,973	168	296,723
Buildings	869,561	71,870	6,717	934,714
Equipment	270,563	29,463	13,823	286,203
Software	59,044	2,040	140	60,944
Library Books	164,588	7,240	2,069	169,759
Intangibles and Others	108,504	12,470	-	120,974
Total Accumulated Depreciation and Amortization	1,804,516	138,560	22,922	1,920,154
 Other Capital Assets, Net	 2,681,984	 188,817	 7,243	 2,863,558
 Capital Assets, Net	 <u>\$ 3,149,948</u>	 <u>\$ 324,701</u>	 <u>\$ 278,346</u>	 <u>\$ 3,196,303</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 6 CAPITAL ASSETS (CONTINUED)**

	2017			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital asset summary:				
Capital Assets not being Depreciated or Amortized:	\$ 467,964	\$ 135,884	\$ 271,103	\$ 332,745
Other Capital Assets	4,486,500	327,377	30,165	4,783,712
Total Cost of Capital Assets	4,954,464	463,261	301,268	5,116,457
Less Accumulated Depreciation and Amortization	1,804,516	138,560	22,922	1,920,154
Capital Assets, Net	\$ 3,149,948	\$ 324,701	\$ 278,346	\$ 3,196,303

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.

The Fund has construction commitments at June 30, 2018, of approximately the following (dollars in thousands):

Fairmont	\$ 733
Marshall	2,921
Eastern West Virginia Community and Technical College	142
Pierpont	69
Northern	753
West Virginia University at Parkersburg	411
Policy Commission	736
WVSOM	42
WVU	3,900
Total	\$ 9,707

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 7 LONG-TERM LIABILITIES**

The following, for the years ended June 30, 2018 and 2017, is a summary of long-term obligation transactions for the Fund (dollars in thousands):

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, Capital Leases, and Notes Payable:					
Notes Payable	\$ 57,433	\$ 48,606	\$ (34,180)	\$ 71,859	\$ 2,327
Capital Leases Payable	51,075	4,243	(10,003)	45,315	5,763
Bonds Payable	1,236,163	142,111	(166,728)	1,211,546	39,329
Total Bond, Capital Leases, and Notes Payable	1,344,671	194,960	(210,911)	1,328,720	47,419
Advances from Federal Sponsors	43,639	12	(6,543)	37,108	-
Real Estate Purchase Agreements Payable	13,811	-	(753)	13,058	610
Accrued Compensated Absences	48,097	2,278	(1,303)	49,072	45,130
Future Interest Payable	39,928	-	(903)	39,025	* 4,297
Net OPEB Liability	336,281	5,671	(58,324)	283,628	-
Net Pension Liability	28,100	173	(8,257)	20,016	-
Other Noncurrent Liabilities	37,157	10,329	(8,643)	38,843	1,255
Total Long-Term Liabilities	<u>\$ 1,891,684</u>	<u>\$ 213,423</u>	<u>\$ (295,637)</u>	<u>\$ 1,809,470</u>	

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



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, Capital Leases, and Notes Payable:					
Notes Payable	\$ 42,247	\$ 28,734	\$ (13,548)	\$ 57,433	\$ 2,482
Capital Leases Payable	52,147	6,343	(7,415)	51,075	4,588
Bonds Payable	1,256,618	55,045	(75,500)	1,236,163	41,111
Total Bond, Capital Leases, and Notes Payable	1,351,012	90,122	(96,463)	1,344,671	48,181
Advances from Federal Sponsors	44,180	251	(792)	43,639	-
Real Estate Purchase Agreements Payable	15,283	-	(1,472)	13,811	600
Accrued Compensated Absences	48,108	2,423	(2,434)	48,097	44,066
Future Interest Payable	40,188	-	(260)	39,928	* 4,462
Net OPEB Liability	326,975	13,839	(4,533)	336,281	-
Net Pension Liability	23,450	5,261	(611)	28,100	-
Other Noncurrent Liabilities	37,514	11,312	(11,669)	37,157	735
Total Long-Term Liabilities	<u>\$ 1,886,710</u>	<u>\$ 123,208</u>	<u>\$ (118,234)</u>	<u>\$ 1,891,684</u>	

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

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS**

Following is the Fund's other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, revenues, and other postemployment benefits expense and expenditures for the fiscal year ended June 30, 2018 (dollars in thousands):

Net OPEB Liability	\$ 283,628
Deferred Outflows of Resources	24,101
Deferred Inflows of Resources	48,457
Revenues	17,785
OPEB Expense	32,216
Contributions Made by Commission	24,070

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Plan Description**

The OPEB plan is a cost-sharing, multiple employer, defined benefit other post-employment benefit plan that covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in West Virginia Code Section 5-16D-2 (the "Code"). Plan benefits are established and revised by PEIA and the RHBT with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years, and are eligible for reappointment. The State Department of Administration secretary serves as Chairman of the Board. Four members represent labor, education, public employees, and public retirees. Four remaining members represent the public-at-large.

Active employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement: is a participating employer under the Consolidated Public Retirement Board ("CPRB") and, as of July 1, 2008 forward, is a participating employer with PEIA. Active employees who, as of July 1, 2008, have ten years or more of credited service in the CPRB and whose employer at the time of their retirement does participate with CPRB, but does not participate with PEIA will be eligible for PEIA retiree coverage provided: they otherwise meet all criteria under this heading and their employer agrees, in writing, upon a form prescribed by PEIA, that the employer will pay to PEIA the non-participating retiree premium on behalf of the retiree or retirees, or that the retiree agrees to pay the entire unsubsidized premium themselves. Employees who participate in non-State retirement systems but that are CPRB system affiliated, contracted, or approved (such as TIAA-CREF and Empower Retirement), or are approved, in writing, by the PEIA Director must, in the case of education employees, meet the minimum eligibility requirements of the State Teachers Retirement System ("STRS"), and in all other cases meet the minimum eligibility requirements of the Public Employees Retirement System to be eligible for PEIA benefits as a retiree.

The financial activities of the OPEB plan are accounted for in the RHBT, a fiduciary fund of the State of West Virginia. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at [www.peia.wv.gov](http://www.peia.wv.gov).

**Benefits Provided**

The OPEB plan provides the following benefits: medical and prescription drug insurance and life insurance. The medical and prescription drug insurance is provided through two options: the self-insured preferred provider benefit plan option, which is primarily for non-Medicare-eligible retirees and spouses; and the external managed care organization option, which is primarily for Medicare-eligible retirees and spouses.

**Contributions**

Pay as you go premiums ("paygo") are established by the Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The active premiums subsidize the retirees' health care.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Contributions (Continued)**

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

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

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

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

Employees hired on or after July 1, 2001 no longer receive sick and/or vacation leave credit toward the required retiree healthcare contribution when they retire. All retirees have the option to purchase continued coverage regardless of their eligibility for premium credits.

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 coverage for one year of family coverage. Faculty hired after July 1, 2009 no longer receive years of service credit toward insurance premiums when they retire. Faculty hired on or after July 1, 2010 receive no health insurance premium subsidy when they retire. 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 had an original hire date prior to July 1, 2010 may return to active employment. In those cases, the original hire date may apply.

**Assumptions**

The net OPEB liability for financial reporting purposes was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost method.
- Amortization method and period: Level percentage of payroll over 21 years; closed as of June 30, 2016.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Assumptions (Continued)**

- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Projected salary increases: dependent on pension system ranging from 3.00% to 6.50%, including inflation.
- Healthcare cost trend rates: Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre- and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre- and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
- Inflation rate: 2.75%.
- Discount rate: 7.15%
- Mortality rates: based on RP-2000 Mortality Tables.

The long-term investment rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the West Virginia Investment Management Board (IMB) and an expected short-term rate of return of 3.0% for assets invested with the WV Board of Treasury Investments (BTI).

Long-term pre-funding assets are invested with the IMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the BTI.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of the long-term geometric rates for each major asset class are summarized below.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Assumptions (Continued)**

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

**Discount rate.** The discount rate used to measure the OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

**Sensitivity of the net pension liability to changes in the discount rate.** The following presents the Fund's proportionate share of the net OPEB liability as of June 30, 2016 calculated using the discount rate of 7.15%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate (dollars in thousands).

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB Liability 2018	\$ 330,530	\$ 283,628	\$ 245,077

**Sensitivity of the net OPEB liability to changes in healthcare cost trend rates.** The following presents the Fund's proportionate share of the net OPEB liability as of June 30, 2016 calculated using the current healthcare cost trend rates, as well as what the Fund's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates (dollars in thousands):

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability 2018	\$ 238,453	\$ 283,628	\$ 339,412

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** The net OPEB liability at June 30, 2018 was measured as of June 30, 2016 rolled forward to June 30, 2017, which is the measurement date. The total OPEB liability at June 30, 2018 was determined by an actuarial valuation as of June 30, 2016 and rolled forward to the measurement date.

At June 30, 2018, the amount recognized as the Fund's proportionate share of the net OPEB liability was \$283,628. At June 30, 2018, the nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is \$49,006, the portion related to special funding was \$9,630, and the total net OPEB liability attributable to the Fund is \$224,992.

The allocation percentage assigned to each contributing employer is based on the employer's proportionate share of employer contributions to the RHBT for the fiscal years ended June 30, 2018 and June 30, 2017. Employer contributions are recognized when due. At June 30, 2018, the Fund's proportion was 11.4810788%, a decrease of 2.1997026% from its proportion of 13.6807814% calculated as of June 30, 2017.

For the year ended June 30, 2018, the Fund recognized OPEB expense of \$32.2 million. Of this amount, \$14.4 million was recognized as the Fund's proportionate share of the OPEB expense, and \$17.8 million as the amount of OPEB expense attributed to special funding. The Fund also recognized revenue of \$17.8 million for support provided by the State.

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Expected and Actual Experience	\$ -	\$ 944
Changes in Proportion and Difference Between Employer Contributions an Proportionate Share of Contributions	-	43,011
Net Difference between Projected and Actual investment earnings	-	4,502
Contributions after measurement date	24,101	
	\$ 24,101	\$ 48,457

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

The Fund will recognize the \$24,101 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

<u>Year Ended June 30,</u>	<u>Amortization</u>
2019	\$ 12,839
2020	12,839
2021	12,839
2022	9,940
Total	<u>\$ 48,457</u>

**NOTE 9 LEASE OBLIGATIONS**

**Capital**

The Fund leases certain property, plant, and equipment through capital leases. At June 30, 2018 and 2017, leased equipment and buildings with a net book value of approximately \$50.0 million and \$56.8 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, 2018 (dollars in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 8,096
2020	6,955
2021	6,862
2022	5,742
2023	3,901
2024-2028	13,215
2029-2033	10,363
2034-2038	10,411
2039-2044	10,464
2045	1,904
Future Minimum Lease Payments	<u>77,913</u>
Less Interest	32,598
Total	<u>\$ 45,315</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**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, 2018, are as follows (dollars in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 13,395
2020	9,833
2021	8,213
2022	7,111
2023	4,206
2024-2028	13,103
2029-2033	7,187
2034-2038	276
2039-2043	5
2044-2048	5
2049-2053	5
2054-2058	5
Total	<u>\$ 63,344</u>

Total rent expense for these operating leases for the years ended June 30, 2018 and 2017, was approximately \$9.2 million and \$10.4 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 per year through 2031. West Virginia University retains the right to cancel the lease upon giving 30 days' written notice.

**NOTE 10 NOTES PAYABLE**

During February 2014, the WV State signed a promissory note with Capital One Equipment Finance Corp borrowing \$2,700 at an interest rate of 6.65% 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 for an extra payment of principal annually. The note balance at June 30, 2018 and 2017 was approximately \$3,112 and \$3,446, respectively.



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 10 NOTES PAYABLE (CONTINUED)**

In December 2012, West Virginia University refinanced various construction loans with United Bank, Inc. in the principal amount of \$22.1 million at an interest rate, initially of 1.90%, resetting every five years. Beginning August 2014, the loan agreement allows the Corporation to prepay the loan with 60 days notice and without any penalty or premium, and it allows the bank to “put” all or part of the loan to the Corporation with 60 days’ notice and without any penalty. The loan is pledged by facilities and administrative revenue received by the University under any grants, contracts, and other agreements on behalf of the HSC. Total principal to be paid at June 30, 2018 and June 30, 2017 was approximately \$18.2 million and \$18.9 million, respectively.

On December 22, 2017, West Virginia University closed on a new note with Wells Fargo for \$42.0 million. The proceeds of the loan were used to pay the United Bank loan and provide additional funds for the Beckley campus projects. The amortization term for the loan is 40 years with a fixed interest rate of 4.45%.

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% 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% of the five-year Treasury Constant Maturity in effect on that date, plus 1.67% per annum. The rate for the period of April 10, 2018 through April 10, 2022 is 2.854%. The principal balance at June 30, 2018 and 2017, was \$1,610 and \$1,771 respectively.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**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, 2018 and 2017 was approximately \$2,253 and \$2,443, 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% with monthly principal payments of \$17,542. The note matures in June 2031. The note balance at June 30, 2018 and 2017 was approximately \$-0- and \$2,007, 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. The note payable bears interest at 3.42% 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, 2018 and 2017 was approximately \$886 and \$1,010, respectively.

Annual minimum payments for the years ending after June 30, 2017, are as follows (dollars in thousands):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,327	\$ 2,790	\$ 5,117
2020	2,092	2,889	4,981
2021	2,088	2,812	4,900
2022	2,441	2,892	5,333
2023	2,408	2,814	5,222
2024-2028	11,169	11,575	22,744
2029-2033	9,108	9,762	18,870
2034-2038	10,370	7,718	18,088
2039-2043	5,389	6,101	11,490
2044-2048	6,729	4,761	11,490
2049-2053	8,403	3,087	11,490
2054-2058	9,335	1,006	10,341
Total	<u>\$ 71,859</u>	<u>\$ 58,207</u>	<u>\$ 130,066</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 11 INSTITUTION BONDS PAYABLE**

The Institutions within the Fund, at June 30, 2018 and 2017, have the following outstanding bonds payable (dollars in thousands):

	Maximum Interest Rate	Annual Installments	Principal Outstanding	
			2018	2017
Concord University - Revenue Bonds 2014 Series, due through 2044	5.00%	\$320-\$950	\$ 15,800	\$ 16,140
Fairmont State University - Facilities Improvement Revenue Bonds, 2006, Series, due through 2026	(10 year reset)	343-611	4,160	4,641
Fairmont State University - Revenue Refunding Bonds, 2012, Series A, due through 2032	5.00	730-1,155	15,545	16,380
Fairmont State University - Revenue Refunding Bonds, 2012, Series B, due through 2032	5.00	1,080-1,720	23,230	24,495
Fairmont State University - Revenue Refunding Bonds, 2015, Series A, due through 2045	5.00	580-1,665	29,020	29,620
Glennville State University - Student Housing Bonds, Series 2011A, due 2030	5.25	180-325	-	3,410
Glennville State University - Campus Community Center Bonds, Series 2006, due 2026	4.30	84-107	-	862
Glennville State University - Science Building Bonds, Series 2007, due in 2037	4.68	125-237	-	2,801
Glennville State University - Goodwin Hall Bonds, Series 2009, due in 2040	Variable	619-1,517	-	23,078
Glennville State University - Improving and Refunding Revenue Bonds, Series 2017, due in 2047	5.25	-	36,285	-
Marshall University - University Refunding Revenue Bonds 2010, due through 2030	5.00	915-2,885	27,180	28,825
Marshall University - University Refunding Revenue Bonds 2011, due through 2041	5.00	1,190-3,375	49,505	50,720
Mountwest Community and Technical College - Revenue Bonds, 2012, due through 2021	4.125	229-446	1,516	1,910
Shepherd University - Refinance Revenue Bonds, due through 2033	4.375	400-460	5,065	5,455

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

	Maximum Interest Rate	Annual Installments	Principal Outstanding	
			2018	2017
Shepherd University - General Obligation Revenue Bond, due through 2037	3.65	1,281-2,368	\$ 33,108	\$ 34,343
West Liberty University - Revenue Refunding Bonds 2013, due through 2028	2.68	580-765	6,810	7,430
West Liberty University - Revenue Bonds 2012, due through 2027	3.25	585-785	6,870	7,490
West Virginia State University - University Refunding and Improvement Series 2012, due through 2030	4.50	50-2,965	8,675	8,730
West Virginia State University - University Revenue Bonds Series 2013, due through 2021	3.00	300-340	1,320	1,625
West Virginia University - Revenue Improvement Bonds 2011, Series A, due through 2026	3.87	35-62	9,433	9,969
West Virginia University - Revenue Improvement Bonds 2011, Series B, due through 2037	4.14	0-21,800	156,079	161,815
West Virginia University - Revenue Bonds (Taxable) 2012 Series A, due through 2042	4.50	35-62	11,882	12,152
West Virginia University - Revenue Bonds (Taxable) 2012 Series A, due through 2032	Variable	0-50	3,709	3,919
West Virginia University - Revenue Refunding and Improvement Bonds 2013, Series A, due through 2043	3.55	0-13,715	136,574	137,030
West Virginia University - Revenue Refunding and Improvement Bonds (Taxable) 2013, Series B, due through 2043	3.00	995-7,440	50,840	57,440
West Virginia University - Improvement Revenue Bonds 2014, Series A, due through 2045	4.30	855-30,285	60,000	60,000

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

	Maximum Interest Rate	Annual Installments	Principal Outstanding	
			2018	2017
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	18,924	19,605
Total			<u>840,770</u>	<u>859,125</u>
Less Unamortized Bond Discount			(241)	(120)
Add Unamortized Bond Premium			<u>40,244</u>	<u>42,221</u>
Total			<u>\$ 880,773</u>	<u>\$ 901,226</u>

A summary of the annual aggregate principal payments for years subsequent to June 30, 2018, is as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2019	\$ 27,028	\$ 35,322	\$ 62,350
2020	26,878	34,593	61,471
2021	27,798	33,664	61,462
2022	28,604	32,633	61,237
2023	29,471	31,425	60,896
2024-2028	171,213	142,073	313,286
2029-2033	155,269	99,909	255,178
2034-2038	155,167	63,666	218,833
2039-2043	148,081	32,845	180,926
2044-2048	71,264	4,363	75,627
Total	<u>\$ 840,773</u>	<u>\$ 510,493</u>	<u>\$ 1,351,266</u>

The Glenville Series 2017 Bond proceeds were used to pay in full the Series 2006 Bonds, Series 2007 Bonds, Series 2009 Bonds, and the 2011 Note payable on September 28, 2017. Proceeds were escrowed in sufficient amount to pay in full the Series 2011A Bonds. Proceeds of \$2,000 were deposited in a project fund for future capital improvements. As of June 30, 2018, \$585 had been drawn down by Glenville from this fund. Glenville recorded a loss on refunding of \$338 within the deferred outflows of resources on the statement of net position.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**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.

The Series 2017 Bond proceeds were used to pay in full the Series 2006 Bonds, Series 2007 Bonds, Series 2009 Bonds and the 2011 Note payable on September 28, 2017. Proceeds were escrowed in sufficient amount to pay in full the series 2011A Bonds on October 10, 2017. Proceeds of \$2,000 were deposited in a project fund for future capital improvements. As of June 30, 2018, \$585 had been drawn down by Glenville State College from this fund. The College recorded a loss on refunding of \$337 within the deferred outflows of resources on the statement of net position.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

The Commission, at June 30, 2018 and 2017, has the following outstanding bonds payable (dollars in thousands):

	Maximum Interest Rate	Original Range of Annual Installments	Principal Outstanding	
			2018	2017
Series 2017 - Community and Technical College Capital Improvement Revenue Refunding Bonds	5.00%	\$3-\$4,760	\$ 64,075	\$ -
Series 2017 - Revenue Refunding Bonds Higher Education Facilities	5.00	1,205-3,885	24,905	-
Series 2012A - Revenue Bonds, due through 2034	5.00	1,425-42,100	106,650	110,975
Series 2012B - Revenue Bonds, due through 2034	5.00	200-2,400	6,400	6,700
Series 2010A - Revenue Bonds, due through 2026	5.00	235-12,750	3,405	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	-	1,420
Series 2009A - Community and Technical College Improvement Revenue Bonds, due through 2039	5.25	1,425-4,760	-	68,035
Series 2007A - Revenue Refunding Bonds, due through 2027	5.00	185-1,880	-	15,765
Series 2000A - University System Bonds, due through 2031	6.26	0-3,264	19,891	22,229
Series 1998 - University System Bonds, due through 2028	5.25	1,065-3,625	29,100	31,260
Total			304,691	323,169
Add Bond Premium			26,082	12,122
Less Bond Discount			-	(354)
Total			<u>\$ 330,773</u>	<u>\$ 334,937</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

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

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2018, is as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2019	\$ 12,301	\$ 19,701	\$ 32,002
2020	14,416	19,304	33,720
2021	14,864	18,824	33,688
2022	15,402	18,836	34,238
2023	15,962	18,166	34,128
2024-2028	86,761	79,255	166,016
2029-2033	76,560	48,655	125,215
2034-2038	48,620	13,236	61,856
2039-2041	19,805	1,736	21,541
Total	<u>\$ 304,691</u>	<u>\$ 237,713</u>	<u>\$ 542,404</u>

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.

The proceeds of the 2017 Series Community and Technical College Capital Improvement Revenue Refunding Bonds were used, in part, to advance refund outstanding principal amount of the 2009 Series A Community and Technical College Improvement Revenue Bonds. This refunding reduced the Commission's total debt service payments by approximately \$34, resulting in a net economic gain of approximately \$7,184.

The proceeds of the 2017 Series Revenue Refunding Bonds Higher Education Facilities were used, in part, to currently refund outstanding principal amount of the 2007 Series A Revenue Refunding Bonds, and advance refund certain maturities of the outstanding principal amount of the 2010 Series A Revenue Bonds. This refunding reduced the Commission's total debt service payments by approximately \$2,776 resulting in a net economic gain of approximately \$2,517.

The 2017 advance refunding's created irrevocable trust funds, the securities and earnings therein are considered sufficient to fully service the bonds until they are called or mature. For financial reporting purposes the bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. At June 30, 2018, the amount of defeased bonds outstanding was \$66,340 related to the 2009 Series A Bonds and \$12,815 related to the 2010 Series A Revenue Bonds.



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 13 UNRESTRICTED NET POSITION**

The Fund's unrestricted net position at June 30, 2018 and 2017, includes certain designated net position as follows (dollars in thousands):

	2018	2017
Designated for Auxiliaries	\$ 11,732	\$ 12,914
Designated for Repair, Replacement, and New Property	9,396	9,607
Other	13,177	13,238
Undesignated	36,322	11,789
Total Unrestricted Net Assets before OPEB Liability	70,627	47,548
Less OPEB Liability	283,628	336,281
Total Unrestricted Net Assets	\$ (213,001)	\$ (288,733)

**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. Educators Money was a brand utilized by Great West Financial; this has since transitioned to Empower Retirement.

**Defined Contribution Benefit Plans**

The TIAA-CREF and Empower Retirement are defined contribution plans in which benefits are based solely upon amounts contributed plus investment earnings. Employees who elects to participate in these plan are required to make a contribution equal to 3% (for employees of the Corporation enrolled in TIAA-CREF) or 6% (for employees of the State enrolled in TIAA-CREF or Empower Retirement) of total annual compensation. The Fund matches the employees' 3% or 6% contribution. Contributions are immediately and fully vested.

Total contributions to Empower Retirement for the years ended June 30, 2018, 2017 and 2016, were approximately \$1,361, \$1,348, and \$1,361, respectively, which consisted of approximately \$681, \$671, and \$681, from the covered employees in 2018, 2017 and 2016, respectively.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 14 RETIREMENT PLANS (CONTINUED)**

**Defined Contribution Benefit Plans (Continued)**

Total contributions to the TIAA-CREF for the years ended June 30, 2018, 2017 and 2016, were approximately \$90.0 million, \$90.3 million, and \$88.2 million, respectively, which consisted of approximately \$45.0 million, \$45.1 million, and \$44.1 million from the Fund in 2018, 2017 and 2016, respectively, and approximately \$45.0 million, \$45.2 million, and \$44.1 million, from the covered employees in 2018, 2017 and 2016, respectively.

The Fund's total payroll for the years ended June 30, 2018, 2017 and 2016, was approximately \$868.2 million, \$865.3 million, and \$847.7 million, respectively, and total covered employees' salaries in the TIAA-CREF and Empower Retirement were approximately \$753.0 million, and \$18.6 million for the year ended June 30, 2018; \$748.5 million, and \$11.3 million for the year ended June 30, 2017 and \$738.4 million and \$11.3 million for the year ended June 30, 2016.

**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, 2018 and 2017 (dollars in thousands):

	2018	2017
Net Pension Liability	\$ 20,016	\$ 28,100
Deferred Outflows of Resources	4,017	7,056
Deferred Inflows of Resources	7,341	4,140
Revenues	4,543	4,674
Pension Expense	4,616	5,949
Contributions Made by the Fund	1,958	2,255

*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>.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 14 RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

*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.

*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, 2017 and 2016, respectively, the Fund's proportionate share attributable to this special funding subsidy was \$4,313 and \$4,757.

The Fund's contributions to TRS for the years ended June 30, 2018, 2017, and 2016 were approximately \$2.0 million, \$2.3 million, and \$2.5 million, respectively.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 14 RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

*Assumptions*

For the year ended June 30, 2018, the total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2016 and rolled forward to June 30, 2017. For the year ended June 30, 2017, total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2015 and rolled forward to June 30, 2016. 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 3.00 – 6.00% and non-teachers 3.00 – 6.50%, based on age
- Inflation rate of 3.0%
- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables
- Withdrawal rates: Teachers 0.8 – 35% and non-teachers 1.316 – 24.75%
- Disability rates: 0.008 – 0.704%
- 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, 2010 to June 30, 2015. These assumptions will remain in effect for valuation purposes until such time as the CPRB adopts revised assumptions.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 14 RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

*Assumptions (Continued)*

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, 2018 and 2017 are summarized below.

2018 Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	7.0%	27.5%
International Equity	7.7	27.5
Core Fixed Income	2.7	- *
High-Yield Fixed Income	5.5	15.0
TIPS	2.7	-
Real Estate	7.0	10.0
Private Equity	9.4	10.0
Hedge Funds	4.7	10.0

2017 Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	7.0%	27.5%
International Equity	7.7	27.5
Core Fixed Income	2.7	- *
High-Yield Fixed Income	5.5	15.0
TIPS	2.7	-
Real Estate	7.0	10.0
Private Equity	9.4	10.0
Hedge Funds	4.7	10.0

\* - Core and High-Yield Fixed Income Securities have a Combined Target Allocation of 15%

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 14 RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plan (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.

*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, 2018 and 2017 calculated using the discount rate of 7.50%, as well as what the Fund's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (dollars in thousands).

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability 2018	\$ 26,379	\$ 20,016	\$ 14,617
Net Pension Liability 2017	\$ 35,450	\$ 28,100	\$ 21,703

*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, 2018 was measured as of June 30, 2017. The total pension liability at June 30, 2017 was determined by an actuarial valuation as of July 1, 2016 and rolled forward to the measurement date.

The TRS net pension liability at June 30, 2017 was measured as of June 30, 2016. The total pension liability at June 30, 2017 was determined by an actuarial valuation as of July 1, 2015 and rolled forward to the measurement date.

At June 30, 2018, the Fund's proportionate share of the TRS net pension liability was \$64.3 million. Of this amount, the Fund recognized approximately \$20.0 million as its proportionate share on the statements of net position. The remainder of \$44.3 million denotes the Fund's proportionate share of net pension liability attributable to the special funding.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**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*

At June 30, 2017, the Fund's proportionate share of the TRS net pension liability was \$81.8 million. Of this amount, the Fund recognized approximately \$28.1 million as its proportionate share on the Statement of Net Position. The remainder of \$57.3 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, 2017 and 2016. Employer contributions are recognized when due. At June 30, 2017, the Fund's proportion was 1.2837639%, an increase of 0.60000369% from its proportion of 0.6837270% calculated as of June 30, 2016. At June 30, 2016, the Fund's proportion was 0.6837270%, an increase of 0.0073680% from its proportion of 0.676359% calculated as of June 30, 2015.

For the years ended June 30, 2018 and 2017, the Fund recognized TRS pension expense of \$4.6 million and \$5.9 million respectively. Of this amount, \$.3 and \$1.4 million, respectively, was recognized as the Fund's proportionate share of the TRS expense, \$4.3 million and \$3.8 million, respectively, as the amount of pension expense attributable to special funding from a non-employer contributing entity and \$.2 and \$.2, 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 \$4,264 and \$4,674, respectively, for support provided by the state.

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows (dollars in thousands).

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	\$ 960	\$ 6,325	\$ 1,062	\$ 3,963
Net Difference between Projected and Actual Experience	174	375	253	163
Net Difference between Projected and Actual Investment Earnings	35	641	2,281	14
Change in Assumptions	711	-	1,096	-
Contributions after the Measurement Date	2,137	-	2,364	-
Total	<u>\$ 4,017</u>	<u>\$ 7,341</u>	<u>\$ 7,056</u>	<u>\$ 4,140</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**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*

The Fund will recognize the \$4,017 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ending June 30, 2018. 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).

<u>Fiscal Year Ending June 30,</u>	<u>Amortization</u>
2019	\$ 1,874
2020	1,067
2021	713
2022	940
2023	867
Total	<u>\$ 5,461</u>

*Payables to the pension plan*

The Fund did not report any amounts payable for normal contributions to the TRS as of June 30, 2018 and 2017.

**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.



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 15 FOUNDATIONS (CONTINUED)**

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 \$881.3 million and \$854.9 million at June 30, 2018 and 2017, 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, 2018 and 2017 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, 2018 and 2017, 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.

**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).

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 18 SERVICE CONCESSION ARRANGEMENTS**

West Virginia University (WVU) has identified one contract for services that meets the four criteria of a service concession arrangement (SCA) per GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided, and the government retains ownership of the assets at the end of the contract.

This contract is with ACC OP (College Park, WV) LLC. Per the contract, ACC OP finance, designed, constructed, furnished, and equipped a student housing facility. This facility was completed at the start of the fall semester 2014. The agreement will be in place for 40 years with the option to extend the agreement for two additional 10-year terms, at which time the facility will be returned to the University in substantially the same condition as it was when transferred to them at the start of the agreement. The agreement stipulates that the ACC OP will retain all rents collected at the facility and will provide a percentage of net revenue annually to WVU. Per the operating agreement, WVU will provide certain services including marketing, lease management, billing, collections, security, parking enforcement and other services, and will receive a management fee for providing such services.

During fiscal year 2015, WVU recorded a capital asset with a fair market value of \$34,952 and a deferred inflow of resources. This deferred inflow is being amortized to auxiliary revenue over the term of the agreement (40 years). WVU has recorded an accounts receivable of \$20 and \$123 at June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, the University recognized management fee revenue and its share of the net revenue of \$79 and \$20, respectively. This revenue is included in revenue from auxiliary enterprises on the statement of revenues, expense and changes in net position.

Marshall University (Marshall) has a contract with Sodexo to provide food services within Marshall's facilities on the Huntington campus. These services provide Marshall with the best, most accurate and appropriate campus dining program that enhances the student's quality of life and is supportive of the education experience. The current contract began on August 16, 2009, and allows for nine annual renewals. Sodexo provides meal plans to students through the University as well as offering cash sales to the University community. Marshall receives annual commission payments from Sodexo calculated as a contractually agreed percentage of cash sales and Marshall pays Sodexo for the meal plans from fees collected by Marshall from students. In 2018 and 2017, Marshall received \$661 and \$663 respectively, in commissions from Sodexo. No renovations to Marshall facilities were made by Sodexo in 2018 and 2017. Sodexo made renovations that were capitalized by Marshall totaling \$3,075 in prior years of the contract. These renovations are accreted over the remaining life of the contract and if the contract is not renewed, Marshall will be required to pay Sodexo for the unaccreted portion of these renovations. At June 30, 2018 and 2017, Marshall has a deferred inflow of \$281 and \$531, respectively, for the unaccreted inflow for renovations, and an accrued service concession liability of \$117 and \$221, respectively, for estimated insurance and maintenance costs that Marshall will be required to pay through the end of the contract.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 19 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, 2018 and 2017.

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

**Commitments**

WVU has signed an agreement providing for the purchase of steam through the year 2030 from a nearby facility that commenced operations in late 1992. Under the agreement, WVU has an annual minimum steam purchase requirement, purchased at an operating rate calculated in accordance with the agreement. This operating rate is adjusted quarterly based on actual production costs and other cost indices. Management believes that the rate is comparable to market rates. At June 30, 2018, WVU is committed to an additional \$830,000 purchase to meet the minimum steam purchase requirement for the contract year ended September 30, 2018. 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 \$1 million and \$2 million is recorded as an other noncurrent liability as of June 30, 2018 and 2017, respectively), if the West Virginia University Foundation, Inc. does not make required payments under its \$10 million promissory note with the Big 12.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 20 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.

*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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting (Continued)**

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.

**Endowments**

See separately issued component unit financial statements for endowment related disclosures. For the years ended June 30, 2018 and 2017, there were no material reclasses among net asset classes nor were there material changes in the endowments.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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. Rent expense due to Shepherd for the ground lease amounted to \$966 and \$-0- for the years ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017 of \$0 and \$18,927, 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. The building was placed into service in August 2017.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Management's Plan to Address Unrestricted Deficiency in Net Assets**

During fiscal years 2017 and 2016, the Bluefield State College Research and Development Corporation (Corporation) recorded an impairment loss to write the MountainView dormitory value down to fair value. As a result of the impairment losses, the Corporation has incurred a significant deficit in unrested net assets. Bluefield State College plans to open on-campus housing for its students by fiscal year 2020, in which case the Corporation would likely sell the building and land associated with the MountainView dormitory. The Corporation has historically experienced operating losses from the dormitory operations, which would be eliminated with the sale of the facility. Upon sale of the dormitory, the Corporation's primary operational focus will shift to grant administration. Management anticipates a significant decrease in overall expenses and in increase in cash with this shift. However, until Bluefield State College opens on-campus housing to its students, the MountainView dormitory will likely continue its operations.

In recent years, the Bluefield State College Foundation has contributed over \$1.0 million to help sustain the Corporation's operations, primarily to support operating costs of the MountainView dormitory. In addition to these contributions, the Bluefield State College Foundation has also forgiven the interest due on the \$2.0 million note payable for the years ended June 30, 2018 and 2017. These contributions were significantly reduced during the year ended June 30, 2018, and future contributions from the Bluefield State College Foundation or other organizations are uncertain. A reduction or elimination of these contributions in the future, in addition to continuing decreased in occupancy at the MountainView dormitory, would have a significant impact on the sustainability of the Corporation's operations and creates substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that these financial statements are issued.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)**

**Investments**

The components units' investment securities at June 30 are composed of the following:

		2018														
		Bluefield	Concord	Fairmont	The	The	New River	The	Southern	West	West	West	West	Blue Ridge		
		State	University	State	Glenville	Marshall	Community	Shepherd	West	Liberty	Northern	Virginia	Virginia	Community		
		Scholarship	Foundation,	Foundation,	College	University	College	University	College	University	College	College	College	College		
		Foundation,	Inc.	Inc.	Foundation,	Foundation,	Foundation,	Foundation,	Foundation,	Foundation,	Foundation,	Foundation,	Foundation,	Foundation,		
		Inc.	Inc.	Inc.	Inc.	Inc.	Inc.	Inc.	Inc.	Inc.	Inc.	Inc.	Inc.	Inc.		
Cash and Temporary																
Investments		\$ 99,119	\$ 410,913	\$ 616,649	\$ 612,123	\$ -	\$ -	\$ 694,628	\$ 59,463	\$ 825,325	\$ 403,322	\$ 2,537,779	\$ 198,317	\$ -		
U.S. Government Securities		-	11,235,877	-	-	-	-	1,291,923	-	96,880	97,635	9,157,845	-	-		
Corporate and Municipal																
Bonds and Notes		1,185,196	-	6,814,292	1,645,422	-	-	1,424,281	-	198,732	370,574	8,010,424	2,691,855	366,004		
Mutual Funds		8,465,964	4,281,256	21,727,849	17,716,916	3,675,904	36,080,301	394,674	18,064,962	4,030,156	1,673,828	-	6,488,353	6,818,472		
Equity Investments		5,475,385	5,214,338	554,395	4,492,301	89,565,667	-	1,984,237	9,838,478	1,810,840	18,003,731	-	3,915,625	519,748		
Other		639,079	635,109	30,026	-	83,169,481	-	108,754	-	1,043,559	298,938	6,550,099	3,082,493	-		
<b>Total</b>		<b>\$ 8,465,964</b>	<b>\$ 11,680,035</b>	<b>\$ 39,224,086</b>	<b>\$ 25,732,278</b>	<b>\$ 10,425,750</b>	<b>\$ 208,815,449</b>	<b>\$ 394,674</b>	<b>\$ 23,558,785</b>	<b>\$ 3,480,310</b>	<b>\$ 16,033,130</b>	<b>\$ 4,655,137</b>	<b>\$ 44,259,878</b>	<b>\$ 12,461,018</b>	<b>\$ 11,100,101</b>	<b>\$ 568,585</b>

		2017														
		Bluefield	Concord	Fairmont	The	The	New River	The	Southern	West	West	West	West	Blue Ridge		
		State	University	State	Glenville	Marshall	Community	Shepherd	West	Liberty	Northern	Virginia	Virginia	Community		
		Scholarship	Foundation,	Foundation,	College	University	College	University	College	University	College	College	College	College		
		Foundation,	Inc.	Inc.	Foundation,	Foundation,	Foundation,	Foundation,	Foundation,	Foundation,	Foundation,	Foundation,	Foundation,	Foundation,		
		Inc.	Inc.	Inc.	Inc.	Inc.	Inc.	Inc.	Inc.	Inc.	Inc.	Inc.	Inc.	Inc.		
Cash and Temporary																
Investments		\$ 121,596	\$ 356,420	\$ 496,872	\$ 677,675	\$ 647,852	\$ -	\$ 681,356	\$ 59,290	\$ 275,253	\$ 583,224	\$ 1,332,276	\$ 83,965	\$ -		
U.S. Government Securities		3,842	-	11,363,266	-	-	-	1,155,049	-	100,046	100,858	7,649,748	-	-		
Corporate and Municipal																
Bonds and Notes		1,246,534	-	7,149,237	2,227,163	-	-	1,079,045	-	355,688	280,651	12,541,954	2,263,314	774,588		
Mutual Funds		7,000,256	3,650,001	18,655,348	15,909,157	2,941,992	39,078,277	373,264	17,913,439	3,656,919	1,499,748	-	6,082,382	6,671,583		
Equity Investments		557,252	5,634,906	5,610,452	485,869	3,675,256	88,437,230	-	2,083,416	3,493,298	9,231,536	1,407,819	13,448,519	3,668,709		
Other		14,537	407,133	981,120	58,895	-	74,615,426	-	112,759	-	1,019,442	224,406	7,004,256	2,982,460		
<b>Total</b>		<b>\$ 7,697,483</b>	<b>\$ 11,294,994</b>	<b>\$ 37,107,058</b>	<b>\$ 24,280,833</b>	<b>\$ 9,492,263</b>	<b>\$ 202,130,933</b>	<b>\$ 373,264</b>	<b>\$ 23,025,064</b>	<b>\$ 3,552,548</b>	<b>\$ 14,638,884</b>	<b>\$ 4,096,706</b>	<b>\$ 41,976,753</b>	<b>\$ 11,412,121</b>	<b>\$ 11,114,880</b>	<b>\$ 258,425</b>

**Fair Value Measurement**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

**Level 2:** Inputs to valuation methodology include quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)**

**Fair Value Measurement (Continued)**

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a summary of the inputs used in determining fair values of financial assets and liabilities measured at fair value on a recurring basis as of June 30:

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)**

**Fair Value Measurement (Continued)**

	2018			
	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
<b>U.S. Government Investments:</b>				
Cash	\$ 4,873	\$ 4,261	\$ 612	\$ -
Mortgage Pools	261	-	261	-
Bonds	1,875	1,788	87	-
Agency Obligations	9,900	167	9,733	-
Treasury Obligations	1,244	804	440	-
Other	11,532	11,236	296	-
<b>Mutual Money Market Funds</b>				
Certificates of deposit	1,236	1,236	-	-
Corporate Equities	377	-	377	-
Corporate Bonds	5,214	5,214	-	-
CDRS	12,598	2,393	10,205	-
Real Estate Securities	271	271	-	-
Mortgage Loans	646	646	-	-
Debt Securities	109	-	109	-
Equity Securities	767	-	767	-
Mutual Bond Funds:	21,387	21,387	-	-
Diversifying Asset	21,728	21,728	-	-
Other	11,375	11,375	-	-
<b>Mutual Funds:</b>				
US large Cap	4,162	4,162	-	-
US Small and Mid Cap	2,350	2,350	-	-
International Equity	3,016	3,016	-	-
International Large Growth	20	20	-	-
Large Growth	29	29	-	-
Large Value	147	147	-	-
US Short Term Bond Fund	301	301	-	-
International Fixed Income	699	699	-	-
Multi Alternative	222	222	-	-
Multi Sector Bond	677	677	-	-
High Yield Bond	679	679	-	-
REITs	596	596	-	-
Balanced	39	39	-	-
Energy Limited Partnership	246	246	-	-
Foreign Large Blend	589	589	-	-
Option Based Equity	35	35	-	-
S&P 500 Index	691	691	-	-
S&P midcap 400 index	377	377	-	-
S&P smallcap 600 index	84	84	-	-
Intermediate Term Bond	386	386	-	-
Hedge Equity	2,585	2,585	-	-
Diversified Alternatives	3,638	3,638	-	-
Other	32,625	32,625	-	-
<b>Mutual Stock Funds:</b>				
Publicly Traded	19,709	19,709	-	-
Domestic Mutual Fund	2,718	2,718	-	-
International Mutual Fund	106	106	-	-
<b>Stocks:</b>				
Consumer Goods	1,154	1,154	-	-
Energy	749	749	-	-
Financials	1,651	1,480	171	-
Healthcare	1,117	1,117	-	-
Industrial goods	832	832	-	-
IT	926	926	-	-
Materials	264	264	-	-
Real estate	87	87	-	-
Services	586	586	-	-
Technology	823	823	-	-
Utilities	217	217	-	-
US Small and Mid Cap	715	715	-	-
US large Cap	207	207	-	-
International Equity	1,117	1,117	-	-
Domestic Large Cap	220	220	-	-
Domestic Mid Cap	12	12	-	-
Domestic Small Cap	12	12	-	-
Index Funds	39	39	-	-
Other	4,009	4,009	-	-
<b>Fixed Income:</b>				
Domestic Mutual Funds	4,196	4,196	-	-
International Mutual Fund	2,391	2,391	-	-
Other	-	-	-	-
Public Real Asset	31	31	-	-
Other	10,921	4,371	6,550	-
<b>Total</b>	<b>214,395</b>	<b>\$ 184,787</b>	<b>\$ 29,608</b>	<b>\$ -</b>
<b>Investments Measured at Net Asset Value (NAV):</b>				
Commingled Global Fund	33,416			
Global Equity	88,920			
Commingled Hedge Fund	40,813			
Real Asset Fund	23,542			
Private Capital Fund	13,326			
Private Equity	2,088			
Natural Resources	624			
Venture	2,283			
Distressed Debt	462			
Multi Strategy	983			
Non Recurring FMV	3			
<b>Total Investments</b>	<b>\$ 420,855</b>			

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)**

**Fair Value Measurement (Continued)**

	2017			
	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
U.S. Government Investments:				
Cash	4,763	\$ 4,115	\$ 648	\$ -
Mortgage Pools	283	-	-	283
Bonds	4,917	4,850	67	-
Agency Obligations	8,169	172	7,997	-
Treasury Obligations	732	732	-	-
Other	11,792	11,363	429	-
Mutual Money Market Funds	7,497	7,497	-	-
Certificates of deposit	59	59	-	-
Corporate Bonds	22,253	7,398	14,855	-
Real Estate Securities	978	978	-	-
Debt Securities	962	-	962	-
Equity Securities	16,274	16,274	-	-
Mutual Bond Funds:				
Federal Agencies	411	-	411	-
Treasury Securities	548	-	548	-
Diversifying Asset	18,655	18,655	-	-
Other	7,149	7,149	-	-
Sovereign Securities	34	-	34	-
Mutual Funds:				
US Large Cap	3,094	3,094	-	-
US Small and Mid Cap	2,478	2,478	-	-
International Equity	4,577	4,577	-	-
Large Growth	23	23	-	-
Large Value	137	137	-	-
Multi Sector Bond	661	661	-	-
High Yield Bond	332	332	-	-
REITs	585	585	-	-
Commodities	1,050	1,050	-	-
Balanced	36	36	-	-
Fixed Income Bonds	1,223	1,223	-	-
Equity Energy	231	231	-	-
Foreign Large Blend	528	528	-	-
Foreign Large Growth	18	18	-	-
S&P 500 Index	583	583	-	-
S&P Midcap 400 Index	321	321	-	-
Intermediate Term Bond	80	80	-	-
Hedge Equity	1,780	1,780	-	-
Master Limited Partnership	880	880	-	-
Diversified Alternatives	1,495	1,495	-	-
Other	31,865	31,865	-	-
Mutual Stock Funds:				
Publicly Traded	13,467	13,467	-	-
Domestic Mutual Fund	2,122	2,122	-	-
International Mutual Fund	4,413	4,413	-	-
Stocks:				
Consumer Goods	1,188	1,188	-	-
Energy	328	328	-	-
Financials	1,382	1,382	-	-
Healthcare	1,029	1,029	-	-
Industrial goods	587	587	-	-
IT	824	824	-	-
Materials	449	449	-	-
Real estate	48	48	-	-
Services	448	448	-	-
Technology	824	824	-	-
Utilities	69	69	-	-
US Small and Mid Cap	695	695	-	-
US large Cap	463	463	-	-
International Equity	926	926	-	-
Index Funds	32	32	-	-
Other	4,595	4,595	-	-
Fixed Income:				
Domestic Mutual Funds	420	420	-	-
International Mutual Fund	78	78	-	-
Other	4,169	4,169	-	-
Public Real Asset	39	39	-	-
Other	8,558	1,554	7,004	-
Total	204,606	\$ 171,368	\$ 32,955	\$ 283
<b>Investments Measured at Net Asset Value (NAV):</b>				
Comingled Global Fund	34,375			
Global Equity	87,970			
Commingled Hedge Fund	36,440			
Real Asset Fund	22,188			
Private Capital Fund	10,312			
Private Equity	2,068			
Natural Resources	667			
Venture	2,310			
Distressed Debt	591			
Other	922			
Non Recurring FMV	3			
Total Investments	402,452			

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 20 COMPONENT UNITS' DISCLOSURES (CONTINUED)**

**Property and Equipment**

The components units' property and equipment at June 30 are composed of the following:

	2018										
	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	\$ -	\$ 773,967	\$ -	\$ 68,000	\$ 550,043	\$ 2,442,000	\$ -	\$ -	\$ -	\$ -	\$ 24,592
Buildings	-	-	-	272,000	3,067,718	12,323,230	-	77,435,382	-	1,039,064	1,224,930
Equipment	-	-	74,965	21,063	54,627	1,112,362	-	7,711,565	22,299	17,015	3,900
Furniture	-	-	-	-	-	-	-	-	1,012,802	-	72,000
Other	82,351	-	-	-	75,169	-	-	99,899	20,082,300	-	6,000
Accumulated Depreciation	(82,351)	(7,076)	(73,845)	(17,392)	(497,864)	(3,478,088)	-	(26,471,870)	(655,402)	(618,406)	(49,383)
Property and Equipment, Net	\$ -	\$ 766,891	\$ 1,120	\$ 343,671	\$ 3,249,693	\$ 12,399,504	\$ -	\$ 58,774,976	\$ 20,461,999	\$ 437,673	\$ 1,282,039
	2017										
	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	\$ -	\$ 773,967	\$ -	\$ -	\$ 550,043	\$ 2,442,000	\$ -	\$ -	\$ -	\$ 166,000	\$ 24,592
Buildings	-	-	-	-	3,067,718	12,323,230	-	77,404,121	-	1,282,353	-
Equipment	-	-	74,965	21,062	54,627	1,086,151	-	7,617,631	18,669	63,463	3,900
Furniture	-	-	-	-	-	-	-	-	-	-	72,000
Other	142,481	-	-	-	75,169	-	-	66,688	18,927,071	-	980,581
Accumulated Depreciation	(127,714)	(7,076)	(73,105)	(14,434)	(377,989)	(3,080,119)	-	(23,478,910)	(13,614)	(812,370)	(17,310)
Property and Equipment, Net	\$ 14,767	\$ 766,891	\$ 1,860	\$ 6,628	\$ 3,369,568	\$ 12,771,262	\$ -	\$ 61,609,530	\$ 18,932,126	\$ 699,446	\$ 1,063,763

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 21 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 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, the 2014 Series B bonds in the amount of \$79,050, and the 2014 Series C bonds in the amount of \$50,190.

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")**

On February 13, 2013, the West Virginia University Board of Governors (the Board) issued the 2013 Series A bonds in the amount of \$138,325 and the 2013 Series B bonds in the amount of \$72,180. 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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 21 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, (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, (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 and B (Taxable) (Collectively the “2012 Bonds”)**

During fiscal year 2013, the Board 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 \$13,271 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 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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 21 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. 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 (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 (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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 21 SEGMENT INFORMATION (CONTINUED)**

**Board of Governors of Marshall University, University Revenue Bonds, Series 2011**

In November 2011, the Marshall University Board sold \$51,910 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 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 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. 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 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.



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 21 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 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 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 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.

**Board of Governors of Glenville State College, Improvement and Refunding Revenue Bond, Series 2017**

In September 2017, the Glenville State College issued \$36,285 in Improvement and Refunding Revenue Bonds, Series 2017. The Series 2017 Bonds were issues for the purpose of refunding and redeeming the following debt, (1) Campus Community Center Bonds, Series 2006, (2) Science Center Bonds, Series 2007, (3) Goodwin Hall Bonds, Series 2009, (4) Student Housing Bonds, Series 2011A, (5) Note Payable, 2011.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 21 SEGMENT INFORMATION (CONTINUED)**

**Fairmont State University Facilities Construction Bonds 2015, Series A**

On April 7, 2015, Fairmont State issued Revenue Bonds Series A amounting to \$30,200. 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.

**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 and \$30,160, 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. 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% 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 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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 21 SEGMENT INFORMATION (CONTINUED)**

**State of West Virginia, Shepherd University, Residence Facilities Revenue Bonds, Series 2005**

In May 2005, \$22,925 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 University Facilities Revenue Notes, Series 2004A, which were issued to finance temporarily a portion of the costs of planning, design, acquisition, construction, and equipping of certain renovations and improvements to Shaw Hall and Thatcher Hall and other capital renovations and improvements to Shepherd University's residence facilities pending issuance of the Series 2005 Bonds; and (4) to pay the costs of issuance of the Series 2005 bonds.

**State of West Virginia, Shepherd University, Infrastructure Revenue Bonds, Series 2004**

In September 2004, \$3,405 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 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, Shepherd University, General Obligation Bond, Series 2017**

On March 8, 2017, the University issued \$35.3 million in General Obligation Bonds with a fixed interest rate of 3.65% to advance refund \$35.3 million of outstanding 2005 and 2007 revenue bonds with an average interest rate of 4.5% and to pay the cost of issuance. As a result both 2005 and 2007 revenue bonds are considered to be defeased and the liability for both of those bonds has been removed from the statement of net position. As a result, a gain between the reacquisition price and the net carrying amount of old debt is \$82. The difference, reported in the accompanying financial statement as a deduction of bonds payable, is being charged to operations during 2017. The University completed the refunding to reduce its total debt service payments over the next 20 years by \$4.2 million and to obtain an economic gain of \$3.3 million.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 21 SEGMENT INFORMATION (CONTINUED)**

**State of West Virginia, Board of Governors of West Virginia State University, Revenue Bonds, 2013 Series A**

On February 20, 2013, the West Virginia State University issued \$2,815 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 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. The bonds were issued to (1) finance the costs of renovation of, construction of an addition to and acquisition of equipment for the College Union, (2) to establish a debt service reserve fund, and (3) to pay the costs of issuance of the Bonds and related costs. These bonds were paid off with the issuance of the 2013 Bonds.

**Board of Governors of West Liberty University, Revenue Refunding Bonds 2013 Series**

On March 6, 2013, West Liberty University issued University Revenue Refunding Bonds, Series 2013, amounting to \$9,810. 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 to finance certain capital improvements and pay costs of issuance.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 21 SEGMENT INFORMATION (CONTINUED)**

**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. 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. 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. 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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 21 SEGMENT INFORMATION (CONTINUED)**

	2018									
	WVU Auxiliaries	Marshall Revenue Series 2010 and 2011	Fairmont Improvement Series 2006	Fairmont Revenue Refunding Bonds 2012 and Housing Construction Series 2015	Shepherd Revenue Refunding 2013	Shepherd Revenue Refunding 2017	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	\$ 52	\$ 16,197	\$ -	\$ 11,354	\$ 4,049	\$ 7,102	\$ 1,784	\$ 6,740	\$ 764	
Noncurrent Assets	1,146	141,952	6	76,604	7,345	37,557	13,240	9,729	9,015	
Total Assets	<u>1,198</u>	<u>158,149</u>	<u>6</u>	<u>87,958</u>	<u>11,394</u>	<u>44,659</u>	<u>15,024</u>	<u>16,469</u>	<u>9,779</u>	
Deferred Outflows of Resources	14	799	-	981	-	-	-	66	-	
Total	<u>\$ 1,212</u>	<u>\$ 158,948</u>	<u>\$ 6</u>	<u>\$ 88,939</u>	<u>\$ 11,394</u>	<u>\$ 44,659</u>	<u>\$ 15,024</u>	<u>\$ 16,535</u>	<u>\$ 9,779</u>	
Liabilities:										
Current Liabilities	44	5,343	1	3,403	493	2,422	1,858	663	663	
Noncurrent Liabilities	641	77,488	3	66,968	4,699	31,827	9,635	6,175	6,240	
Total Liabilities	<u>685</u>	<u>82,831</u>	<u>4</u>	<u>70,371</u>	<u>5,192</u>	<u>34,249</u>	<u>11,493</u>	<u>6,838</u>	<u>6,903</u>	
Deferred Inflows of Resources	40	-	-	-	-	-	-	-	-	
Total	<u>725</u>	<u>82,831</u>	<u>4</u>	<u>70,371</u>	<u>5,192</u>	<u>34,249</u>	<u>11,493</u>	<u>6,838</u>	<u>6,903</u>	
Net Position:										
Net Investment in Capital Assets	542	64,216	2	9,330	2,246	4,429	9,393	2,975	3,875	
Restricted/Designated	43	3	-	9,238	-	-	472	6,722	(999)	
Unrestricted	(98)	11,898	-	-	3,956	5,981	(6,334)	-	-	
Total Net Position	<u>487</u>	<u>76,117</u>	<u>2</u>	<u>18,568</u>	<u>6,202</u>	<u>10,410</u>	<u>3,531</u>	<u>9,697</u>	<u>2,876</u>	
Total	<u>\$ 1,212</u>	<u>\$ 158,948</u>	<u>\$ 6</u>	<u>\$ 88,939</u>	<u>\$ 11,394</u>	<u>\$ 44,659</u>	<u>\$ 15,024</u>	<u>\$ 16,535</u>	<u>\$ 9,779</u>	
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>										
Operating:										
Operating Revenues	\$ 136	\$ 23,408	\$ -	\$ 11,926	\$ 2,473	\$ 14,030	\$ 1,670	\$ 628	\$ 867	
Operating Expenses	(179)	(18,969)	-	(6,372)	(642)	(14,416)	(1,273)	-	-	
Other	31	-	-	-	-	-	-	-	-	
Net Operating Income	<u>(12)</u>	<u>4,439</u>	<u>-</u>	<u>5,554</u>	<u>1,831</u>	<u>(386)</u>	<u>397</u>	<u>628</u>	<u>867</u>	
Nonoperating:										
Transfers from Institution	25	(688)	-	-	-	-	-	-	-	
Nonoperating Revenues	25	456	-	(2,526)	184	182	2	-	-	
Nonoperating Expenses	(29)	(3,458)	-	(1,942)	(202)	(1,240)	(701)	(438)	(520)	
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>9</u>	<u>749</u>	<u>-</u>	<u>1,086</u>	<u>1,813</u>	<u>(1,444)</u>	<u>(302)</u>	<u>190</u>	<u>347</u>	
Net Position - Beginning of Year	<u>478</u>	<u>75,368</u>	<u>2</u>	<u>17,482</u>	<u>4,389</u>	<u>11,854</u>	<u>3,833</u>	<u>9,507</u>	<u>2,529</u>	
<b>NET POSITION - END OF YEAR</b>	<u>\$ 487</u>	<u>\$ 76,117</u>	<u>\$ 2</u>	<u>\$ 18,568</u>	<u>\$ 6,202</u>	<u>\$ 10,410</u>	<u>\$ 3,531</u>	<u>\$ 9,697</u>	<u>\$ 2,876</u>	
<b>CONDENSED STATEMENT OF CASH FLOWS</b>										
Net Cash Provided (Used) by Operating Activities	\$ 7	\$ 10,730	\$ 1	\$ 3,103	\$ 1,868	\$ 1,098	\$ 397	\$ 628	\$ 866	
Net Cash Provided (Used) by Capital Financing Activities	(51)	(7,990)	(1)	(5,245)	(960)	(3,903)	(699)	(797)	(824)	
Net cash Provided by Investing Activities	1	-	-	133	-	-	-	-	-	
<b>INCREASE (DECREASE) IN CASH</b>	<u>(43)</u>	<u>2,740</u>	<u>-</u>	<u>(2,009)</u>	<u>908</u>	<u>(2,805)</u>	<u>(302)</u>	<u>(169)</u>	<u>42</u>	
Cash - Beginning of Year	<u>102</u>	<u>13,315</u>	<u>-</u>	<u>10,527</u>	<u>2,881</u>	<u>9,670</u>	<u>(339)</u>	<u>6,909</u>	<u>721</u>	
<b>CASH - END OF YEAR</b>	<u>\$ 59</u>	<u>\$ 16,055</u>	<u>\$ -</u>	<u>\$ 8,518</u>	<u>\$ 3,789</u>	<u>\$ 6,865</u>	<u>\$ (641)</u>	<u>\$ 6,740</u>	<u>\$ 763</u>	

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 21 SEGMENT INFORMATION (CONTINUED)**

	2017										
	WVU Auxiliaries	Marshall Revenue Series 2010 and 2011	Fairmont Improvement Series 2006	Fairmont Revenue Refunding Bonds 2012 and Housing Construction Series 2015	Shepherd Residence Facilities 2005	Shepherd Wellness Center 2007	Shepherd Revenue Refunding 2013	Shepherd Revenue Refunding 2017	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	\$ 72	\$ 15,368	\$ -	\$ 12,104	\$ -	\$ -	\$ 3,152	\$ 10,382	\$ 1,538	\$ 6,908	\$ 720
Noncurrent Assets	1,130	144,884	6,257	79,130	-	-	7,190	36,431	13,121	9,985	9,743
Total Assets	1,202	160,252	6,257	91,234	-	-	10,342	46,813	14,659	16,893	10,463
Deferred Outflows of Resources	13	921	-	1,052	-	-	-	-	-	73	-
Total	\$ 1,215	\$ 161,173	\$ 6,257	\$ 92,286	\$ -	\$ -	\$ 10,342	\$ 46,813	\$ 14,659	\$ 16,966	\$ 10,463
Liabilities:											
Current Liabilities	\$ 44	\$ 4,614	\$ 494	\$ 4,878	\$ -	\$ -	\$ 852	\$ 1,851	\$ 1,806	\$ 649	\$ 1,064
Noncurrent Liabilities	657	80,768	4,160	69,926	-	-	5,101	33,108	9,995	6,810	6,870
Total Liabilities	701	85,382	4,654	74,804	-	-	5,953	34,959	11,801	7,459	7,934
Deferred Inflows of Resources	37	423	-	-	-	-	-	-	-	-	-
Total	738	85,805	4,654	74,804	-	-	5,953	34,959	11,801	7,459	7,934
Net Position:											
Net Investment in Capital Assets	512	63,880	1,873	8,676	-	-	1,699	2,065	9,607	2,628	1,843
Restricted/Designated	56	1	-	8,806	-	-	-	-	464	6,879	686
Unrestricted	(91)	11,487	-	-	-	-	2,690	9,789	(7,213)	-	-
Total Net Position	477	75,368	1,873	17,482	-	-	4,389	11,854	2,858	9,507	2,529
Total	\$ 1,215	\$ 161,173	\$ 6,527	\$ 92,286	\$ -	\$ -	\$ 10,342	\$ 46,813	\$ 14,659	\$ 16,966	\$ 10,463
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>											
Operating:											
Operating Revenues	\$ 172	\$ 28,432	\$ 559	\$ 12,113	\$ 10,339	\$ 1,893	\$ 2,580	\$ 4,078	\$ 1,689	\$ 609	\$ 840
Operating Expenses	(156)	(20,351)	-	(6,960)	(8,982)	(1,482)	(637)	(3,609)	(2,960)	-	-
Other											
Net Operating Income	16	8,081	559	5,153	1,357	411	1,943	469	(1,271)	609	840
Nonoperating:											
Transfers from Institution	43	1,606	-	-	-	-	-	-	-	-	-
Nonoperating Revenues	33	427	-	-	111	6	119	11,857	786	-	1
Nonoperating Expenses	(28)	(5,071)	(348)	(8,449)	(11,395)	(1,761)	(215)	(472)	(700)	(1,300)	(413)
<b>INCREASE (DECREASE) IN NET POSITION</b>	64	5,043	211	(3,296)	(9,927)	(1,344)	1,847	11,854	(1,185)	(691)	428
Net Position - Beginning of Year	413	70,325	1,662	20,778	9,927	1,344	2,542	-	4,043	10,198	2,101
<b>NET POSITION - END OF YEAR</b>	\$ 477	\$ 75,368	\$ 1,873	\$ 17,482	\$ -	\$ -	\$ 4,389	\$ 11,854	\$ 2,858	\$ 9,507	\$ 2,529
<b>CONDENSED STATEMENT OF CASH FLOWS</b>											
Net Cash Provided (Used) by Operating Activities											
Net Cash Provided (Used) by Operating Activities	\$ (10)	\$ 7,303	\$ 559	\$ 2,759	\$ 1,437	\$ 870	\$ 2,338	\$ 769	\$ (281)	\$ 609	\$ 840
Net Cash Provided (Used) by Capital Financing Activities	15	(5,153)	(559)	(11,673)	(10,145)	(1,309)	(1,356)	8,901	(699)	(798)	(856)
Net cash Provided by Investing Activities	1	-	-	90	-	-	-	-	-	-	-
<b>INCREASE (DECREASE) IN CASH</b>	6	2,150	-	(8,824)	(8,708)	(439)	982	9,670	(980)	(189)	(16)
Cash - Beginning of Year	96	11,165	-	19,351	8,708	439	1,899	-	641	7,098	737
<b>CASH - END OF YEAR</b>	\$ 102	\$ 13,315	\$ -	\$ 10,527	\$ -	\$ -	\$ 2,881	\$ 9,670	\$ (339)	\$ 6,909	\$ 721

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 22 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

For the years ended June 30, 2017 and 2016, the following tables represent operating expenses within both natural and functional classifications (dollars in thousands):

	2018							Total
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation/ Amortization	Other	
Instruction	\$ 405,565	\$ 112,789	\$ 58,874	\$ 348	\$ 72	\$ -	\$ 501	\$ 578,149
Research	72,894	30,735	52,027	518	14	-	-	156,188
Public Service	49,872	12,734	24,161	327	10	-	21	87,125
Academic Support	53,860	12,217	25,727	256	9	-	79	92,148
Student Services	48,844	15,999	24,635	142	3	-	4	89,627
Operations and Maintenance of Plant	35,890	12,541	34,084	41,897	-	-	12	124,424
General Institutions Support	123,835	34,942	83,920	1,198	(128)	-	721	244,488
Total Education and General	790,760	231,957	303,428	44,686	(20)	-	1,338	1,372,149
Student Financial Aid	388	45	408	-	100,983	-	-	101,824
Auxiliary Enterprises	75,868	18,690	104,517	16,524	6	-	480	216,085
Depreciation and Amortization	-	-	-	-	-	135,879	-	135,879
Administration of Leasing Activities	1,254	427	2,590	3,324	-	-	-	7,595
Other	-	-	472	-	-	-	1,422	1,894
<b>Total</b>	<b>\$ 868,270</b>	<b>\$ 251,119</b>	<b>\$ 411,415</b>	<b>\$ 64,534</b>	<b>\$ 100,969</b>	<b>\$ 135,879</b>	<b>\$ 3,240</b>	<b>\$ 1,835,426</b>

	2017							Total
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation/ Amortization	Other	
Instruction	\$ 397,522	\$ 114,145	\$ 58,661	\$ 501	\$ 70	\$ -	\$ 2,146	\$ 573,045
Research	73,990	32,241	47,765	134	7	-	206	154,343
Public Service	51,173	12,786	24,377	363	18	-	30	88,747
Academic Support	55,308	14,342	26,740	206	13	-	278	96,887
Student Services	49,436	16,485	25,536	102	19	-	127	91,705
Operations and Maintenance of Plant	38,313	14,265	42,394	41,283	-	-	84	136,339
General Institutions Support	124,693	33,334	86,541	1,126	-	-	2,139	247,833
Total Education and General	790,435	237,598	312,014	43,715	127	-	5,010	1,388,899
Student Financial Aid	331	44	167	-	106,034	-	-	106,576
Auxiliary Enterprises	74,548	17,538	105,061	16,121	3	-	406	213,677
Depreciation and Amortization	-	-	-	-	-	138,312	-	138,312
Administration of Leasing Activities	1,095	362	1,934	2,919	-	-	-	6,310
Other	-	-	522	-	-	-	1,675	2,197
<b>Total</b>	<b>\$ 866,409</b>	<b>\$ 255,542</b>	<b>\$ 419,698</b>	<b>\$ 62,755</b>	<b>\$ 106,164</b>	<b>\$ 138,312</b>	<b>\$ 7,091</b>	<b>\$ 1,855,971</b>



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 23 RESTATEMENTS**

In the fiscal year 2018, the Commission identified errors in previously reported lottery excess revenue and accrued interest resulting in a \$2,424 understatement of unrestricted net position as of June 30, 2016. The commission corrected both errors. The summary of both restatements and their impact on the issued financial statements as presented for the Fund are presented in the tables below.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**STATEMENT OF NET POSITION**  
**As of June 30, 2017**

	<b>As Previously Reported 2017</b>	<b>Effect of Correction</b>	<b>As Restated 2017</b>
Total Liabilities and Deferred Inflows of Resources			
Deposits	7,035	(732)	6,303
Interest Payable	11,563	(1,652)	9,911
Total Current Liabilities	333,551	(2,384)	331,167
Total Liabilities	2,127,191	(2,384)	2,124,807
Total Liabilities and Deferred Inflows of Resources	2,171,013	(2,384)	2,168,629
Net Position			
Unrestricted	(288,733)	(2,384)	(286,349)
Total Net Position	1,971,585	(2,384)	1,973,969

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 23 RESTATEMENTS (CONTINUED)**

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2017**

	As Previously Reported 2017	Effect of Correction	As Restated 2017
Interest on Indebtedness	(55,010)	(40)	(55,050)
Net Nonoperating Revenue	588,153	(40)	588,113
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>18,083</b>	<b>(40)</b>	<b>18,043</b>
Net Position - Beginning of Year	1,953,502	2,424	1,955,926
<b>NET POSITION - END OF YEAR</b>	<b>1,971,585</b>	<b>2,384</b>	<b>1,973,969</b>

**NOTE 24 SUBSEQUENT EVENTS**

On August 12, 2018, West Virginia University entered into an agreement with Sodexo America, LLC (“Sodexo”) to manage and operate the University’s dining services including resident dining, retail, and catering services. The term of this agreement will end on June 30, 2033 and may be extended for one additional year by the University. Within 30 days of executing this agreement, Sodexo will pay the University \$14,700 which will include the amount of unamortized investment for the Health Services Center.

Sodexo will collect all gross sales and will pay commissions to WVU in an amount that is the higher of (a) the minimum guaranteed commission for a particular contract year.; (b) an amount equal to (i) net sales for a particular contract year multiplied by 10% respecting net sales of catering (ii) plus an amount to non-catering net sales for a particular contract year multiplied by 11% of the first \$35,000 in non-catering net sales which will increase 1.5% for every \$5,00 increment over \$35,000; and (c) the amount of the commissions will be paid to the University on a quarterly basis.

Benefit eligible employees working in WVU’s dining services program less than three years of employment with the University and all non-benefit eligible employees, regardless of length of employment (other than student employees), will no longer be employees of the University but will be given the opportunity to become Sodexo employees. Benefit eligible employees with more than three years of service have the option of becoming Sodexo employees but will not be required to become employees of Sodexo. On a monthly basis, Sodexo will reimburse WVU for the actual amount paid by WVU in total compensation to WVU employees.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 24 SUBSEQUENT EVENTS (CONTINUED)**

Sodexo will contribute an amount not to exceed \$26,650 over the term of this agreement for improvements and renovations to retail and resident dining facilities on the Morgantown campus, at Potomac State College in Keyser, WV, at WVUIT in Beckley, WV, and at Jackson's Mill in Weston, WV. According to the terms of the agreement, Sodexo will also provide in-kind catering services, contribute to information technology costs and enhancements, contribute to the support of University students to ensure students have adequate nutrition based on their needs, contribute to various student life intuitives, and honor various meal plan scholarships awarded by the WVU.

In September 2018, West Liberty University issued Capital Improvement Revenue Bonds Series 2018 in the amount of \$5,125,000. The net proceeds from the revenue bonds will be used to finance capital projects throughout the University. The bonds will bear interest rates between 2.99% - 3.65% with annual principal payments starting on December 1, 2020 through the maturity date of June 1, 2038.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION**

Condensed combining information for the Fund's blended component units for the year ended June 30, 2018 is as follows:

**Condensed Combining Statements of Net Position**  
**June 30, 2018**

	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	\$ 11	\$ 3	\$ -	\$ 16	\$ -	\$ 2,851	\$ -	\$ 2,196	\$ -	\$ 43	\$ 64,530	\$ 373	\$ (70,023)	\$ -
Other Current Assets	2,617	10,244	12,630	13,245	1,822	29,897	5,453	278,413	102,141	69,291	45,823	96,183	(2,223)	665,536
Capital Assets, Net	15,600	62,533	71,616	117,362	76,511	133,541	80,562	1,830,341	409,639	76,187	61,020	242,950	-	3,177,862
Other Noncurrent Assets	704	4,816	736	535	4,555	373	475	127,432	119,852	5,205	23,433	3,147	-	291,263
Total Assets	18,932	77,596	84,982	131,158	82,888	166,662	86,490	2,238,382	631,632	150,726	194,806	342,653	(72,246)	4,134,661
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	553	648	778	847	1,090	1,931	910	28,047	4,451	540	17,336	2,772	-	59,903
Total Assets and Deferred Outflows	\$ 19,485	\$ 78,244	\$ 85,760	\$ 132,005	\$ 83,978	\$ 168,593	\$ 87,400	\$ 2,266,429	\$ 636,083	\$ 151,266	\$ 212,142	\$ 345,425	\$ (72,246)	\$ 4,194,564
<b>LIABILITIES</b>														
Inter-Entity Payables	\$ 104	\$ 275	\$ 1,518	\$ 675	\$ 624	\$ 1,354	\$ -	\$ 48,991	\$ 8,829	\$ 3	\$ 1,759	\$ 299	\$ (64,431)	\$ -
Other Current Liabilities	3,155	6,373	4,687	7,960	3,528	10,333	10,351	188,329	45,840	4,407	29,084	28,585	(1,525)	341,107
Other Long-Term Liabilities	5,369	27,179	21,084	46,643	44,906	81,504	42,920	902,073	141,661	8,032	357,526	39,404	(6,287)	1,712,014
Total Liabilities	8,628	33,827	27,289	55,278	49,058	93,191	53,271	1,139,393	196,330	12,442	388,369	68,288	(72,243)	2,053,121
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,198	1,975	1,458	1,798	1,203	1,986	1,967	67,481	8,694	760	631	6,697	-	95,848
Total Liabilities and Deferred Inflows of Resources	9,826	35,802	28,747	57,076	50,261	95,177	55,238	1,206,874	205,024	13,202	389,000	74,985	(72,243)	2,148,969
<b>Net Position</b>														
Net Investment in Capital Assets	15,497	43,767	56,889	78,308	36,358	61,342	44,446	1,105,345	315,300	76,187	60,154	231,770	-	2,125,363
Restricted														
Nonexpendable	553	2,424	-	-	-	-	-	17,954	15,176	-	-	50	-	36,157
Expendable	(133)	1,767	52	514	4,112	3,910	(14)	10,952	16,286	11,158	39,298	9,174	-	97,076
Unrestricted	(6,259)	(5,517)	71	(3,893)	(6,753)	8,164	(12,270)	(74,696)	84,297	50,719	(276,310)	29,446	-	(213,001)
Total Net Position	\$ 9,658	\$ 42,441	\$ 57,012	\$ 74,929	\$ 33,717	\$ 73,416	\$ 32,162	\$ 1,059,555	\$ 431,059	\$ 138,064	\$ (176,858)	\$ 270,440	\$ -	\$ 2,045,595

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statements of Revenues, Expenses, and Changes in Net Position**  
**Year Ended June 30, 2018**

	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	\$ 4,139	\$ 7,194	\$ 14,273	\$ 16,263	\$ 5,641	\$ 12,840	\$ 10,851	\$ 411,796	\$ 85,798	\$ 36,401	\$ -	\$ 29,295	\$ -	\$ 634,491
Federal, State, Local Contracts and Grants	5,996	7,838	4,591	5,856	3,342	10,089	12,295	211,292	62,828	1,750	5,325	25,055	(50,093)	306,164
Sales and Services of Educational Activity	101	7	-	49	483	86	-	22,770	193	-	3,253	1,033	-	27,975
Auxiliary Enterprise Revenue	632	8,147	8,186	14,260	4,980	13,385	4,553	152,679	34,010	595	5,249	1,995	-	248,671
Other Operating Revenues	38	1,190	802	868	42	4,135	1,256	9,591	10,062	617	8,064	2,251	(8,161)	30,755
<b>Total Operating Revenues</b>	<b>10,906</b>	<b>24,376</b>	<b>27,852</b>	<b>37,296</b>	<b>14,488</b>	<b>40,535</b>	<b>28,955</b>	<b>808,128</b>	<b>192,891</b>	<b>39,363</b>	<b>21,891</b>	<b>59,629</b>	<b>(58,254)</b>	<b>1,248,056</b>
<b>OPERATING EXPENSES</b>														
Operations	19,373	34,877	36,030	51,764	22,296	54,596	40,965	974,877	264,440	40,353	26,048	141,409	(7,481)	1,699,547
Depreciation	1,410	2,617	2,973	6,629	2,416	4,534	3,499	78,140	16,406	3,736	2,102	11,417	-	135,879
<b>Total Operating Expenses</b>	<b>20,783</b>	<b>37,494</b>	<b>39,003</b>	<b>58,393</b>	<b>24,712</b>	<b>59,130</b>	<b>44,464</b>	<b>1,053,017</b>	<b>280,846</b>	<b>44,089</b>	<b>28,150</b>	<b>152,826</b>	<b>(7,481)</b>	<b>1,835,426</b>
Operating Loss	(9,878)	(13,118)	(11,151)	(21,097)	(10,224)	(18,595)	(15,509)	(244,889)	(87,955)	(4,726)	(6,259)	(93,197)	(50,773)	(587,371)
<b>NONOPERATING REVENUES (EXPENSES)</b>														
State Appropriations	5,379	8,278	7,593	9,361	5,622	14,579	11,100	171,770	61,840	7,188	51,411	61,378	-	415,499
Federal Pell Grants	3,769	4,613	3,936	5,109	3,708	6,743	4,901	30,737	18,099	-	-	31,938	-	113,553
Other Nonoperating Revenues (Expenses)	183	311	780	636	(1,289)	(2,225)	(1,328)	55,839	9,658	2,654	(44,555)	4,248	52,328	77,240
<b>Total Nonoperating Revenues</b>	<b>9,331</b>	<b>13,202</b>	<b>12,309</b>	<b>15,106</b>	<b>8,041</b>	<b>19,097</b>	<b>14,673</b>	<b>258,346</b>	<b>89,597</b>	<b>9,842</b>	<b>6,856</b>	<b>97,564</b>	<b>52,328</b>	<b>606,292</b>
Capital Grants, Appropriations, and Gifts	-	30	-	-	-	-	4,905	26,746	3,488	53	-	416	-	35,638
Net Other Transfers Made and Received	-	-	997	-	-	1,269	-	896	-	-	-	(3,212)	(1,555)	(1,605)
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>(547)</b>	<b>114</b>	<b>2,155</b>	<b>(5,991)</b>	<b>(2,183)</b>	<b>1,771</b>	<b>4,069</b>	<b>41,099</b>	<b>5,130</b>	<b>5,169</b>	<b>597</b>	<b>1,571</b>	<b>-</b>	<b>52,955</b>
Net Position - Beginning of Year	9,395	42,351	55,039	79,941	35,390	71,501	24,855	1,003,002	424,898	132,556	(177,316)	272,357	-	1,973,969
Restatement of Net Assets -OPEB Liability	810	(24)	(182)	979	510	144	3,238	15,453	1,031	339	(139)	(3,488)	-	18,671
<b>NET POSITION - END OF YEAR</b>	<b>\$ 9,659</b>	<b>\$ 42,441</b>	<b>\$ 57,012</b>	<b>\$ 74,929</b>	<b>\$ 33,717</b>	<b>\$ 73,416</b>	<b>\$ 32,162</b>	<b>\$ 1,059,554</b>	<b>\$ 431,059</b>	<b>\$ 138,064</b>	<b>\$ (176,858)</b>	<b>\$ 270,440</b>	<b>\$ -</b>	<b>\$ 2,045,595</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statements of Cash Flows**  
**Year Ended June 30, 2018**

	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>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>														
Operating Activities	\$ (7,569)	\$ (10,378)	\$ (7,884)	\$ (14,685)	\$ (7,482)	\$ (14,319)	\$ (13,634)	\$ (192,040)	\$ (67,585)	\$ (101)	\$ (593)	\$ (84,222)	\$ (49,784)	\$ (470,276)
Noncapital Financing Activities	9,144	12,757	11,153	16,084	9,330	21,508	15,986	268,430	81,753	6,605	27,500	94,096	47,828	622,174
Capital Financing Activities	(1,003)	(4,433)	(1,554)	(5,130)	(2,614)	(8,695)	(1,859)	(100,866)	(12,465)	(1,248)	(25,429)	(8,810)	24,936	(149,170)
Investing Activities	31	338	161	183	42	386	41	(2,819)	2,795	1,372	570	1,142	-	4,242
<b>INCREASE (DECREASE) IN CURRENT CASH AND CASH EQUIVALENTS</b>	603	(1,716)	1,876	(3,548)	(724)	(1,120)	534	(27,295)	4,498	6,628	2,048	2,206	22,980	6,970
Cash - Beginning of Year	994	6,036	9,116	14,565	1,900	29,115	1,644	133,733	77,880	23,325	36,741	89,893	(46,518)	378,424
<b>CASH - END OF YEAR</b>	<b>\$ 1,597</b>	<b>\$ 4,320</b>	<b>\$ 10,992</b>	<b>\$ 11,017</b>	<b>\$ 1,176</b>	<b>\$ 27,995</b>	<b>\$ 2,178</b>	<b>\$ 106,438</b>	<b>\$ 82,378</b>	<b>\$ 29,953</b>	<b>\$ 38,789</b>	<b>\$ 92,099</b>	<b>\$ (23,538)</b>	<b>\$ 385,394</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

Condensed combining information for the Fund's blended component units for the year ended June 30, 2017 is as follows:

**Condensed Combining Statements of Net Position (As Restated)**  
**June 30, 2017**

	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	\$ 5	\$ 4	\$ -	\$ 13	\$ -	\$ 3,153	\$ -	\$ 3,246	\$ -	\$ 19	\$ 72,828	\$ 551	\$ (79,819)	\$ -
Other Current Assets	2,021	12,041	10,403	16,155	2,744	30,696	5,475	246,902	95,875	60,983	48,492	91,107	(2,352)	620,542
Capital Assets, Net	16,055	63,345	72,514	122,707	77,445	135,723	79,351	1,823,491	417,808	78,794	59,889	249,181	-	3,196,303
Other Noncurrent Assets	667	5,342	1,633	608	2,439	519	518	131,955	115,910	5,904	18,455	6,048	-	289,998
Total Assets	18,748	80,732	84,550	139,483	82,628	170,091	85,344	2,205,594	629,593	145,700	199,664	346,887	(82,171)	4,106,843
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	283	384	305	88	432	1,271	328	16,376	1,965	-	13,501	822	-	35,755
Total Assets and Deferred Outflows	\$ 19,031	\$ 81,116	\$ 84,855	\$ 139,571	\$ 83,060	\$ 171,362	\$ 85,672	\$ 2,221,970	\$ 631,558	\$ 145,700	\$ 213,165	\$ 347,709	\$ (82,171)	\$ 4,142,598
<b>LIABILITIES</b>														
Inter-Entity Payables	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ -	\$ 24	\$ 393	\$ 9	\$ 1,410	\$ 252	\$ (2,103)	\$ -
Other Current Liabilities	2,257	8,197	4,273	7,951	5,066	11,554	12,020	182,652	42,444	3,871	27,759	31,399	(8,276)	331,167
Other Long-Term Liabilities	7,258	29,785	25,395	51,484	42,262	87,798	48,636	996,505	162,941	9,264	361,275	42,829	(71,792)	1,793,640
Total Liabilities	9,520	37,982	29,668	59,435	47,328	99,362	60,656	1,179,181	205,778	13,144	390,444	74,480	(82,171)	2,124,807
<b>DEFERRED INFLOWS OF RESOURCES</b>	116	783	148	195	342	499	163	39,787	882	-	34	873	-	43,822
Total Liabilities and Deferred Inflows of Resources	9,636	38,765	29,816	59,630	47,670	99,861	60,819	1,218,968	206,660	13,144	390,478	75,353	(82,171)	2,168,629
<b>Net Position</b>														
Net Investment in Capital Assets	15,912	45,712	56,151	81,731	41,330	60,919	44,263	1,091,815	317,840	78,794	58,880	235,969	-	2,129,316
Restricted														
Nonexpendable	528	2,425	-	-	-	-	-	17,803	15,176	-	-	49	-	35,981
Expendable	152	1,752	9	442	1,603	3,909	14	8,333	17,510	10,680	38,034	12,583	-	95,021
Unrestricted	(7,197)	(7,538)	(1,121)	(2,232)	(7,543)	6,673	(19,424)	(114,949)	74,372	43,082	(274,227)	23,755	-	(286,349)
Total Net Position	\$ 9,395	\$ 42,351	\$ 55,039	\$ 79,941	\$ 35,390	\$ 71,501	\$ 24,853	\$ 1,003,002	\$ 424,898	\$ 132,556	\$ (177,313)	\$ 272,356	\$ -	\$ 1,973,969

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statements of Revenues, Expenses, and Changes in Net Position (As Restated)**  
**Year Ended June 30, 2017**

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glennville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating/ Reclassification Entries	Total
<b>OPERATING REVENUES</b>														
Student Tuition and Fees, Net	\$ 4,188	\$ 7,280	\$ 13,853	\$ 17,574	\$ 5,207	\$ 13,818	\$ 10,495	\$ 395,429	\$ 82,097	\$ 34,875	\$ -	\$ 29,537	\$ -	\$ 614,353
Federal, State, Local Contracts and Grants	5,416	8,042	4,601	5,685	4,780	11,024	11,932	183,754	63,643	1,774	6,855	29,361	(47,175)	289,692
Sales and Services of Educational Activity	77	11	-	50	315	69	2	21,700	224	-	3,200	1,945	-	27,593
Auxiliary Enterprise Revenue	717	8,284	7,748	15,211	4,248	13,223	4,377	157,957	36,253	554	5,435	1,474	-	255,481
Other Operating Revenues	45	1,075	535	672	768	5,033	1,457	24,379	10,246	413	7,642	2,473	(7,987)	46,751
Total Operating Revenues	10,443	24,692	26,737	39,192	15,318	43,167	28,263	783,219	192,463	37,616	23,132	64,790	(55,162)	1,233,870
<b>OPERATING EXPENSES</b>														
Operations	19,362	36,109	34,145	51,715	22,259	58,549	47,413	981,582	264,159	39,352	25,241	145,413	(7,640)	1,717,659
Depreciation	1,424	2,276	2,924	6,718	2,341	4,340	3,603	80,354	16,498	3,663	2,858	11,313	-	138,312
Total Operating Expenses	20,786	38,385	37,069	58,433	24,600	62,889	51,016	1,061,936	280,657	43,015	28,099	156,726	(7,640)	1,855,971
Operating Loss	(10,343)	(13,693)	(10,332)	(19,241)	(9,282)	(19,722)	(22,753)	(278,717)	(88,194)	(5,399)	(4,967)	(91,936)	(47,522)	(622,101)
<b>NONOPERATING REVENUES (EXPENSES)</b>														
State Appropriations	5,524	8,503	7,797	9,361	5,774	14,972	11,356	178,052	64,794	7,366	50,355	62,372	-	426,226
Federal Pell Grants	3,575	4,557	3,639	4,786	3,414	6,942	6,801	29,940	16,609	-	-	33,428	-	113,691
Other Nonoperating Revenues (Expenses)	180	246	(382)	(517)	(1,158)	(5,465)	(1,691)	36,848	9,212	2,871	(40,039)	993	47,098	48,196
Total Nonoperating Revenues	9,279	13,306	11,054	13,630	8,030	16,449	16,466	244,840	90,615	10,237	10,316	96,793	47,098	588,113
Capital Grants, Appropriations, and Gifts	-	353	-	-	23	-	3,916	42,260	4,936	132	-	287	-	51,907
Capital Transfers to Institutions and Outside Entities	-	-	-	-	-	413	-	-	-	-	(15,754)	15,041	424	124
<b>INCREASE (DECREASE) IN NET POSITION</b>	(1,064)	(34)	722	(5,611)	(1,229)	(2,860)	(2,371)	8,383	7,357	4,970	(10,405)	20,185	-	18,043
Net Position - Beginning of Year	10,459	42,385	54,317	85,552	36,619	74,361	27,224	994,619	417,541	127,586	(169,332)	252,171	-	1,953,502
<b>NET POSITION - END OF YEAR</b>	\$ 9,395	\$ 42,351	\$ 55,039	\$ 79,941	\$ 35,390	\$ 71,501	\$ 24,853	\$ 1,003,002	\$ 424,898	\$ 132,556	\$ (179,737)	\$ 272,356	\$ -	\$ 1,971,545



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**  
**Condensed Combining Statements of Cash Flows**  
Year Ended June 30, 2017

	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>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>														
Operating Activities	\$ (8,845)	\$ (11,014)	\$ (6,660)	\$ (12,413)	\$ (6,055)	\$ (16,008)	\$ (17,511)	\$ (189,309)	\$ (66,186)	\$ (1,337)	\$ (5,239)	\$ (78,903)	\$ (46,790)	\$ (466,270)
Noncapital Financing Activities	9,099	12,687	11,436	15,610	9,187	22,177	18,142	265,800	81,163	7,377	25,173	95,453	42,509	615,813
Capital Financing Activities	(350)	12,908	2,424	(5,008)	(2,568)	(16,234)	(1,862)	(140,099)	(11,435)	(4,346)	(22,891)	(6,976)	(13,276)	(209,713)
Investing Activities	14	10,428	65	117	14	215	27	50,576	1,714	(4,025)	306	599	-	60,050
<b>INCREASE (DECREASE) IN CURRENT CASH AND CASH EQUIVALENTS</b>	(82)	25,009	7,265	(1,694)	578	(9,850)	(1,204)	(13,032)	5,256	(2,331)	(2,651)	10,173	(17,557)	(120)
Cash - Beginning 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
<b>CASH - END OF YEAR</b>	<u>\$ 994</u>	<u>\$ 31,853</u>	<u>\$ 13,964</u>	<u>\$ 14,565</u>	<u>\$ 1,900</u>	<u>\$ 29,115</u>	<u>\$ 1,644</u>	<u>\$ 133,733</u>	<u>\$ 77,880</u>	<u>\$ 23,325</u>	<u>\$ 36,741</u>	<u>\$ 89,893</u>	<u>\$ (77,183)</u>	<u>\$ 378,424</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**WEST VIRGINIA HIGHER EDUCATION FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF PROPORTIONATE SHARE OF TRS NET PENSION LIABILITY  
AND EMPLOYER CONTRIBUTIONS  
DECEMBER 31, 2018 AND 2017  
(UNAUDITED)**

**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	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2017	1.5852010%	\$ 20,016	\$ 44,262	\$ 64,278	\$ 12,290	163%	67.85%
June 30, 2016	0.6837370%	\$ 28,100	\$ 53,520	\$ 81,620	\$ 13,893	202%	61.42%
June 30, 2015	0.6763590%	\$ 23,450	\$ 53,422	\$ 76,872	\$ 15,069	156%	66.25%
June 30, 2014	0.0075941%	\$ 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, 2017	\$ 2,513	\$ 2,092	\$ 421	\$ 12,290	17.02%
June 30, 2016	\$ 2,625	\$ 2,542	\$ 83	\$ 13,893	18.30%
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, 2018**

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.

**WEST VIRGINIA HIGHER EDUCATION FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF PROPORTIONATE SHARE OF NET OTHER POSTEMPLOYMENT BENEFITS  
 AND EMPLOYER CONTRIBUTIONS  
 DECEMBER 31, 2018 AND 2017  
 (UNAUDITED)**

**Schedule of Proportionate Share of OPEB Liability**

Measurement Date	Fund's Proportionate Share as a Percentage of OPEB 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	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
June 30, 2017	11.4810790%	\$ 283,628	\$ 58,634	\$ 342,262	\$ 310,818	91%	25.10%

**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, 2017	\$ 24,070	\$ 24,070	\$ (548)	\$ 310,818	8%

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, 2018**

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

## **SUPPLEMENTARY INFORMATION**

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING NET POSITION INFORMATION**  
**DECEMBER 31, 2018**  
**(DOLLARS IN THOUSANDS)**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	Higher Education Fund	Aggregate Discretely Presented Component Units	Total
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 385,394	\$ 24,291	\$ 409,685
Short-Term Investments	110,460	21,585	132,045
Appropriations Due from Primary Government	6,592	-	6,592
Accounts Receivable, Net	139,786	9,394	149,180
Loans Receivable - Current Portion	7,071	-	7,071
Other Current Assets	12,520	3,359	15,879
Inventories	3,713	4	3,717
Total Current Assets	<u>665,536</u>	<u>58,633</u>	<u>724,169</u>
<b>NONCURRENT ASSETS</b>			
Cash and Cash Equivalents	50,930	5,082	56,012
Investments	169,868	399,270	569,138
Loans Receivable - Net of Allowance of \$9,572	45,098	2,250	47,348
Other Assets	25,367	62,992	88,359
Capital Assets, Net	3,177,862	97,718	3,275,580
Total Noncurrent Assets	<u>3,469,125</u>	<u>567,312</u>	<u>4,036,437</u>
Total Assets	4,134,661	625,945	4,760,606
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Loss on Refunding	31,520	-	31,520
Deferred Outflows Related to Pensions	4,017	-	4,017
Deferred Outflows Related to OPEB	24,101	-	24,101
Deferred Outflows Related to BRNI Acquisition	265	-	265
Total Deferred Outflows of Resources	<u>59,903</u>	<u>-</u>	<u>59,903</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 4,194,564</u></u>	<u><u>\$ 625,945</u></u>	<u><u>\$ 4,820,509</u></u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING NET POSITION INFORMATION (CONTINUED)**  
**DECEMBER 31, 2018**  
**(DOLLARS IN THOUSANDS)**

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	Higher Education Fund	Aggregate Discretely Presented Component Units	Total
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 60,406	\$ 826	\$ 61,232
Due to State of West Virginia	435	-	435
Accrued Liabilities	87,384	1,637	89,021
Unearned Revenue	79,968	390	80,358
Deposits/Custodial/Annuity Liabilities	8,671	116,143	124,814
Real Estate Purchase Agreements Payable - Current Portion	610	-	610
Other Liabilities - Current Portion	1,255	2,725	3,980
Compensated Absences - Current Portion	45,130	-	45,130
Notes Payable - Current Portion	2,327	642	2,969
Capital Lease Obligations - Current Portion	5,763	-	5,763
Interest Payable	9,829	-	9,829
Bonds Payable - Current Portion	39,329	884	40,213
Total Current Liabilities	341,107	123,247	464,354
<b>NONCURRENT LIABILITIES</b>			
Advances from Federal Sponsors	37,108	-	37,108
Real Estate Purchase Agreement Payable	12,448	-	12,448
Compensated Absences	3,942	-	3,942
Notes Payable	69,532	29,203	98,735
Capital Lease Obligations	39,552	-	39,552
Future Interest Payable	34,728	-	34,728
Bonds Payable	1,172,217	110,813	1,283,030
Other Postemployment Benefit Liability	283,628	-	283,628
Net Pension Liability	20,016	-	20,016
Other Noncurrent Liabilities	38,843	10,860	49,703
Total Noncurrent Liabilities	1,712,014	150,876	1,862,890
Total Liabilities	2,053,121	274,123	2,327,244

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING NET POSITION INFORMATION (CONTINUED)**  
**DECEMBER 31, 2018**  
**(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	\$ 38,484	\$ -	\$ 38,484
Deferred Inflows Related to Pensions	7,341	-	7,341
Deferred Inflows Related to OPEB	48,457	-	48,457
Other	1,566	-	1,566
Total Deferred Inflows of Resources	95,848	-	95,848
Total Liabilities and Deferred Inflows of Resources	2,148,969	274,123	2,423,092
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,125,363	(17,431)	2,107,932
Restricted for:			
Expendable:			
Scholarships	10,412	38,846	49,258
Sponsored Projects	23,712	569	24,281
Loans	15,290	-	15,290
Capital Projects	29,454	112	29,566
Debt Service	12,560	-	12,560
Other	5,648	84,718	90,366
Total Restricted Expendable	97,076	124,245	221,321
Nonexpendable	36,157	228,909	265,066
Unrestricted	(213,001)	16,099	(196,902)
Total Net Position	2,045,595	351,822	2,397,417
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 4,194,564</b>	<b>\$ 625,945</b>	<b>\$ 4,820,509</b>



**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**  
**YEAR ENDED DECEMBER 31, 2018**  
**(DOLLARS IN THOUSANDS)**

	Higher Education Fund	Aggregate Discretely Presented Component Units	Total
<b>OPERATING REVENUES</b>			
Student Tuition and Fees, Net of Scholarship			
Allowance of \$208,646	\$ 634,491	\$ -	\$ 634,491
Gift and Contributions	-	28,201	28,201
Federal and Local land Grants	9,725	-	9,725
Contracts and Grants:			
Federal	132,796	732	133,528
State	46,678	-	46,678
Local	1,827	-	1,827
Private	115,138	-	115,138
Interest on Student Loans Receivable	1,231	-	1,231
Sales and Services of Educational Activities	27,975	-	27,975
Auxiliary Enterprise Revenue Net of Scholarship			
Allowance of \$31,775	248,671	12,195	260,866
Other Operating Revenues	29,524	1,900	31,424
Total Operating Revenues	<u>1,248,056</u>	<u>43,028</u>	<u>1,291,084</u>
<b>OPERATING EXPENSES</b>			
Salaries and Wages	868,270	5,078	873,348
Benefits	251,119	91	251,210
Supplies and Other Services	411,415	2,517	413,932
Utilities	64,534	427	64,961
Student Financial Aid - Scholarships and Fellowships	100,969	12,130	113,099
Depreciation and Amortization	135,879	4,049	139,928
Other Operating Expenses	3,240	26,744	29,984
Total Operating Expenses	<u>1,835,426</u>	<u>51,036</u>	<u>1,886,462</u>
<b>OPERATING INCOME (LOSS)</b>	<b>(587,370)</b>	<b>(8,008)</b>	<b>(595,378)</b>

**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 (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**  
**(DOLLARS IN THOUSANDS)**

	Higher Education Fund	Aggregate Discretely Presented Component Units	Total
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations	\$ 415,499	\$ -	\$ 415,499
State Lottery Appropriations	26,959	-	26,959
Federal Pell Grants	113,553	-	113,553
Gifts	66,406	-	66,406
Investment Income, Net	22,998	26,788	49,786
Interest on Indebtedness	(57,428)	(6,043)	(63,471)
Payments made on Behalf of the Fund	22,847	-	22,847
Student Financial Aid and Other Payments to Institutions	(3,634)	-	(3,634)
Other Nonoperating Expenses, Net	(908)	1,920	1,012
Net Nonoperating Revenues (Expenses)	<u>606,292</u>	<u>22,665</u>	<u>628,957</u>
<b>LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	18,922	14,657	33,579
<b>CAPITAL GRANTS, APPROPRIATIONS AND GIFTS</b>	35,638	-	35,638
<b>CAPITAL PAYMENTS MADE ON BEHALF OF THE SCHOOL</b>	1,731	-	1,731
<b>TRANSFERS TO OTHER GOVERNMENTS</b>	<u>(3,336)</u>	<u>-</u>	<u>(3,336)</u>
<b>INCREASE IN NET POSITION</b>	52,955	14,657	67,612
Net Position - Beginning of Year	1,973,969	337,165	-
Restatement - Correction of Prior Year Errors	18,671	-	18,671
<b>NET POSITION - END OF YEAR</b>	<u>\$ 2,045,595</u>	<u>\$ 351,822</u>	<u>\$ 86,283</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) a component unit of the State of West Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018. 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, the West Virginia School of Osteopathic Medicine, and all discretely presented component units except Blue Ridge Community and Technical College Foundation, Inc. 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, except for the Shepherd University Foundation, Inc. and Supporting Organization, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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 2018-001 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 2018-002 through 2018-005 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.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 31, 2018

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED DECEMBER 31, 2018**

**2018-001 – Audit Adjustments**

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

**Condition:** During the audit of Bluefield State it was determined that at June 30, 2018, there were accounts payable and related capital assets and expenses not recorded. The expense or capital assets were incurred prior to fiscal yearend, and therefore should have been recorded as a liability on the Statement of Net Position as of June 30, 2018 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.

**Cause:** The College 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 finance department enters the accounts payable, based on the date of expense; the liability is booked within the respective fiscal year.

**Effect:** The omission resulted in an adjustment to record the accounts payable and related expenses as of June 30, 2018.

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

**Management's Response:** Bluefield State College recognizes the importance of accurate financial reporting. Within our year-end processes, transactions such as these are extremely unusual. Going forward, Bluefield State personnel will make corrective action for this not to occur again.

**2018-002 – Revenue Transactions Reconciliation**

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

**Condition:** During the performance of the audit of West Virginia Higher Education Policy Commission it was noted that the Commission appears to have a lack of review control over certain revenue transactions reconciliation.

**Criteria:** Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Cause:** The control over the revenue recognition of certain transactions did not operate one time during the prior fiscal year. As a result, prior year error was discovered. Because of the magnitude of the error, restatement of previously issued financial statements is required.

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED DECEMBER 31, 2018**

**Effect:** The lack of controls in place over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

**Recommendation:** The Commission should establish a more robust review control over certain revenue transactions reconciliation to ensure that their financial reporting processes and controls over the preparation of the annual financial statements provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

**Management Response:** The need for this correction to the prior year was determined by the Commission. The adjustment is equal to .28% of the FY17 net position and 1.46% of the FY17 Student Financial Aid and other Payments to institutions. The funds related to this transaction will no longer be recorded as deposits. The appropriate recording of funds as deposited will be reviewed in future years.

**2018-003 – Accrued Interest**

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

**Condition:** The Commission appears to have a lack of review control over accrued interest.

**Criteria:** Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

**Cause:** The control over the accrued interest did not operate one time during the prior fiscal year. As the result, the prior year error was discovered. Because of the magnitude of the error, restatement of preciously issued financial statements is required.

**Effect:** The lack of controls in place over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

**Recommendation:** The Commission should establish a more robust review control over certain revenue transactions reconciliation to ensure that their financial reporting processes and controls over the preparation of the annual financial statements provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

**Management's Response:** The need for this correction to the prior year was determined by the Commission. The adjustment is equal to 3.69% of the FY 2017 Commission's Interest Payable and 8.37% of the FY 2017 Commission's Interest Expense. In future years, the debt service interest schedules will be reviewed to determine that the correct interest payable amount has been calculated for the financial statements.

**2018-004 – Federal Grant Receivables and Unearned Revenue**

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED DECEMBER 31, 2018**

**Criteria:** 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.

**Cause:** 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. Current reconciling procedures do not include review of stale or old amount for resolution.

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

**Recommendation:** We recommend the College review Federal grant accounts receivable and unearned revenue subledgers to ensure that only collectible amounts are recorded as receivables and that unearned revenue balance 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.

**Management's Response:** Bluefield State College considers any concerns brought forward by the independent auditors important. Personnel at the institution have worked on correcting some balances in come of the grants in previous years and ongoing. Finance personnel will make a concerted effort in the next months to correct other outstanding balances.

**2018-005: Compensated Absences Accrual**

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

**Condition:** At Marshall University, during the performance of the audit it was noted that the compensated absences accrued liability was understated.

**Criteria:** Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statement of financial position, changes in net position and cash flows, including the notes to the financial statements. This responsibility includes ensuring the accuracy of all the financial records and information.

**Cause:** The data based used to track employee time was not reconciled to the spreadsheet used to calculate the fiscal year-end accrual.

**Effect:** An audit adjustment for approximately \$1,682,000 was made to increase accrued compensated absences.

**Recommendation:** We recommend the University review and modify its internal control system to assure the calculation of the year-end compensated absences accrual is complete and accurate.

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED DECEMBER 31, 2018**

**Management's Response:** In September 2017 Marshall University implemented a new "time and attendance" system called Time Clock Plus (TCP). All prior leave balances/accruals (Annual & Sick Leave) was loaded in TCP. We ran parallel processes between TCP and our legacy Access Database to ensure everything was working properly. After a few months and several tests, we moved forward with making TCP our new system of record.

During the 2018 audit we were asked to produce the same historic yearly report for compensated absence accruals. Unfortunately, during our TCP implementation we didn't have a reason to load fund/org field, nor salary fields and therefore, we couldn't extract a comprehensive report from TCP.

In an effort to get the auditors the required information, we attempted to extract the balances from TCP and upload them into our Banner HR/Payroll system where we could then generate the additional fields required for the audit. During this process, we didn't capture everything correct on our "first" attempt. After identifying our error, we made adjustments and captured nearly everything in our "second" attempt.

We are exploring a couple of options to address this issue moving forward:

1. Reconciling both systems quarterly. (TCP and Banner HR/Payroll)
2. Adding more usable fields in our TCP system so we can eliminate the need to upload data in to our Banner HR system just to run a report.





Investment advisory services are offered through CliftonLarsonAllen  
Wealth Advisors, LLC, an SEC-registered investment advisor.