

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2019 AND 2018**



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**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
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**YEARS ENDED JUNE 30, 2019 AND 2018**

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## INDEPENDENT AUDITORS' REPORT

West Virginia Higher Education  
Policy Commission  
Charleston, West Virginia

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

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the West Virginia Higher Education Fund (the Fund), a component unit of the State of West Virginia, as of and for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, which represent 18%, 26%, and 15%, respectively, of total assets, total net position, and total revenues of the Fund in 2019 and 18%, 25%, and 15%, respectively, of total assets, total net position and total revenues of the Fund in 2018. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Other Institutions, is based solely on the reports 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, 2019 and 2018, which represent 99%, 99%, and 99%, respectively, of total assets, total net assets and total revenues of the discretely presented component units in 2019 and 2018. 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, 2019 and 2018, 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 Matters***

As discussed in Note 23 to the financial statements, the West Virginia Higher Education Policy Commission corrected a prior year error related to the recognition of a deposit liability. Accordingly, certain amounts have been restated in the 2018 financial statements now presented and adjustments have been made to net position as of June 30, 2018. Our opinion is not modified with respect to this matter.

The independent auditors' report of other auditors on the 2019 financial statements of Provident Group – Marshall Properties, LLC (Provident – Marshall), a discretely presented component unit, contained an emphasis of a matter paragraph as Provident – Marshall has debt obligations due within a year that will likely not be met as a result of the expiration of the letter of credit that collateralizes the debt. This raises substantial doubt about Provident – Marshall's ability to continue as a going concern. Provident – Marshall's financial statements have been prepared assuming they will continue as a going concern. Management's plans in regard to these matters are described in Note 20. The financial statements of Provident – Marshall do not include any adjustments that might result from the outcome of this uncertainty. 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 Other Postemployment Liability, and Schedule of Employer Contributions (the Required Supplementary Information) 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 basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors 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.

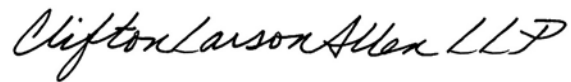
#### *Other Information*

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 (the 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, 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, 2019, 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, 2019

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FISCAL YEAR 2019**  
**(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, 2019 and 2018. These component units are private nonprofit organizations that report under the Financial Accounting Standards Board (FASB). 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 2019 and 2018 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.

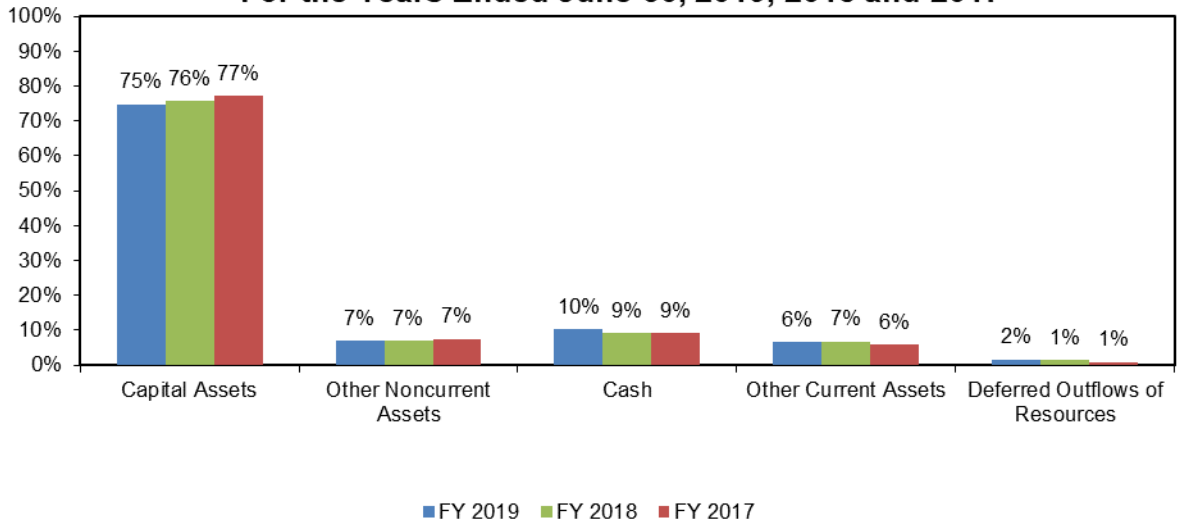
**Condensed Schedules of Net Position**  
**(In thousands of dollars)**

|                                  | <b>June 30<br/>2019</b>    | <b>June 30<br/>2018<br/>(As Restated)</b> | <b>June 30<br/>2017</b>    |
|----------------------------------|----------------------------|---|----------------------------|
| <b>Assets</b>                    |                            |   |                            |
| Current Assets                   | \$ 701,020                 | \$ 665,536                                | \$ 620,542                 |
| Capital Assets, Net              | 3,143,208                  | 3,177,862                                 | 3,196,303                  |
| Other Noncurrent Assets          | <u>289,457</u>             | <u>291,263</u>                            | <u>289,998</u>             |
| Total Assets                     | 4,133,685                  | 4,134,661                                 | 4,106,843                  |
| <br>                             |                            |   |                            |
| Deferred Outflows of Resources   | <u>70,534</u>              | <u>59,903</u>                             | <u>35,755</u>              |
| <br>                             |                            |   |                            |
| Total                            | <u><u>\$ 4,204,219</u></u> | <u><u>\$ 4,194,564</u></u>                | <u><u>\$ 4,142,598</u></u> |
| <br><b>Liabilities</b>           |                            |   |                            |
| Current Liabilities              | \$ 362,572                 | \$ 338,194                                | \$ 331,167                 |
| Noncurrent Liabilities           | <u>1,637,932</u>           | <u>1,712,014</u>                          | <u>1,793,640</u>           |
| Total Liabilities                | 2,000,504                  | 2,050,208                                 | 2,124,807                  |
| <br>                             |                            |   |                            |
| Deferred Inflows of Resources    | <u>126,289</u>             | <u>95,848</u>                             | <u>43,822</u>              |
| <br>                             |                            |   |                            |
| Total                            | <u><u>2,126,793</u></u>    | <u><u>2,146,056</u></u>                   | <u><u>2,168,629</u></u>    |
| <br><b>Net Position</b>          |                            |   |                            |
| Net Investment in Capital Assets | 2,116,224                  | 2,125,363                                 | 2,129,316                  |
| Restricted-expendable            | 96,403                     | 97,076                                    | 95,021                     |
| Restricted-nonexpendable         | 37,257                     | 36,157                                    | 35,981                     |
| Unrestricted                     | <u>(172,458)</u>           | <u>(210,088)</u>                          | <u>(286,349)</u>           |
| Total Net Position               | <u><u>2,077,426</u></u>    | <u><u>2,048,508</u></u>                   | <u><u>1,973,969</u></u>    |
| <br>                             |                            |   |                            |
| Total                            | <u><u>\$ 4,204,219</u></u> | <u><u>\$ 4,194,564</u></u>                | <u><u>\$ 4,142,598</u></u> |



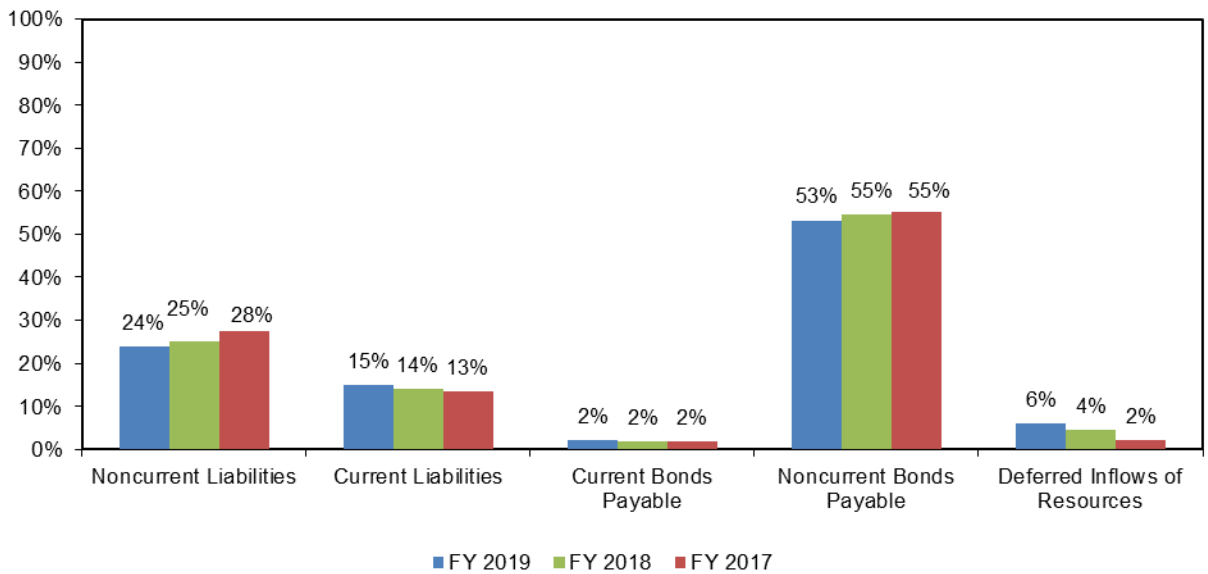
## Assets and Deferred Outflows Composition

For the Years Ended June 30, 2019, 2018 and 2017



## Liabilities and Deferred Inflows Composition

For the Years Ended June 30, 2019, 2018 and 2017



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

- Total current assets of \$701.0 million exceeded total current liabilities of \$362.6 million as of June 30, 2019 for net working capital of \$338.4 million as compared to net working capital of \$327.3 million and \$289.3 million as of June 30, 2018 and 2017, respectively. Current assets increased by \$35.5 million from 2018 to 2019 and increased \$45.0 million from 2017 to 2018, while current liabilities increased by \$24.4 million from 2018 to 2019 and increased by \$7.0 million from 2017 to 2018.
- The major components of current assets include cash and cash equivalents of \$425.5 million, \$385.4 million, and \$378.4 million and net accounts receivable of \$127.8, \$140.0 million, and \$99.1 million as of June 30, 2019, 2018, and 2017, 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, 2019, 2018 and 2017.
- The major components of current liabilities include \$82.9 million, \$80.0 million, and \$78.9 million of unearned revenue, \$70.4 million, \$60.4 million, and \$61.0 million, in accounts payable, \$92.5 million, \$87.4 million, and \$81.0 million of accrued liabilities, \$48.1 million, \$45.1 million, and \$44.1 million in accrued compensated absences, and \$43.2 million, \$39.3 million, and \$41.1 million in current portion of bonds payable as of June 30, 2019, 2018, and 2017, 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 \$3,432.7 million, \$3,469.1 million, and \$3,486.3 million and noncurrent liabilities total \$1,637.9 million, \$1,712.0 million, and \$1,793.6 million as of June 30, 2019, 2018, and 2017, respectively. Noncurrent assets decreased by \$36.4 million from 2018 to 2019 and decreased by \$17.2 million from 2017 to 2018 while noncurrent liabilities decreased by \$74.1 million from 2018 to 2019 and decreased \$81.6 million from 2017 to 2018.
- The primary noncurrent asset is \$3,143.2 million, \$3,177.9 million, and \$3,196.3 million, of net capital assets as of June 30, 2019, 2018, and 2017, respectively. Also included as noncurrent assets are cash and cash equivalents primarily for capital purposes of \$56.0 million, \$51.0 million, and \$68.0 million, investments for capital purposes totaling \$167.1 million, \$169.9 million, and \$150.6 million, and net loans to students of \$39.4 million, \$45.1 million, and \$45.5 million as of June 30, 2019, 2018, and 2017, respectively.

- Major components of noncurrent liabilities include long-term bonds payable totaling \$1,132.2 million, \$1,172.2 million, and \$1,195.1 million, capital leases of \$38.2 million, \$39.6 million, and \$46.5 million, advances from federal sponsors of \$37.8 million, \$37.1 million, and \$43.6 million, notes payable of \$67.8 million, \$70.0 million, and \$55.0 million, and accruals for other post employment benefit liability of \$262.2 million, \$283.6 million, and \$336.3 million, as of June 30, 2019, 2018, and 2017, respectively. In addition, the net pension liability recorded was \$14.0 million, \$20.0 million and \$28.1 million, as of June 30, 2019, 2018 and 2017, respectively.
- The decreases in other post-employment benefit (OPEB) liability of \$21.4 million and \$52.7 million, as of 2019 and 2018, respectively, are primarily attributed to the implementation of GASB 75.
- Deferred outflows of resources increased from \$35.8 million, as of June 30, 2017, to \$59.9 million, as of June 30, 2018 and increased to \$70.5 million as of June 30, 2019. The 2019 increase is the result of an increase in the OPEB of \$13.6 million offset by the decline in deferred outflows related to pensions of \$1.0 million. The 2018 increase is the result of an increases in the OPEB of \$24.0 million offset by the decline in deferred outflows related to pensions of \$3.0 million.
- Most of the FY 2019, \$30.5 million increase in deferred inflows was a result of an increase in the inflows related to OPEB of \$18.1 million and inflows related to pensions of \$1.8 million.
- The net position of the Fund totaled \$2,077.4 million, \$2,048.5 million, and \$1,974.0 million as of June 30, 2019, 2018, and 2017, respectively, an increase of \$28.9 million from 2018 to 2019 and \$74.5 million from 2017 to 2018.
  - Net investment in capital assets totaled \$2,116.2 million, \$2,125.4 million, and \$2,129.3 million as of June 30, 2019, 2018, and 2017, respectively.
  - Restricted expendable net position totaled \$96.4 million, \$97.1 million, and \$95.0 million and included \$25.1 million, \$23.7 million, \$24.7 million for sponsored projects, \$24.9 million, \$29.5 million, and \$27.1 million, for capital projects, and \$15.9 million, \$15.3 million, and \$13.6 million for loan programs as of June 30, 2019, 2018, and 2017, respectively.
  - Unrestricted net position totaled (\$172.5) million, (\$210.1) million, and (\$286.3) million as of June 30, 2019, 2018, and 2017, 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

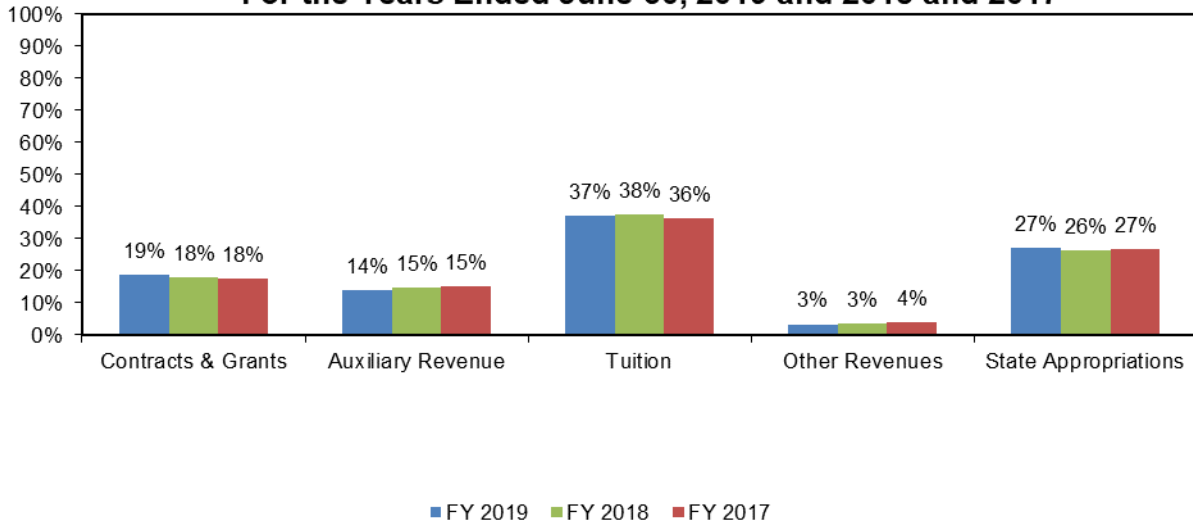
revenue in the form of Federal and State grants used to support operations and various initiatives. Operating expenses are those expenses incurred in the form of staff salaries, benefits and various goods and services to carry out the mission of the Fund. Revenues for which goods and services are not 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 2019          | FY 2018<br>(As Restated) | FY 2017          |
|--|------------------|--------------------------|------------------|
| Operating Revenues   | \$ 1,243,428     | \$ 1,248,056             | \$ 1,233,870     |
| Operating Expenses   | 1,866,077        | 1,835,426                | 1,855,971        |
| Operating Loss   | <u>(622,649)</u> | <u>(587,370)</u>         | <u>(622,101)</u> |
| Net Nonoperating Revenues  | <u>621,538</u>   | <u>609,205</u>           | <u>588,153</u>   |
| Income (Loss) Before Other Revenues,<br>Expenses, Gains and Losses | (1,111)          | 21,835                   | (33,948)         |
| Capital Grants, Appropriations and Gifts                           | 27,683           | 35,638                   | 51,907           |
| Capital Bond Proceeds from the State                               | 126              | -                        | 124              |
| Capital Payments Made on Behalf of the Fund                        | 2,055            | 1,731                    | -                |
| Transfers to Other Governments                                     | -                | (3,336)                  | -                |
| State Capital Grants   | <u>165</u>       | <u>-</u>                 | <u>-</u>         |
| Increase in Net Position   | <u>\$ 28,918</u> | <u>\$ 55,868</u>         | <u>\$ 18,083</u> |

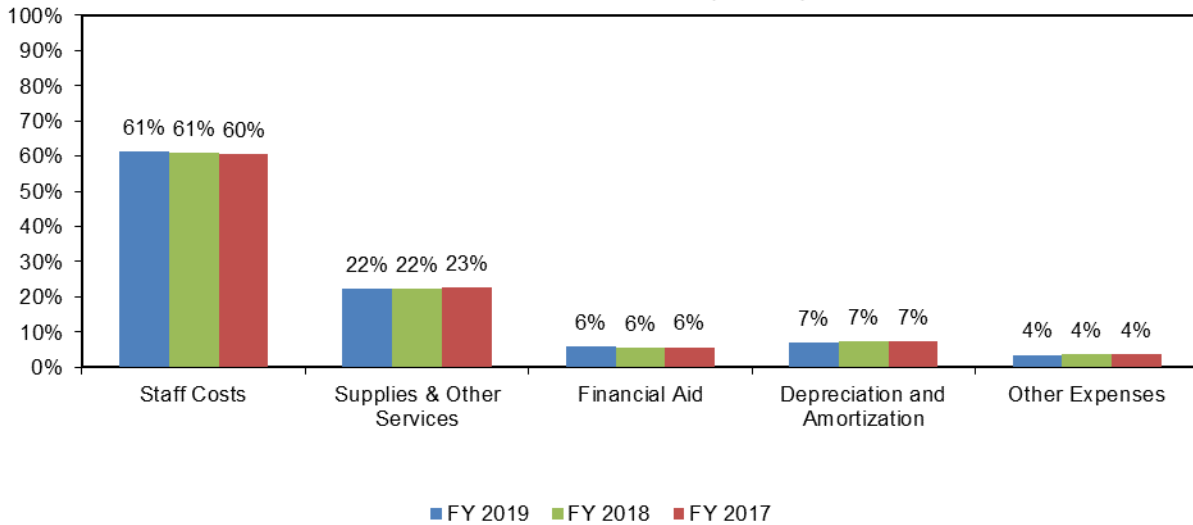
# Operating Revenues and State Appropriations

For the Years Ended June 30, 2019 and 2018 and 2017



# Total Operating Expenses

For the Years Ended June 30, 2019, 2018 and 2017



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

- Operating Revenues of the Fund totaled \$1,243.4 million, \$1,248.10 million, and \$1,233.9 million for the years ended June 30, 2019, 2018, and 2017, respectively, a decrease of \$4.7 million from 2018 to 2019 and an increase of \$14.2 million from 2017 to 2018.
  - Student tuition and fees revenues totaled \$631.1 million in FY 2019, \$634.5 million in FY 2018, and \$614.4 million in FY 2017, a decrease of \$3.4 million or 0.5% in FY 2019 and an increase of \$20.1 million or 3.3% in FY 2018. Tuition is reported net of scholarship allowances totaling \$215.7 million, \$208.6 million, and \$194.8 million for the years ended June 30, 2019, 2018, and 2017, 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 \$139.6 million, \$132.8 million, and \$131.6 million, for the years ended June 30, 2019, 2018, and 2017, respectively. The increase of \$6.8 million in FY 2019 mainly represents additional awards received during the year. The increase of \$1.2 million in FY18 represents additional awards received during the year.
  - Auxiliary enterprises generated revenues of \$236.5 million, \$248.7 million, and \$255.5 million, net of \$25.8 million, \$31.8 million, and \$29.5 million, of scholarship allowances for the years ended June 30, 2019, 2018, and 2017, respectively. FY 2019 net auxiliary revenues decreased by \$12.2 million or 4.9%. FY 2018 net auxiliary revenues decreased by \$6.8 million or 2.7%, reflecting primarily increases in rates.
  - State grants and contracts totaled \$49.8 million, \$46.7 million, and \$51.8 million for the years ended June 30, 2019, 2018, and 2017, respectively, an increase of \$3.1 million from 2018 to 2019 and a decrease of \$5.1 million from 2017 to 2018. Private grants and contracts totaled \$118.3, \$115.1 million, and \$103.7 million for the years ended June 30, 2019, 2018, and 2017, respectively, an increase of \$3.2 million from 2018 to 2019 and increase of \$11.4 million from 2017 to 2018. These changes represent normal fluctuations in grant activities.
- Operating expenses totaled \$1,866.1 million, \$1,835.4 million, and \$1,856.0 million for the years ended June 30, 2019, 2018, and 2017, respectively, an increase of \$30.7 million from 2018 to 2019 and a decrease of \$21.0 million from 2017 to 2018.
  - Staff salary costs totaled \$896.3 million, \$868.2 million, and \$866.4 million, an increase of \$28.1 million or 3.2% from 2018 to 2019 and \$1.8 million or .2% from 2017 to 2018. FY 2019 increase is attributed to the overall salary raises in FY19.
  - Supplies and other services totaled \$416.6 million, \$411.4 million, and \$419.7 million for the years ended June 30, 2019, 2018, and 2017, respectively, an increase of \$5.2 million or 1.3% from 2018 to 2019 and a decrease \$8.3 million or 2.1% from 2017 to 2018.

- Scholarships and fellowships totaled \$112.1 million, \$101.0 million, and \$106.2 million for the years ended June 30, 2019, 2018, and 2017, respectively, an increase of \$11.1 million or 11% from 2018 to 2019 and a decrease of \$5.2 million or 4.9% from 2017 to 2018. This is primarily a result of decreases in Pell Grant revenues.
- Depreciation and amortization on capital assets totaled \$130.3 million, \$136.0 million, and \$138.3 million for the years ended June 30, 2019, 2018, and 2017, respectively, a decrease of \$5.7 million from 2018 to 2019 and a decrease of \$2.3 million from 2017 to 2018. The decreases in FY 2019 and FY18 are related to disposals of capital assets offset by an increase in depreciation on construction projects completed and placed into service during the year.
- The result from operations was a net operating loss of \$622.6 million, \$587.4 million, and \$622.1 million for the years ended June 30, 2019, 2018, and 2017, respectively, which excludes State appropriations of \$463.3 million, \$442.5 million, and \$453.4 million, and Federal Pell grants of \$109.6 million, \$113.6 million, and \$113.7 million for the years ended June 30, 2019, 2018, and 2017, respectively. The net operating loss increase of \$35.3 million in FY 2019 was the outcome of increased spending in supplies and other services. 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.
- Net non-operating revenue totaled \$621.5 million, \$609.2 million, and \$588.2 million for the years ended June 30, 2019, 2018, and 2017, respectively, an increase of \$12.3 million from 2018 to 2019 and an increase of \$21.1 million from 2017 to 2018.
  - State general revenue and lottery appropriations totaled \$463.3 million, \$442.5 million, and \$453.4 million for the years ended June 30, 2019, 2018, and 2017, respectively, an increase of \$20.8 million from 2018 to 2019 and a decrease of \$10.9 million from 2017 to 2018. The decreases are due primarily to appropriation reductions required to balance the State budget.
  - Interest incurred on indebtedness totaled \$57.0 million, \$57.4 million, and \$55.0 million for the years ended June 30, 2019, 2018, and 2017, a decrease of \$.4 million from 2018 to 2019 and an increase of \$2.4 million from 2017 to 2018.
  - Investment income totaled \$25.4, \$23.0 million, and \$29.2 million for the years ended June 30, 2019, 2018, and 2017, respectively, an increase of \$2.4 million from 2018 to 2019 and a decrease of \$6.3 million from 2017 to 2018. The increase is a result of more favorable investment performance in FY 2019 as compared to FY 2018. The FY 2018 decrease is a result of less favorable investment performances as compared to FY17.

- Other revenues consist of capital grants and gifts totaling \$27.7 million, \$35.6 million, and \$51.9 million for the years ended June 30, 2019, 2018, and 2017, respectively, a decrease of \$7.9 from 2018 to 2019 and a decrease of \$16.3 million from 2017 to 2018. These decreases were due to facilities transferred to West Virginia University from its public private partners in FY 2017.
- The activity for FY 2019 resulted in an increase of net position totaling \$28.9 million as compared to the FY 2018 increase of net position totaling \$55.9 million, and an increase of \$18.0 million FY 2017.
- As reported below on a functional expenditure basis, expenditures for Educational and General Expenses were \$1,417.7 million, \$1,372.1 million, and \$1,388.9 million for the years ended June 30, 2019, 2018, and 2017, respectively, an increase of \$45.6 million or 3.3% from FY 2018 and a decrease of \$16.8 million or 1.2% from FY 2017. Cost of instruction constitutes 42.3%, 42.1%, and 41.3% of total educational and general expenses for the years ended June 30, 2019, 2018, and 2017, respectively. Institutional Support remained consistent as a percentage of E & G at 17.8% in FY 2017, 17.8% in FY 2018 and 17.6% in FY 2019.

|                                 | FY 19               | % of          | FY 18               | % of          | FY 17               | % of          | FY 16               | % of          |
|---------------------------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|
|                                 | Total               | E&G Total     | Total               | E&G Total     | Total               | E&G Total     | Total               | E&G Total     |
| Instruction                     | \$ 599,131          | 42.3%         | \$ 578,149          | 42.1%         | \$ 573,045          | 41.3%         | \$ 569,268          | 41.2%         |
| Research                        | 158,050             | 11.1%         | 156,188             | 11.4%         | 154,343             | 11.1%         | 149,805             | 10.8%         |
| Public Service                  | 88,689              | 6.3%          | 87,125              | 6.3%          | 88,747              | 6.4%          | 88,721              | 6.4%          |
| Academic Support                | 98,870              | 7.0%          | 92,148              | 6.7%          | 96,887              | 7.0%          | 96,757              | 7.0%          |
| Student Services                | 94,633              | 6.7%          | 89,627              | 6.5%          | 91,705              | 6.6%          | 92,324              | 6.7%          |
| Plant Operations                | 129,081             | 9.1%          | 124,424             | 9.1%          | 136,339             | 9.8%          | 144,865             | 10.5%         |
| Institutional Support           | 249,199             | 17.6%         | 244,488             | 17.8%         | 247,833             | 17.8%         | 240,348             | 17.4%         |
| <b>Total E &amp; G Expenses</b> | <u>1,417,653</u>    | <u>103.3%</u> | <u>1,372,149</u>    | <u>100.0%</u> | <u>1,388,899</u>    | <u>100.0%</u> | <u>1,382,088</u>    | <u>100.0%</u> |
| Financial Aid                   | 112,821             |               | 101,824             |               | 106,576             |               | 107,838             |               |
| Auxiliary Enterprises           | 197,129             |               | 216,085             |               | 213,677             |               | 214,184             |               |
| Depreciation                    | 130,294             |               | 135,879             |               | 138,312             |               | 139,037             |               |
| Other                           | 8,180               |               | 9,489               |               | 8,507               |               | 7,964               |               |
| <b>Total Operating Expenses</b> | <u>\$ 1,866,077</u> |               | <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 2019           | FY 2018           | FY 2017           |
|--|-------------------|-------------------|-------------------|
| Cash (Used In) Provided By:                      |                   |                   |                   |
| Operating Activities                             | \$ (449,742)      | \$ (470,276)      | \$ (466,270)      |
| Noncapital Financing Activities                  | 631,964           | 622,174           | 615,813           |
| Capital Financing Activities                     | (162,815)         | (149,170)         | (209,713)         |
| Investing Activities                             | 20,691            | 4,242             | 60,050            |
| Increase (Decrease) in Cash and Cash Equivalents | 40,098            | 6,970             | (120)             |
| Cash and Cash Equivalents, beginning of year     | 385,394           | 378,424           | 378,544           |
| Cash and Cash Equivalents, end of year           | <u>\$ 425,492</u> | <u>\$ 385,394</u> | <u>\$ 378,424</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 \$449.7 million, \$470.3 million, and \$466.3 million for the years ended June 30, 2019, 2018, and 2017, 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 2019, 2018, and 2017, respectively, were student tuition and fees of \$648.0 million, \$649.8 million, and \$623.5 million; contracts and grants of \$311.6 million, \$287.1 million, and \$288.6 million; and auxiliary enterprise charges of \$243.4 million, \$246.2 million, and \$249.5 million. Primary uses of cash for FY 2019, 2018, and 2017, respectively, included payments to and on behalf of employees of \$1,144.9 million, \$1,092.9 million, and \$1,122.0 million and payments to suppliers of \$398.3 million, \$411.9 million, and \$419.1 million.
- Net cash provided from noncapital financing activities for FY 2019, 2018, and 2017, respectively, totaled \$632.0 million, \$622.2 million, and \$615.8 million, of which \$458.5 million, \$440.7 million, and \$449.1 million was from State General Revenue and Lottery appropriations, \$109.6 million, \$114.1 million, and \$113.8 million, was from Federal Pell Grants.

- Net cash used by capital financing activities for FY 2019 totaled \$162.8 million. The withdrawals from noncurrent cash and cash equivalents totaled \$27.7 million. Other sources include proceeds from bond issuances and borrowings of \$6 million, capital bond proceeds from the State of \$.2 million, offset by purchases of capital assets totaling \$77.0 million, principal and interest paid on notes, bonds and leases of \$106.1 million.
- 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 provided by investing activities for FY 2019, 2018 and 2017 totaled \$20.7 million and \$4.2 million and \$60.1 million. The FY 2019 change is a result of an increase in purchases of investments. The FY 2018 change is a result of an increase in purchases of investments.
- Net cash for FY 2019 increased by \$40.1 million compared to an increase in net cash for FY 2018 of \$7.0 million and a decrease for FY 2017 of \$.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 \$77.0 million in FY 2019, as compared to \$102.8 million in FY 2018. 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 2019, expenditures at West Virginia University and Marshall University accounted for \$51.8 million of the \$74.2 million total. For FY 2018, expenditures at West Virginia University and Marshall University accounted for \$74.2 million of the \$102.7 million total.

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.

The Commission made all required debt service payments and repaid principal of \$12.3 million in FY 2019, \$14.0 million in FY 2018 and \$13.5 million in FY 2017, respectively. See Notes 7 and 12 to the financial statements for further detail of long-term debt.

West Virginia University, including the Health Sciences Center and its regional campuses, has a multi-year capital budget including planned capital expenditures of approximately \$88.6 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.

During fiscal year 2019, the University completed upgrades to the PRT train controls; renovations to Milan Puskar Stadium including the training table and kitchen renovation; and the HSC infrastructure project. Other on-going capital activity included renovations to Hodges Hall; further upgrades to the PRT; site preparation for construction of the new building for the John Chambers College of Business and Economics (Reynolds Hall); mechanical system upgrades at the coliseum; renovations to food and dining services facilities across campus and various energy performance and internally developed software projects.

The University completed improvements to the following buildings, infrastructure and land improvements during fiscal year 2018: 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 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 2013-2019. 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.

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 \$2,077.4 million. The continued success of the Fund is closely tied to the economic strength of the State of West Virginia. Over 24% of operating and nonoperating revenues of the Fund in FY 2019 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 increased about 9.8% in FY 2020 from FY 2019. The State's economy improved significantly over the previous year. As a result, additional funds were available to invest in higher education financial aid programs and operations.

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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**  
**(DOLLARS IN THOUSANDS)**

|   | 2019         | 2018<br>(As Restated) |
|---|--------------|-----------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>  |              |                       |
| <b>CURRENT ASSETS</b>   |              |                       |
| Cash and Cash Equivalents   | \$ 425,492   | \$ 385,394            |
| Investments   | 117,626      | 110,460               |
| Appropriations Due from Primary Government  | 8,320        | 6,592                 |
| Accounts Receivable, Net  | 127,772      | 139,786               |
| Loans Receivable, Current Portion   | 6,931        | 7,071                 |
| Other Current Assets  | 11,535       | 12,520                |
| Inventories   | 3,344        | 3,713                 |
| Total Current Assets  | 701,020      | 665,536               |
| <b>NONCURRENT ASSETS</b>  |              |                       |
| Cash and Cash Equivalents   | 55,992       | 50,930                |
| Investments   | 167,050      | 169,868               |
| Loans Receivable, Net of allowance of \$8,788 and \$9,572<br>in 2019 and 2018, Respectively | 39,379       | 45,098                |
| Other Assets  | 27,036       | 25,367                |
| Capital Assets, Net   | 3,143,208    | 3,177,862             |
| Total Noncurrent Assets   | 3,432,665    | 3,469,125             |
| Total Assets  | 4,133,685    | 4,134,661             |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |              |                       |
| Deferred Loss on Refunding  | 29,704       | 31,520                |
| Deferred Outflows Related to BRNI Acquisition   | 133          | 265                   |
| Deferred Outflows Related to Pensions   | 2,989        | 4,017                 |
| Deferred Outflows Related to OPEB   | 37,708       | 24,101                |
| Total Deferred Outflows of Resources  | 70,534       | 59,903                |
| Total Assets and Deferred Inflows of Resources  | \$ 4,204,219 | \$ 4,194,564          |

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, 2019 AND 2018**  
**(DOLLARS IN THOUSANDS)**

| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES,<br/>AND NET POSITION</b> | 2019      | 2018<br>(As Restated) |
|---|-----------|-----------------------|
| <b>CURRENT LIABILITIES</b>  |           |                       |
| Accounts Payable  | \$ 70,360 | \$ 60,406             |
| Due to State of West Virginia   | 279       | 435                   |
| Accrued Liabilities   | 92,548    | 87,384                |
| Unearned Revenue  | 82,882    | 79,968                |
| Deposits  | 5,598     | 5,758                 |
| Real Estate Purchase Agreements Payable, Current Portion                | 589       | 610                   |
| Other Liabilities, Current Portion                                      | 787       | 1,255                 |
| Compensated Absences, Current Portion                                   | 48,117    | 45,130                |
| Notes Payable, Current Portion  | 3,408     | 2,327                 |
| Capital Lease Obligations, Current Portion                              | 4,989     | 5,763                 |
| Interest Payable  | 9,816     | 9,829                 |
| Bonds Payable, Current Portion  | 43,199    | 39,329                |
| Total Current Liabilities   | 362,572   | 338,194               |
| <b>NONCURRENT LIABILITIES</b>   |           |                       |
| Advances from Federal Sponsors  | 37,841    | 37,108                |
| Real Estate Purchase Agreement Payable                                  | 11,674    | 12,448                |
| Compensated Absences  | 4,079     | 3,942                 |
| Notes Payable   | 67,797    | 69,532                |
| Capital Lease Obligations   | 38,212    | 39,552                |
| Future Interest Payable   | 33,677    | 34,728                |
| Bonds Payable   | 1,132,236 | 1,172,217             |
| Net Other Postemployment Benefit Liability                              | 262,154   | 283,628               |
| Net Pension Liability   | 13,808    | 20,016                |
| Other Noncurrent Liabilities  | 36,454    | 38,843                |
| Total Noncurrent Liabilities  | 1,637,932 | 1,712,014             |
| Total Liabilities   | 2,000,504 | 2,050,208             |

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, 2019 AND 2018**  
**(DOLLARS IN THOUSANDS)**

|   | 2019         | 2018<br>(As Restated) |
|---|--------------|-----------------------|
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES,<br/>AND NET POSITION (Continued)</b> |              |                       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |              |                       |
| Service Concession Arrangements   | \$ 39,697    | \$ 38,484             |
| Deferred Inflows Related to Pensions  | 9,116        | 7,341                 |
| Deferred Inflows Related to OPEB  | 66,587       | 48,457                |
| Other   | 10,889       | 1,566                 |
| Total Deferred Inflows of Resources   | 126,289      | 95,848                |
| Total Liabilities and Deferred Inflows of Resources                                 | 2,126,793    | 2,146,056             |
| <b>NET POSITION</b>   |              |                       |
| Net Investment in Capital Assets  | 2,116,224    | 2,125,363             |
| Restricted for:   |              |                       |
| Expendable:   |              |                       |
| Scholarships  | 13,047       | 10,412                |
| Sponsored Projects  | 25,062       | 23,712                |
| Loans   | 15,934       | 15,290                |
| Capital Projects  | 24,860       | 29,454                |
| Debt Service  | 13,015       | 12,560                |
| Other   | 4,485        | 5,648                 |
| Total Restricted Expendable   | 96,403       | 97,076                |
| Nonexpendable   | 37,257       | 36,157                |
| Unrestricted  | (172,458)    | (210,088)             |
| Total Net Position  | 2,077,426    | 2,048,508             |
| Total Liabilities, Deferred Inflows of Resources,<br>and Net Position               | \$ 4,204,219 | \$ 4,194,564          |

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, 2019 AND 2018**  
(DOLLARS IN THOUSANDS)

|  | 2019       | 2018<br>(As Restated) |
|--|------------|-----------------------|
| <b>OPERATING REVENUES</b>  |            |                       |
| Student Tuition and Fees, Net of Scholarship Allowance of<br>\$215,703 in 2019 and \$208,646 in 2018   | \$ 631,107 | \$ 634,491            |
| Federal and Local Land Grants  | 8,228      | 9,725                 |
| Contracts and Grants:  |            |                       |
| Federal  | 139,555    | 132,796               |
| State  | 49,803     | 46,678                |
| Local  | 2,139      | 1,827                 |
| Private  | 118,313    | 115,138               |
| Interest on Student Loans Receivable   | 1,460      | 1,231                 |
| Sales and Services of Educational Activities   | 25,193     | 27,975                |
| Auxiliary Enterprise Revenue, Net of Scholarship Allowance<br>of \$25,788 in 2019 and \$31,775 in 2018 | 236,505    | 248,671               |
| Other Operating Revenues   | 31,125     | 29,524                |
| Total Operating Revenues   | 1,243,428  | 1,248,056             |
| <b>OPERATING EXPENSES</b>  |            |                       |
| Salaries and Wages   | 896,299    | 868,270               |
| Benefits   | 244,334    | 251,119               |
| Supplies and Other Services  | 416,592    | 411,415               |
| Utilities  | 62,751     | 64,534                |
| Student Financial Aid, Scholarships and Fellowships  | 112,131    | 100,969               |
| Depreciation and Amortization  | 130,294    | 135,879               |
| Other Operating Expenses   | 3,676      | 3,240                 |
| Total Operating Expenses   | 1,866,077  | 1,835,426             |
| <b>OPERATING LOSS</b>  | (622,649)  | (587,370)             |
| <b>NONOPERATING REVENUES (EXPENSES)</b>  |            |                       |
| State Appropriations   | 436,190    | 415,499               |
| State Lottery Appropriations   | 27,081     | 26,959                |
| Federal Pell Grants  | 109,642    | 113,553               |
| Gifts  | 62,546     | 66,406                |
| Investment Income, Including Unrealized Gain of<br>\$2,157 in 2019 and \$3,320 in 2018                 | 25,424     | 22,998                |
| Interest on Indebtedness   | (57,010)   | (57,428)              |

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, 2019 AND 2018**  
**(DOLLARS IN THOUSANDS)**

|  | 2019         | 2018<br>(As Restated) |
|--|--------------|-----------------------|
| <b>NONOPERATING REVENUES (EXPENSES) (CONTINUED)</b>                        |              |                       |
| Payments Made on Behalf of the Fund  | \$ 20,012    | \$ 22,847             |
| Student Financial Aid and Other Payments to Institutions                   | (447)        | (721)                 |
| Other Nonoperating Expense, Net  | (1,900)      | (908)                 |
| Net Nonoperating Revenues  | 621,538      | 609,205               |
| <b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES,<br/>GAINS, OR LOSSES</b> | (1,111)      | 21,835                |
| <b>CAPITAL GRANTS, APPROPRIATIONS, AND GIFTS</b>                           | 27,683       | 35,638                |
| <b>CAPITAL BOND PROCEEDS FROM THE STATE</b>                                | 126          | -                     |
| <b>CAPITAL PAYMENTS MADE ON BEHALF OF THE FUND</b>                         | 2,055        | 1,731                 |
| <b>STATE CAPITAL GRANTS</b>  | 165          | -                     |
| <b>TRANSFERS TO OTHER GOVERNMENTS</b>                                      | -            | (3,336)               |
| <b>INCREASE IN NET POSITION</b>  | 28,918       | 55,868                |
| Net Position - Beginning of Year   | 2,048,508    | 1,992,640             |
| <b>NET POSITON - END OF YEAR</b>   | \$ 2,077,426 | \$ 2,048,508          |

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, 2019 AND 2018**  
(DOLLARS IN THOUSANDS)

|   | 2019        | 2018        |
|---|-------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |             |             |
| Student Tuition and Fees  | \$ 648,032  | \$ 649,839  |
| Federal and Local Land Grants                                       | 8,228       | 9,725       |
| Contracts and Grants  | 311,558     | 287,090     |
| Payments to and on Behalf of Employees                              | (1,144,915) | (1,092,096) |
| Payments to Suppliers   | (398,148)   | (411,821)   |
| Payments to Utilities   | (62,027)    | (65,969)    |
| Payments for Scholarships and Fellowships                           | (123,793)   | (110,291)   |
| Loans Issued to Students  | (886)       | (2,586)     |
| Collection of Loans to Students                                     | 2,911       | 3,452       |
| Sales and Services of Educational Activities                        | 24,206      | 28,241      |
| Interest Earned on Loans to Students                                | 869         | 839         |
| Auxiliary Enterprise Charges  | 243,414     | 246,188     |
| Other Receipts, Net   | 40,809      | (12,887)    |
| Net Cash Used by Operating Activities                               | (449,742)   | (470,276)   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>              |             |             |
| State Appropriations  | 458,525     | 440,672     |
| Federal Pell Grants   | 109,575     | 114,100     |
| Payments to Other Institutions                                      | 1,243       | (874)       |
| Gift Receipts   | 59,713      | 65,176      |
| Direct Lending Receipts   | 422,078     | 441,815     |
| Direct Lending Payments   | (422,978)   | (442,470)   |
| Other Nonoperating Receipts, Net                                    | 3,808       | 3,755       |
| Net Cash Provided by Noncapital Financing Activities                | 631,964     | 622,174     |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>                 |             |             |
| Proceeds from Bond Issuances and Borrowings                         | 6,106       | 158,854     |
| Proceeds from Capital Asset Disposals and Sale of Natural Resources | 619         | 18          |
| Capital Bond Proceeds from State                                    | 219         | 353         |
| Payment of Bond Issuance Costs                                      | -           | (5,512)     |
| Withdrawals from Noncurrent Cash and Cash Equivalents               | 27,717      | 27,833      |
| Deposits to Noncurrent Cash and Cash Equivalents                    | (32,780)    | (10,775)    |
| Capital Grants and Gifts Received                                   | 13,970      | 19,637      |
| Purchases of Capital Assets   | (76,994)    | (102,760)   |
| Principal Paid on Notes, Bonds, and Leases                          | (46,830)    | (81,181)    |
| Payoff of Refinanced Bonds  | -           | (94,985)    |
| Interest Paid on Notes, Bonds, and Leases                           | (59,354)    | (58,879)    |
| Other   | 4,512       | (1,773)     |
| Net Cash Used by Capital Financing Activities                       | (162,815)   | (149,170)   |

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, 2019 AND 2018**  
(DOLLARS IN THOUSANDS)

|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                     |                     |
| Receipts from Sales/Maturities of Investments                                     | \$ 12,844           | \$ 28,352           |
| Purchases of Investments  | (11,669)            | (38,711)            |
| Investment Income   | 19,516              | 14,601              |
| Net Cash Provided by Investing Activities   | <u>20,691</u>       | <u>4,242</u>        |
| <b>INCREASE IN CASH AND CASH EQUIVALENTS</b>                                      | 40,098              | 6,970               |
| Cash and Cash Equivalents - Beginning of Year                                     | <u>385,394</u>      | <u>378,424</u>      |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                                    | <u>\$ 425,492</u>   | <u>\$ 385,394</u>   |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>  |                     |                     |
| Operating Loss  | \$ (622,649)        | \$ (587,370)        |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: |                     |                     |
| Depreciation and Amortization Expense   | 130,309             | 135,879             |
| Donated/Noncapitalized Expense  | 4,071               | 949                 |
| Accretion on Bond Premium/Discount  | (2)                 | (2)                 |
| Loan Cancellations and Write-offs   | 168                 | 151                 |
| Expenses Paid on Behalf of the Fund   | 11,756              | 12,906              |
| Changes in Assets and Liabilities:  |                     |                     |
| Receivables, Net  | 8,966               | (33,161)            |
| Loans Receivable, Net   | 5,429               | 855                 |
| Prepaid Expenses  | 1,812               | 735                 |
| Inventories   | 369                 | 617                 |
| Accounts Payable  | 6,304               | 3,232               |
| Accrued Liabilities   | 228                 | (25,985)            |
| Defined Benefit Pension   | (8,310)             | 9,783               |
| Compensated Absences  | 3,126               | 976                 |
| Unearned Revenue  | 791                 | 853                 |
| Deposits  | 340                 | (110)               |
| Other Postemployment Benefit Liability  | 2,217               | 15,941              |
| Advances from Federal Sponsors  | 438                 | (5,345)             |
| Other   | 4,895               | (1,180)             |
| Net Cash Used by Operating Activities   | <u>\$ (449,742)</u> | <u>\$ (470,276)</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, 2019 AND 2018**  
(DOLLARS IN THOUSANDS)

|  | 2019       | 2018      |
|--|------------|-----------|
| <b>SIGNIFICANT NONCASH TRANSACTIONS</b>  |            |           |
| Construction in Progress and Capital Asset Additions Included<br>in Accounts Payable and Accrued Liabilities | \$ 6,240   | \$ 4,845  |
| Donated Capital Assets   | \$ 10,172  | \$ 18,867 |
| Loss on Disposal of Fixed Assets   | \$ (3,990) | \$ (79)   |
| Capitalized Interest   | \$ 302     | \$ 649    |
| Unrealized Gain on Investment  | \$ 2,157   | \$ 3,320  |
| Bond and Real Estate Agreements, Payable Discounts,<br>Premiums, Losses                                      | \$ 7       | \$ 151    |
| Gift of Noncapital Asset   | \$ 1       | \$ 1,176  |
| Capital Assets Obtained under Capital Leases   | \$ 6       | \$ 999    |
| Other Non Cash Property Additions  | \$ 1,001   | \$ -      |
| Loan Forgiveness   | \$ 620     | \$ -      |
| Expenses Paid on Behalf  | \$ 17,789  | \$ 18,652 |
| Transfers  | \$ 189     | \$ -      |

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS – STATEMENTS OF NET ASSETS**  
**JUNE 30, 2019**

|  | Big Green<br>Scholarship<br>Foundation<br>Inc. | Bluefield<br>State<br>College<br>Foundation<br>Inc. | Concord<br>University<br>Foundation,<br>Inc. | Fairmont<br>State<br>Foundation<br>Inc. | The<br>Glenville<br>State<br>College<br>Foundation,<br>Inc. | The<br>Marshall<br>University<br>Foundation,<br>Inc. | New River<br>Community<br>and Technical<br>College<br>Foundation,<br>Inc. | Provident<br>Group-<br>Marshall<br>Properties,<br>LLC | The<br>Shepherd<br>University<br>Foundation,<br>Inc. | Southern<br>West<br>Virginia<br>Community<br>College<br>Foundation,<br>Inc. * | West Liberty<br>University<br>Foundation,<br>Inc. | West<br>Virginia<br>Northern<br>Community<br>College<br>Foundation,<br>Inc. | West<br>Virginia<br>School of<br>Osteopathic<br>Medicine<br>Foundation,<br>Inc. | West<br>Virginia<br>State<br>University<br>Foundation,<br>Inc. | WVU at<br>Parkersburg<br>Foundation,<br>Inc. | Blue Ridge<br>Community<br>& Technical<br>College<br>Foundation,<br>Inc. | Total                 |
|--|--|---|--|---|---|--|---|---|--|---|---|---|---|--|--|--|-----------------------|
| <b>ASSETS</b>                                |  |   |  |   |   |  |   |   |  |   |   |   |   |  |  |  |                       |
| Cash and Cash Equivalents                    | \$ 1,452,775                                   | \$ 739,721  | \$ 809,388                                   | \$ 1,193,693                            | \$ 33,872   | \$ 20,880,733  | \$ 124,412  | \$ 1,417,760  | \$ 2,884,734   | \$ 306,860  | \$ 171,799  | \$ 100,676  | \$ 494,343  | \$ 2,445,782   | \$ 56,574                                    | \$ 277,142   | \$ 33,390,264         |
| Investments                                  | 8,851,083                                      | 12,820,178  | 40,552,556                                   | 27,890,730                              | 11,485,889  | 220,290,393  | 386,827   | -   | 25,962,292   | 3,237,815   | 16,751,476  | 4,820,475   | 46,962,089  | 12,889,086   | 11,399,104                                   | 712,804  | 445,012,797           |
| Pledges and Contributions<br>Receivable, Net | 1,468,374                                      | 306,078   | 226,123                                      | 991,829                                 | -   | 39,773,701   | 55,000  | 589,258   | 2,838,867  | 85,577  | 837,319   | 3,120   | 218,418   | 3,121,234  | -  | 36,500   | 50,551,398            |
| Other Assets                                 | 1,150,126                                      | 2,050,636   | 592,463                                      | 3,403                                   | 2,067,561   | 2,001,381  | 930,175   | 5,671,849   | 474,324  | 20,847  | 55,223  | 230,452   | 250,000   | 21,350,988   | 8,223  | 6,116  | 36,863,767            |
| Beneficial Interests                         | 725,657  | -   | -  | 3,063,117                               | -   | 9,843,712  | 1,372,067   | -   | -  | -   | 2,285,806   | 1,142,903   | -   | 264,370  | -  | -  | 18,697,632            |
| Property and<br>Equipment, Net               | 6,458  | -   | 1,140  | 335,174                                 | 3,188,558   | 12,004,600   | -   | 55,739,387  | 19,753,054   | -   | -   | -   | -   | 407,618  | 1,213,431                                    | -  | 92,649,420            |
| <b>Total</b>                                 | <b>\$ 13,654,473</b>                           | <b>\$ 15,916,613</b>                                | <b>\$ 42,181,670</b>                         | <b>\$ 33,477,946</b>                    | <b>\$ 16,775,880</b>  | <b>\$ 304,794,520</b>                                | <b>\$ 2,868,481</b>   | <b>\$ 63,418,254</b>                                  | <b>\$ 51,913,271</b>                                 | <b>\$ 3,651,099</b>   | <b>\$ 20,101,623</b>                              | <b>\$ 6,297,626</b>   | <b>\$ 47,924,850</b>  | <b>\$ 40,479,078</b>   | <b>\$ 12,677,332</b>                         | <b>\$ 1,032,562</b>  | <b>\$ 677,165,278</b> |

See accompanying Notes to Financial Statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS – STATEMENTS OF NET ASSETS (CONTINUED)**  
**JUNE 30, 2019**

|                                   | Big Green<br>Scholarship<br>Foundation<br>Inc. | Bluefield<br>State<br>College<br>Foundation<br>Inc. | Concord<br>University<br>Foundation,<br>Inc. | Fairmont<br>State<br>Foundation<br>Inc. | The<br>Glennville<br>State<br>College<br>Foundation,<br>Inc. | The<br>Marshall<br>University<br>Foundation,<br>Inc. | New River<br>Community<br>and Technical<br>College<br>Foundation,<br>Inc. | Provident<br>Group-<br>Marshall<br>Properties,<br>LLC | The<br>Shepherd<br>University<br>Foundation,<br>Inc. | Southern<br>West<br>Virginia<br>Community<br>College<br>Foundation,<br>Inc. * | West<br>Liberty<br>University<br>Foundation,<br>Inc. | Southern<br>West<br>Virginia<br>Community<br>College<br>Foundation,<br>Inc. | West<br>Virginia<br>Northern<br>School of<br>Medicine<br>Foundation,<br>Inc. | West<br>Virginia<br>Osteopathic<br>College<br>Foundation,<br>Inc. | West<br>Virginia<br>State<br>University<br>Foundation,<br>Inc. | WVU at<br>Parkersburg<br>Foundation,<br>Inc. | Blue Ridge<br>Community<br>& Technical<br>College<br>Foundation,<br>Inc. | Total          |  |
|-----------------------------------|--|---|--|---|--|--|---|---|--|---|--|---|--|---|--|--|--|----------------|--|
| <b>LIABILITIES AND NET ASSETS</b> |  |   |  |   |  |  |   |   |  |   |  |   |  |   |  |  |  |                |  |
| <b>LIABILITIES</b>                |  |   |  |   |  |  |   |   |  |   |  |   |  |   |  |  |  |                |  |
| Accounts Payable                  | \$ 21,001                                      | \$ -  | \$ 24,711                                    | \$ 5,841                                | \$ 3,850   | \$ 326,211   | \$ -  | \$ 146,604  | \$ 2,821   | \$ -  | \$ 8,880   | \$ 9,542  | \$ -   | \$ 58,655   | \$ 11,575  | \$ -   | \$ -   | \$ 619,691     |  |
| Other Accrued Liabilities         | 130  | -   | -  | -                                       | -  | 856,767  | 133,500   | 16,871,689  | 435,932  | -   | -  | 1,000   | 40,000   | -   | -  | -  | 2,985  | 18,342,003     |  |
| Amounts Held on Behalf of Others  | -  | 43,054  | 4,990,777                                    | -                                       | 30,201   | 73,329,905   | -   | -   | 788,749  | -   | -  | -   | 41,701,577   | -   | 16,947   | -  | -  | 120,901,210    |  |
| Annuity Obligations               | -  | -   | 57,939                                       | 13,573                                  | -  | 426,031  | -   | -   | 93,441   | -   | 15,555   | -   | -  | -   | -  | -  | -  | 606,539        |  |
| Bonds and Notes Payable           | 996,955  | -   | -  | -                                       | 3,152,901  | 300,000  | -   | 86,191,295  | 21,418,621   | -   | -  | -   | -  | -   | 24,717,794   | -  | -  | 136,777,566    |  |
| Total Liabilities                 | 1,018,086                                      | 43,054  | 5,073,427                                    | 19,414                                  | 3,186,952  | 75,238,914   | 133,500   | 103,209,588   | 22,739,564   | -   | 24,435   | 10,542  | 41,741,577   | 24,776,449  | 28,522   | 2,985  |  | 277,247,009    |  |
| <b>NET ASSETS (DEFICIT)</b>       |  |   |  |   |  |  |   |   |  |   |  |   |  |   |  |  |  |                |  |
| Without Donor Restrictions        | 2,104,556                                      | 12,360,213  | 612,529                                      | 4,749,640                               | 862,193  | 18,455,087   | 21,620  | (39,791,334)  | (1,765,876)  | 954,352   | 1,527,445  | 926,758   | 1,710,517  | 734,659   | 1,473,239  | 151,361                                      |  | 5,086,959      |  |
| With Donor Restrictions           | 10,531,831                                     | 3,513,346   | 36,495,714                                   | 28,708,892                              | 12,726,735   | 211,100,519  | 2,713,361   | -   | 30,939,583   | 2,696,747   | 18,549,743   | 5,360,326   | 4,472,756  | 14,967,970  | 11,175,571   | 878,216                                      |  | 394,831,310    |  |
| Total Net Assets (Deficit)        | 12,636,387                                     | 15,873,559  | 37,108,243                                   | 33,458,532                              | 13,588,928   | 229,555,606  | 2,734,981   | (39,791,334)  | 29,173,707   | 3,651,099   | 20,077,188   | 6,287,084   | 6,183,273  | 15,702,629  | 12,648,810   | 1,029,577                                    |  | 399,918,269    |  |
| Total                             | \$ 13,654,473                                  | \$ 15,916,613                                       | \$ 42,181,670                                | \$ 33,477,946                           | \$ 16,775,880  | \$ 304,794,520                                       | \$ 2,868,481  | \$ 63,418,254   | \$ 51,913,271  | \$ 3,651,099  | \$ 20,101,623  | \$ 6,297,626  | \$ 47,924,850  | \$ 40,479,078   | \$ 12,677,332  | \$ 1,032,562                                 |  | \$ 677,165,278 |  |

See accompanying Notes to Financial Statements.

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

|  | Big Green<br>Scholarship<br>Foundation<br>Inc. | Bluefield<br>State<br>College<br>Foundation<br>Inc. | Bluefield<br>State<br>College<br>Research and<br>Development<br>Corporation | Concord<br>University<br>Foundation,<br>Inc. | Fairmont<br>State<br>Foundation<br>Inc. | The<br>Glenville<br>State<br>College<br>Foundation,<br>Inc. | The<br>Marshall<br>University<br>Foundation,<br>Inc. | New River<br>Community<br>and Technical<br>College<br>Foundation,<br>Inc. | Provident<br>Group-<br>Marshall<br>Properties,<br>LLC | The<br>Shepherd<br>University<br>Foundation,<br>Inc. | Southern<br>West<br>Virginia<br>Community<br>College<br>Foundation,<br>Inc. * | West Liberty<br>University<br>Foundation,<br>Inc. | West<br>Virginia<br>Northern<br>Community<br>College<br>Foundation,<br>Inc. | West<br>Virginia<br>School of<br>Osteopathic<br>Medicine<br>Foundation,<br>Inc. | West<br>Virginia<br>State<br>University<br>Foundation,<br>Inc. | WVU at<br>Parkersburg<br>Foundation,<br>Inc. | Blue Ridge<br>Community<br>& Technical<br>College<br>Foundation,<br>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<br>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<br>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 – STATEMENTS OF NET ASSETS (CONTINUED)**  
**JUNE 30, 2018**

|                                   | Big Green<br>Scholarship<br>Foundation<br>Inc. | Bluefield<br>State<br>College<br>Foundation<br>Inc. | Bluefield<br>State<br>College<br>Research and<br>Development<br>Corporation | Concord<br>University<br>Foundation,<br>Inc. | Fairmont<br>State<br>Foundation<br>Inc. | The<br>Glennville<br>State<br>College<br>Foundation,<br>Inc. | The<br>Marshall<br>University<br>Foundation,<br>Inc. | New River<br>Community<br>and Technical<br>College<br>Foundation,<br>Inc. | Provident<br>Group-<br>Marshall<br>Properties,<br>LLC | The<br>Shepherd<br>University<br>Foundation,<br>Inc. | Southern<br>West<br>Virginia<br>Community<br>College<br>Foundation,<br>Inc.* | West<br>Liberty<br>University<br>Foundation,<br>Inc. | West<br>Virginia<br>Northern<br>Community<br>College<br>Foundation,<br>Inc. | West<br>Virginia<br>School of<br>Osteopathic<br>Medicine<br>Foundation,<br>Inc. | West<br>Virginia<br>State<br>University<br>Foundation,<br>Inc. | WVU at<br>Parkersburg<br>Foundation,<br>Inc. | Blue Ridge<br>Community<br>& Technical<br>College<br>Foundation,<br>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>       |  |   |   |  |   |  |  |   |   |  |  |  |   |   |  |  |  |                |
| Without Donor Restrictions        | 2,247,810                                      | 11,609,546  | (2,489,967)   | 572,133                                      | 5,226,922                               | 76,050   | 18,975,868   | 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  | 8,961,312      |
| With Donor Restrictions           | 9,330,835                                      | 3,366,639   | -   | 35,110,834                                   | 25,331,889                              | 12,140,627   | 169,232,355  | 2,596,977   | -   | 29,744,307   | 2,815,237  | 17,093,540   | 5,270,108   | 4,173,355   | 15,096,555   | 10,882,694                                   | 675,543  | 342,861,495    |
| 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 – STATEMENTS OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

|   | Bluefield     | Concord       | Fairmont      | The           | The           | New River      | Provident    | The             | Southern      | West         | West          | West         | West         | Blue Ridge    | Total         |              |                |
|---|---------------|---------------|---------------|---------------|---------------|----------------|--------------|-----------------|---------------|--------------|---------------|--------------|--------------|---------------|---------------|--------------|----------------|
|   | State         | University    | State         | Glenville     | Marshall      | Community      | Group-       | Shepherd        | West          | Liberty      | Northern      | Virginia     | Virginia     | Community     |               |              |                |
|   | College       | Foundation,   | Foundation    | State         | University    | and Technical  | Marshall     | University      | Virginia      | University   | College       | Osteopathic  | State        | WVU at        | Community     |              |                |
|   | Foundation    | Inc.          | Inc.          | College       | Foundation,   | College        | Properties,  | Foundation,     | College       | College      | College       | Medicine     | University   | Parkersburg   | & Technical   |              |                |
|   | Inc.          | Inc.          | Inc.          | Foundation,   | Inc.          | Foundation,    | LLC          | Inc.            | Inc. *        | Inc.         | Inc.          | Inc.         | Inc.         | Foundation,   | College       |              |                |
|   | Inc.          | Inc.          | Inc.          | Inc.          | Inc.          | Inc.           | Inc.         | Inc.            | Inc.          | Inc.         | Inc.          | Inc.         | Inc.         | Inc.          | Inc.          |              |                |
| <b>REVENUES, GAINS, AND OTHER SUPPORT</b> |               |               |               |               |               |                |              |                 |               |              |               |              |              |               |               |              |                |
| Without Donor Restrictions:               |               |               |               |               |               |                |              |                 |               |              |               |              |              |               |               |              |                |
| Gifts, Contributions, and Other           | \$ 3,742,676  | \$ 56,336     | \$ 234,202    | \$ 40,130     | \$ 365,862    | \$ 333,587     | \$ 169,035   | \$ 9,973,636    | \$ 1,957,832  | \$ -         | \$ 393,339    | \$ 19,674    | \$ 386,026   | \$ 375,050    | \$ 23,862     | \$ 438,078   | \$ 18,509,325  |
| Investment Income (Loss)                  | 353,375       | 935,270       | (104,102)     | 332,212       | 186,772       | 976,996        | 1,414        | (3,618,598)     | 1,484         | 66,970       | 63,955        | 36,772       | 24,941       | 3,795         | 12,013        | 2,004        | (724,727)      |
| Reclassifications                         | 285,701       | 117,721       | 1,564,632     | 1,851,922     | 3,186,212     | 15,134,843     | 148,698      | -               | 2,773,586     | 205,361      | 1,500,237     | 256,691      | 129,759      | 1,982,311     | 596,642       | 122,942      | 29,857,258     |
| With Donor Restrictions:                  |               |               |               |               |               |                |              |                 |               |              |               |              |              |               |               |              |                |
| Gifts, Contributions, and Other           | 1,399,258     | 41,663        | 710,042       | 3,777,010     | 3,152,693     | 49,337,179     | 141,290      | -               | 2,823,367     | 184,798      | 1,835,506     | 62,113       | 110,712      | 1,859,302     | 177,233       | 274,184      | 65,886,350     |
| Investment Income (Loss)                  | 87,439        | 222,765       | 2,239,470     | 1,451,915     | 619,627       | 7,665,828      | 123,792      | -               | 1,145,495     | (97,927)     | 1,120,934     | 284,796      | 318,448      | (5,576)       | 712,286       | 51,431       | 15,940,723     |
| Reclassifications                         | (285,701)     | (117,721)     | (1,564,632)   | (1,851,922)   | (3,186,212)   | (15,134,843)   | (148,698)    | -               | (2,773,586)   | (205,361)    | (1,500,237)   | (256,691)    | (129,759)    | (1,982,311)   | (596,642)     | (122,942)    | (29,857,258)   |
| Total Revenues, Gains, and Other Support  | 5,582,748     | 1,256,034     | 3,079,612     | 5,601,267     | 4,324,954     | 58,313,590     | 435,531      | 6,355,038       | 5,928,178     | 153,841      | 3,413,734     | 403,355      | 840,127      | 2,232,571     | 925,394       | 765,697      | 99,611,671     |
| <b>EXPENSES</b>                           |               |               |               |               |               |                |              |                 |               |              |               |              |              |               |               |              |                |
| Scholarships, Awards, and Grants          | 10,500        | 238,269       | 861,200       | 1,366,317     | 355,403       | 8,203,746      | 216,565      | -               | 2,497,340     | 107,490      | 426,773       | 98,123       | 311,107      | 646,152       | 271,905       | 122,942      | 15,733,832     |
| College Support                           | 3,152,682     | 90,815        | 414,525       | 1,141,605     | 2,472,731     | 6,334,347      | 72,292       | 8,021,464       | 2,141,339     | 91,905       | 1,304,113     | 153,908      | 147,586      | 1,510,758     | 37,371        | 422,137      | 27,509,578     |
| Management and General                    | 1,361,824     | 29,576        | 378,611       | 193,624       | 124,569       | 2,428,114      | 45,880       | 4,437,299       | 576,332       | 162,558      | 261,349       | 16,122       | 140,294      | 237,374       | 367,135       | 2,105        | 10,762,766     |
| Impairment Loss                           | -             | -             | -             | -             | -             | -              | -            | -               | -             | -            | -             | -            | -            | -             | -             | -            | -              |
| Total Expenses                            | 4,525,006     | 358,660       | 1,654,336     | 2,701,546     | 2,952,703     | 16,966,207     | 334,737      | 12,458,763      | 5,215,011     | 361,953      | 1,992,235     | 268,153      | 598,987      | 2,394,284     | 676,411       | 547,184      | 54,006,176     |
| <b>CHANGE IN NET ASSETS</b>               |               |               |               |               |               |                |              |                 |               |              |               |              |              |               |               |              |                |
| Without Donor Restrictions                | (143,254)     | 750,667       | 40,396        | (477,282)     | 786,143       | (520,781)      | (15,590)     | (6,103,725)     | (482,109)     | (89,622)     | (34,704)      | 44,984       | (58,261)     | (33,128)      | (43,894)      | 15,840       | (6,364,320)    |
| With Donor Restrictions                   | 1,200,996     | 146,707       | 1,384,880     | 3,377,003     | 586,108       | 41,868,164     | 116,384      | -               | 1,195,276     | (118,490)    | 1,456,203     | 90,218       | 299,401      | (128,585)     | 292,877       | 202,673      | 51,969,815     |
| Total Change in Net Assets                | 1,057,742     | 897,374       | 1,425,276     | 2,899,721     | 1,372,251     | 41,347,383     | 100,794      | (6,103,725)     | 713,167       | (208,112)    | 1,421,499     | 135,202      | 241,140      | (161,713)     | 248,983       | 218,513      | 45,605,495     |
| Net Assets (Deficit) -                    |               |               |               |               |               |                |              |                 |               |              |               |              |              |               |               |              |                |
| Beginning of Year                         | 11,578,645    | 14,976,185    | 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      | 354,312,774    |
| <b>NET ASSETS (DEFICIT) - END OF YEAR</b> |               |               |               |               |               |                |              |                 |               |              |               |              |              |               |               |              |                |
|   | \$ 12,636,387 | \$ 15,873,559 | \$ 37,108,243 | \$ 33,458,532 | \$ 13,588,928 | \$ 229,555,606 | \$ 2,734,981 | \$ (39,791,334) | \$ 29,173,707 | \$ 3,651,099 | \$ 20,077,188 | \$ 6,287,084 | \$ 6,183,273 | \$ 15,702,629 | \$ 12,648,810 | \$ 1,029,577 | \$ 399,918,269 |

See accompanying Notes to Financial Statements.

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

|   | Big Green<br>Scholarship<br>Foundation<br>Inc. | Bluefield<br>State<br>College<br>Foundation<br>Inc. | Bluefield<br>State<br>College<br>Research and<br>Development<br>Corporation | Concord<br>University<br>Foundation,<br>Inc. | Fairmont<br>State<br>College<br>Foundation<br>Inc. | The<br>Glennville<br>State<br>College<br>Foundation,<br>Inc. | The<br>Marshall<br>University<br>College<br>Foundation,<br>Inc. | New River<br>Community<br>and Technical<br>College<br>Foundation,<br>Inc. | Provident<br>Group-<br>Marshall<br>Properties,<br>LLC | The<br>Shepherd<br>University<br>College<br>Foundation,<br>Inc. | Southern<br>West<br>Virginia<br>Community<br>College<br>Foundation,<br>Inc. * | West<br>Liberty<br>University<br>College<br>Foundation,<br>Inc. | West<br>Virginia<br>Northern<br>Community<br>College<br>Foundation,<br>Inc. | West<br>Virginia<br>School of<br>Osteopathic<br>Medicine<br>Foundation,<br>Inc. | West<br>Virginia<br>State<br>University<br>Foundation,<br>Inc. | WVU at<br>Parkersburg<br>Foundation,<br>Inc. | Blue Ridge<br>Community<br>& Technical<br>College<br>Foundation,<br>Inc. | Total                 |
|---|--|---|---|--|--|--|---|---|---|---|---|---|---|---|--|--|--|-----------------------|
| <b>REVENUES, GAINS, AND<br/>OTHER SUPPORT</b> |  |   |   |  |  |  |   |   |   |   |   |   |   |   |  |  |  |                       |
| Without Donor Restrictions:                   |  |   |   |  |  |  |   |   |   |   |   |   |   |   |  |  |  |                       |
| Gifts, Contributions, and Other               | \$ 3,753,336                                   | \$ 31,251   | \$ 1,135,908  | \$ 396,331                                   | \$ 596,498   | \$ 971,812   | \$ 853,939  | \$ 106,472  | \$ 10,405,828   | \$ 1,861,849  | \$ -  | \$ 384,318  | \$ 18,435   | \$ 340,648  | \$ 358,853   | \$ 83,291                                    | \$ 21,785  | \$ 21,320,554         |
| Investment Income (Loss)                      | 286,232  | 617,514   | -   | (92,090)                                     | 376,833  | 247,539  | 1,140,288   | 3,778   | 4,716,661   | 593,973   | 90,530  | 56,095  | 34,218  | 54,898  | 38,666   | 13,218                                       | 352  | 8,178,705             |
| Reclassifications                             | -  | 228,426   | -   | 1,455,919                                    | 2,130,377  | 1,038,104  | 11,761,995  | 136,574   | -   | 8,105,967   | 1,236,131   | 1,858,620   | 154,717   | 102,665   | 1,785,492  | 910,735                                      | 58,537   | 30,964,259            |
| With Donor Restrictions:                      |  |   |   |  |  |  |   |   |   |   |   |   |   |   |  |  |  |                       |
| Gifts, Contributions, and Other               | 473,340  | 605,680   | -   | 372,991                                      | 1,933,521  | 1,453,496  | 10,562,088  | 310,801   | -   | 2,539,740   | 201,598   | 1,125,076   | 363,670   | 51,413  | 1,860,631  | 161,263                                      | 80,831   | 22,096,139            |
| Investment Income                             | 369,884  | 224,252   | -   | 2,582,534                                    | 1,320,661  | 672,322  | 8,834,519   | 119,246   | -   | 653,292   | 156,909   | 1,308,452   | 372,242   | 271,985   | 678,757  | 745,617                                      | 22,211   | 18,332,883            |
| Reclassifications                             | -  | (228,426)   | -   | (1,455,919)                                  | (2,130,377)  | (1,038,104)  | (11,761,995)  | (136,574)   | -   | (8,105,967)   | (1,236,131)   | (1,858,620)   | (154,717)   | (102,665)   | (1,785,492)  | (910,735)                                    | (58,537)   | (30,964,259)          |
| Total Revenues, Gains,<br>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  | 5,648,854   | 449,037   | 2,873,941   | 788,565   | 718,944   | 2,936,907  | 1,003,389                                    | 125,179  | 69,928,281            |
| <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   | -   | 2,422,404   | 167,709   | 396,644   | 57,614  | 1,259,758   | -  | 300,352                                      | 42,145   | 20,932,816            |
| College Support                               | 3,540,695                                      | 334,526   | 1,018,568   | 657,807                                      | 1,380,795  | 1,819,260  | 1,398,504   | 64,637  | 8,958,233   | 2,657,476   | 101,756   | 1,661,032   | 100,064   | 138,233   | 2,057,987  | 82,138                                       | 12,661   | 25,984,372            |
| Management and General                        | 592,750  | 303,501   | 247,378   | 11,634                                       | 144,049  | 96,575   | 1,708,043   | 40,263  | 3,648,805   | 529,503   | 76,250  | 240,991   | 36,735  | 177,850   | 165,054  | 327,776                                      | 5,675  | 8,352,832             |
| 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  | 5,609,383   | 345,715   | 2,298,667   | 194,413   | 1,575,841   | 2,223,041  | 710,266                                      | 60,481   | 55,270,020            |
| <b>CHANGE IN NET ASSETS</b>                   |  |   |   |  |  |  |   |   |   |   |   |   |   |   |  |  |  |                       |
| Without Donor Restrictions                    | (104,377)                                      | (33,320)  | (155,870)   | 189,824                                      | 373,806  | (21,755)   | (2,656,682)   | (59,765)  | 2,515,451   | 4,952,406   | 980,946   | 366   | 12,957  | (1,077,630)   | (40,030)   | 296,978                                      | 20,193   | 5,193,498             |
| With Donor Restrictions                       | 843,224  | 601,506   | -   | 1,499,606                                    | 1,123,805  | 1,087,714  | 7,634,612   | 293,473   | -   | (4,912,935)   | (877,624)   | 574,908   | 581,195   | 220,733   | 753,896  | (3,855)                                      | 44,505   | 9,464,763             |
| 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) -<br>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) -<br/>END OF YEAR</b> | <b>\$ 11,578,645</b>                           | <b>\$ 14,976,185</b>                                | <b>\$ (2,489,967)</b>   | <b>\$ 35,682,967</b>                         | <b>\$ 30,558,811</b>                               | <b>\$ 12,216,677</b>   | <b>\$ 188,208,223</b>   | <b>\$ 2,634,187</b>   | <b>\$ (33,687,609)</b>                                | <b>\$ 28,460,540</b>  | <b>\$ 3,859,211</b>   | <b>\$ 18,655,689</b>  | <b>\$ 6,151,882</b>   | <b>\$ 5,942,133</b>   | <b>\$ 15,864,342</b>   | <b>\$ 12,399,827</b>                         | <b>\$ 811,064</b>  | <b>\$ 351,822,807</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, 2019 AND 2018**  
**(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, 2019 AND 2018**  
**(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 25 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, 2019 AND 2018**  
**(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 interdivision 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.

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**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, the provisions of bond indentures, and the 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 multi-participant 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.

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**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.

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**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 acquisition 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 \$.3 million and \$1.2 million for the years ended June 30, 2019 and 2018, 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 2006, 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>.



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**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 extends health insurance for one month of single coverage and three days extends 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 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.

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**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, 2019 and 2018, the Fund had a deferred loss on refunding of approximately \$29,704 and \$31,520, respectively, deferred outflows of resources related to pensions of approximately \$2,989 and \$4,017, respectively (Note 14), deferred outflows of resources related to other postemployment benefits of \$37,708 and \$24,101, respectively, (Note 8) and deferred outflows of resources related to BRNI acquisition of \$133 and \$265, respectively. 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, 2019 and 2018, the Fund had total deferred inflows of resources of approximately \$39,697 and \$38,484 related to service concession arrangements. As of June 30, 2019 and 2018, the deferred inflows related to pensions were approximately \$9,116 and \$7,341 (Note 14). As of June 30, 2019 and 2018, the deferred inflows related to other postemployment benefits were approximately \$66,587 and \$48,457, respectively (Note 8). Other deferred inflows of resources include deferred gains on refunding and deferred federal Pell grants of approximately \$10,889 and \$1,566 as of June 30, 2019 and 2018, respectively.

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**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 2019, BRIM will provide coverage for indemnity amounts between \$250 and \$1,575 per occurrence. For fiscal year 2018, BRIM will provide coverage for indemnity amounts between \$250 and \$1,542 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 \$4.5 million and \$3.9 million as of June 30, 2019 and 2018, 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 \$33.9 million and \$30.6 million as of June 30, 2019 and 2018, 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 \$8.0 million and \$8.1 million as of June 30, 2019 and 2018, respectively. Based on actuarial valuations of this self-insurance program, the Fund has recorded a liability of \$32.5 million and \$32.6 million to reflect projected claim payments at June 30, 2019 and 2018, respectively, for both WVU's and Marshall's SOMs.

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**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 2019 and 2018, the Fund received and disbursed, or awarded, approximately \$423.3 million and \$442.0 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.

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**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 2019 and 2018, the Fund received and disbursed approximately \$116.4 million and \$123.0 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 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.

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 2019 financial statements have been reclassified to conform to the 2018 presentation.

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

The GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, which is effective for fiscal years beginning after June 15, 2018. Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for legally enforceable liabilities associated with the retirement of tangible capital assets. Examples of asset retirements covered under this standard are the decommissioning of a nuclear reactor or the dismantling and removal of sewage treatment plants as required by law. The adoption of this standard had no effect on the Fund's 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. The statement defines debt for purposes of disclosure in the notes to financial statements as a liability that arises from a 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 adoption of this standard had no effect on the Fund's financial statements.

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

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

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. 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.

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.

The GASB has also issued Statement No. 91, *Conduit Debt Obligations*, which is effective for financial statements beginning after December 15, 2020. This statement defines conduit debt obligations for accounting and financial reporting purposes and establishes standards for recognition, measurement, and disclosure for issuers. The Fund has not yet determined the effect that the adoption of GASB No. 91 may have on its financial statements.

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**NOTE 3 CASH AND CASH EQUIVALENTS**

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

|                           | 2019              |                  |                   |
|---------------------------|-------------------|------------------|-------------------|
|                           | Current           | Noncurrent       | Total             |
| State Treasurer           | \$ 342,638        | \$ 11,004        | \$ 353,642        |
| Municipal Bond Commission | 1,815             | 14               | 1,829             |
| Trustee                   | 2                 | 39,974           | 39,976            |
| Bank                      | 76,378            | 476              | 76,854            |
| Cash Equivalents          | 4,601             | -                | 4,601             |
| Escrowed Cash             | -                 | 4,524            | 4,524             |
| On Hand                   | 58                | -                | 58                |
| Total                     | <u>\$ 425,492</u> | <u>\$ 55,992</u> | <u>\$ 481,484</u> |

|                           | 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> |

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 \$23.0 million and \$22.9 million of restricted cash at June 30, 2019 and 2018, respectively. Cash equivalents are primarily related to amounts held in money markets, repurchase agreements, and savings accounts.



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

The combined carrying amounts of cash in the bank at June 30, 2019 and 2018, were \$77.3 million and \$49.4 million, as compared with the combined bank balance of \$77.4 million and \$52.1 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, 2019 and 2018 are comprised of approximately \$88.6 million and \$82.8 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                      | 2019                             |                 | 2018                             |                 |
|------------------------------------|----------------------------------|-----------------|----------------------------------|-----------------|
|                                    | Carrying Value<br>(in Thousands) | S & P<br>Rating | Carrying Value<br>(in Thousands) | S & P<br>Rating |
| WV Money Market Pool               | \$ 257,093                       | AAAm            | \$ 251,464                       | AAAm            |
| WV Government Money<br>Market Pool | \$ 1,815                         | AAAm            | \$ 1,828                         | AAAm            |
| WV Short-Term Bond<br>Pool         | \$ 6,085                         | Not Rated       | \$ 5,834                         | 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                      | 2019                             |               | 2018                             |               |
|------------------------------------|----------------------------------|---------------|----------------------------------|---------------|
|                                    | Carrying Value<br>(in Thousands) | WAM<br>(Days) | Carrying Value<br>(in Thousands) | WAM<br>(Days) |
| WV Money Market Pool               | \$ 257,093                       | 42            | \$ 251,464                       | 34            |
| WV Government Money<br>Market Pool | \$ 1,815                         | 40            | \$ 1,828                         | 21            |

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**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              | 2019                             |                                 | 2018                             |                                 |
|----------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|                            | Carrying Value<br>(in Thousands) | Effective<br>Duration<br>(Days) | Carrying Value<br>(in Thousands) | Effective<br>Duration<br>(Days) |
| WV Short-Term<br>Bond Pool | \$ 6,085                         | 723                             | \$ 5,834                         | 372                             |

**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         |                        |
|---------------------------------------|------------------------|------------------------|
|                                       | 2019<br>(in Thousands) | 2018<br>(in Thousands) |
| Investment Type:<br>Money Market Fund | \$ 39,976              | \$ 35,712              |

*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. The Fund does not have a formal custodial credit risk policy.

*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 accounting principles generally accepted in the United States of America. The Fund had the following recurring fair value measurements comprised of investments as of June 30, 2019 and 2018 (dollars in thousands):

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**NOTE 4 INVESTMENTS (CONTINUED)**

|   | 2019              |  |   |  |
|---|-------------------|--|---|--|
|   | Fair Value        | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments by Fair Value Level:</b>               |                   |  |   |  |
| U.S. Government Investments:                          |                   |  |   |  |
| Cash  | \$ 4,434          | \$ 4,434   | \$ -  | \$ -   |
| Agency Obligations                                    | 113               | 113  | -   | -  |
| Treasury Obligations                                  | 31,507            | 31,507   | -   | -  |
| Mutual Money Market Funds                             | 10                | 10   | -   | -  |
| Corporate Bonds                                       | 9,649             | 9,649  | -   | -  |
| Mutual Bond Funds:                                    |                   |  |   |  |
| Brandywine Global Fixed Income                        | 2,563             | -  | 2,563   | -  |
| Guggenheim TR Bond                                    | 4,605             | -  | 4,605   | -  |
| iShares Barclays 3-7 Year Treasury                    | 4,462             | -  | 4,462   | -  |
| iShares Barclays 7-10 Year Treasury                   | 4,467             | -  | 4,467   | -  |
| Wells Fargo   | 6                 | 6  | -   | -  |
| Vanguard Treasury                                     | 5,081             | 5,081  | -   | -  |
| Muzinich Credit Opportunities Fund                    | 4,778             | -  | 4,778   | -  |
| Fixed Income Funds:                                   |                   |  |   |  |
| IR&M Core Bond  | 9,629             | -  | 9,629   | -  |
| Other   | 5,568             | 5,568  | -   | -  |
| Mutual Stock Funds:                                   |                   |  |   |  |
| Artisan International Small Cap                       | 1,100             | 1,100  | -   | -  |
| Eaton Vance   | 1,029             | 1,029  | -   | -  |
| Equity Mutual Funds                                   | 33,664            | 33,664   | -   | -  |
| Goldman Sachs EM                                      | 2,624             | 691  | 1,933   | -  |
| Maingate MLP Fund                                     | 1,003             | 1,003  | -   | -  |
| MFS International Value Fund                          | 9,251             | 7,356  | 1,895   | -  |
| MFS Investment Management                             | 7,387             | 7,387  | -   | -  |
| Oppenheimer International Growth Fund                 | 8,305             | 2,082  | 6,223   | -  |
| Other   | 241               | 241  | -   | -  |
| REMS RE   | 1,069             | 1,069  | -   | -  |
| Vanguard S&P 500ETF                                   | 15,153            | 15,153   | -   | -  |
| Vanguard Total Stock Market                           | 30,191            | 30,191   | -   | -  |
| Wellington EM   | 2,146             | 1,912  | 234   | -  |
| Wells Fargo   | 473               | 473  | -   | -  |
| Limited Partnership Equity:                           |                   |  |   |  |
| Frontier Small Cap                                    | 907               | 907  | -   | -  |
| TI Platform Fund                                      | 411               | -  | -   | 411  |
| TI Platform Fund II                                   | 118               | -  | -   | 118  |
| 747 Stuyvesant VI LP                                  | 138               | -  | -   | 138  |
| Investments Held by Marshall University               |                   |  |   |  |
| Foundation  | 73,330            | -  | 73,330  | -  |
| Other   | 1,002             | -  | -   | 1,002  |
| Total   | <u>276,414</u>    | <u>\$ 160,626</u>  | <u>\$ 114,119</u>   | <u>\$ 1,669</u>                                    |
| <b>Investments Measured at Net Asset Value (NAV):</b> |                   |  |   |  |
| Morgan Stanley  | 8,162             |  |   |  |
| <b>Investments Measured at Cost:</b>                  |                   |  |   |  |
| Progenesis Technologies                               | 100               |  |   |  |
| Total Investments                                     | <u>\$ 284,676</u> |  |   |  |

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**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  | -   | -   |
| PIMCO Short Term                                      | 526               | 130  | 394   | 2   |
| High Yield  | 10                | 10   | -   | -   |
| Fixed Income Funds:                                   |                   |  |   |   |
| IR&M Core Bond  | 9,850             | 259  | 9,591   | -   |
| Other   | 5,534             | 5,534  | -   | -   |
| Mutual Stock Funds:                                   |                   |  |   |   |
| 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  | -   | -   |
| 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    |                   |  |   |   |
| 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> |  |   |   |

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**NOTE 4 INVESTMENTS (CONTINUED)**

Historically, the Fund was unable to invest excess operating funds outside of the State Treasurer. In 2005, the West Virginia State Legislature passed Senate Bill No. 603 (S.B. 603). S.B. 603 granted certain institutions the ability to invest a limited amount of funds with their foundations. In 2015, the Legislature passed Senate Bill 425 which allowed all monies of certain institutions to be invested with their foundations except for General Revenue funds.

As of June 30, 2019 and 2018, WVU's investments held with the Foundation were \$112.4 million and \$105.1 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 cash accounts, mutual bond funds, mutual stock funds, fixed income and limited partnership equity 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.

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**NOTE 4 INVESTMENTS (CONTINUED)**

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented as follows at June 30 (dollars in thousands):

|                                       | 2019            |                         |                         |                                |
|---------------------------------------|-----------------|-------------------------|-------------------------|--------------------------------|
|                                       | Fair<br>Value   | Unfunded<br>Commitments | Redemption<br>Frequency | Notice<br>Period               |
| Morgan Stanley Private:               |                 |                         |                         |                                |
| Renaissance Institutional Equities    | \$ 2,261        | None                    | Monthly                 | 60 Days                        |
| HP Millennium International           | 1,055           | None                    | Quarterly               | 30 Days                        |
| Mudrick Distressed Opportunity Fund   | 4,846           | None                    | Quarterly               | 90 Days                        |
| Total Investments Measured at the NAV | <u>\$ 8,162</u> |                         |                         |                                |
|                                       |                 |                         |                         |                                |
|                                       | 2018            |                         |                         |                                |
|                                       | Fair<br>Value   | Unfunded<br>Commitments | Redemption<br>Frequency | Redemption<br>Notice<br>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> |                         |                         |                                |

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**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, 2019 and 2018, Standard & Poor's (S&P) credit ratings were as follows:

| <u>Investment Type</u>              | <u>Standard &amp; Poor's Rating</u> |             |
|-------------------------------------|-------------------------------------|-------------|
|                                     | <u>2019</u>                         | <u>2018</u> |
| Bank of America Corp                | A-                                  | A-          |
| Brandywine Global Fixed Income      | A+                                  | Aa2         |
| Energy Transfer Partners            | -                                   | BBB-        |
| Expedia Inc                         | -                                   | BBB         |
| General Electric Co                 | BBB+                                | -           |
| General Motors Financial            | BBB                                 | BBB         |
| Goldman Sachs Group                 | BBB+                                | BBB+        |
| Guggenheim TR Bond                  | Aa2                                 | A           |
| HollyFrontier Corp                  | BBB-                                | -           |
| Intl Lease Finance Corp             | BBB-                                | BBB-        |
| IR&M Core Bond                      | Aa2                                 | Aa2         |
| iShares Barclays 3-7 Year Treasury  | AAA                                 | Aaa         |
| iShares Barclays 7-10 Year Treasury | AAA                                 | Aaa         |
| Jefferies Group Inc                 | BBB-                                | BBB-        |
| JPMorgan Chase & Co                 | -                                   | A-          |
| KLA-Tencor Corp                     | BBB                                 | BBB         |
| Loomis Sayles Core                  | -                                   | A1          |
| Morgan Stanley Fixed                | BBB+                                | BBB+        |
| Mutual Money Market Funds           | Aaa-mf                              | Aaa-mf      |
| Muzinich Credit Opportunities Fund  | Baa3                                | -           |
| PIMCO Short Term                    | -                                   | A3          |
| Vanguard Treasury                   | AAA                                 | -           |

Remaining investments have not been rated.

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**NOTE 4 INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

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

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

| <u>Investment Type</u>  | 2019                  |                       |                  |                  |                       |
|---|-----------------------|-----------------------|------------------|------------------|-----------------------|
|   | Investment Maturities |                       |                  |                  |                       |
|   | Fair<br>Value         | Less Than<br>One Year | 1-5 Years        | 6-10 Years       | More Than<br>10 Years |
| U.S. Treasury Notes and<br>U.S. Government Backed<br>Money Market Funds | \$ 18,869             | \$ 2,696              | \$ 16,173        | \$ -             | \$ -                  |
| Mutual Bond Funds   | 25,962                | 7,428                 | 6,364            | 9,347            | 2,823                 |
| Cash/Mutual Money Market<br>Funds                                       | 4,434                 | 4,434                 | -                | -                | -                     |
| Fixed Income Funds  | 9,629                 | 655                   | 4,969            | 2,195            | 1,810                 |
| Total   | <u>\$ 58,894</u>      | <u>\$ 15,213</u>      | <u>\$ 27,506</u> | <u>\$ 11,542</u> | <u>\$ 4,633</u>       |

| <u>Investment Type</u>  | 2018                  |                       |                  |                  |                       |
|---|-----------------------|-----------------------|------------------|------------------|-----------------------|
|   | Investment Maturities |                       |                  |                  |                       |
|   | Fair<br>Value         | Less Than<br>One Year | 1-5 Years        | 6-10 Years       | More Than<br>10 Years |
| U.S. Treasury Notes and<br>U.S. Government Backed<br>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<br>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>      |



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**NOTE 4 INVESTMENTS (CONTINUED)**

**Interest Rate Risk (Continued)**

For WVU, interest rate risk is managed by limiting the time period or duration of the specific investment. At June 30, 2019, the U.S. Treasury Notes have maturities through May 31, 2022 and interest rates which range from 1.5% to 2.25%. 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%. The following tables show the maturities for WVSOM at June 30 (dollars in thousands):

| <u>Bond Maturity</u> | <u>2019</u>         |                               | <u>2018</u>         |                               |
|----------------------|---------------------|-------------------------------|---------------------|-------------------------------|
|                      | <u>Market Value</u> | <u>% of Bond Market Value</u> | <u>Market Value</u> | <u>% of Bond Market Value</u> |
| Less than 1 Year     | \$ 2,052            | 12.5 %                        | \$ -                | - %                           |
| 1 to 5 Years         | 12,765              | 77.6                          | 14,347              | 94.3                          |
| 6 to 10 Years        | 1,629               | 9.9                           | 863                 | 5.7                           |
| Over 10 Years        | -                   | -                             | -                   | -                             |
| Total                | <u>\$ 16,446</u>    | <u>100.0 %</u>                | <u>\$ 15,210</u>    | <u>100.0 %</u>                |

**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, 2019 and 2018, 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, 2019 and 2018, 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.

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**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>2019</u>       | <u>2018</u>       |
|-----------------------------|-------------------|-------------------|
| Australian Dollar           | \$ 745            | \$ 500            |
| Brazilian Real              | 416               | 441               |
| British Pence               | 2,372             | 2,733             |
| British Pound Sterling      | 133               | -                 |
| British Pound               | 22                | 291               |
| Canadian Dollar             | 685               | 946               |
| Czech Koruna                | 70                | 23                |
| Chilean Peso                | 169               | 3                 |
| China Renminbi              | 88                | 19                |
| Columbian Peso              | 7                 | 5                 |
| Danish Krone                | 278               | 283               |
| Egyptian Pound              | -                 | 3                 |
| Euro                        | 9,840             | 6,684             |
| Hong Kong Dollar            | 1,808             | 1,104             |
| Hungarian Forint            | 5                 | 199               |
| Indian Rupee                | 218               | 456               |
| Indonesian Rupiah           | 137               | 65                |
| Israeli Shekel              | -                 | 63                |
| Japanese Yen                | 3,052             | 3,236             |
| Kenyan Shilling             | 5                 | 4                 |
| Malaysian Ringgit           | 196               | 188               |
| Mexican Peso                | 473               | 530               |
| New Turkish Lira            | 40                | 18                |
| New Zealand Dollar          | 104               | -                 |
| Norwegian Krone             | 310               | 342               |
| Peruvian Nuevo Sol          | 72                | -                 |
| Philippine Peso             | 10                | 14                |
| Polish Zloty                | 174               | 149               |
| Russian Ruble               | 26                | 86                |
| Singapore Dollar            | 53                | 8                 |
| South African Cent          | 225               | 429               |
| South African Rand          | 7                 | 164               |
| South Korean Dollar         | 103               | -                 |
| South Korean Won            | 592               | 620               |
| Swedish Krona               | 622               | 644               |
| Swiss Franc                 | 2,314             | 1,964             |
| Taiwanese Dollar            | 449               | 220               |
| Thai Baht                   | 196               | 223               |
| Turkish Lira                | -                 | 11                |
| Uae Dirham                  | 16                | 4                 |
| United Arab Emirates Dirham | -                 | 8                 |
| Uruguay Peso                | -                 | 3                 |
| U.S. Dollar                 | 115,169           | 118,036           |
| Total                       | <u>\$ 141,201</u> | <u>\$ 140,719</u> |

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**NOTE 5 ACCOUNTS RECEIVABLE**

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

|   | <u>2019</u>       | <u>2018</u>       |
|---|-------------------|-------------------|
| Students, Net of Allowance of \$27,888 and \$27,192<br>in 2019 and 2018, Respectively         | \$ 19,401         | \$ 26,687         |
| Grants and Contracts, Net of Allowance of \$918<br>and \$4,600 in 2019 and 2018, Respectively | 53,818            | 48,529            |
| Auxiliary Services, Net of Allowance of \$2,300<br>and \$1,016 in 2019 and 2018, Respectively | 2,695             | 2,331             |
| Due from State and State Agencies   | 7,511             | 5,238             |
| Other, Net of Allowance of \$808 and \$189 in<br>2019 and 2018, Respectively                  | 44,347            | 57,001            |
| Total   | <u>\$ 127,772</u> | <u>\$ 139,786</u> |

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**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):

|  | 2019                 |                  |                   | Ending<br>Balance   |
|--|----------------------|------------------|-------------------|---------------------|
|  | Beginning<br>Balance | Additions        | Reductions        |                     |
| Capital Assets not being Depreciated<br>or Amortized:      |                      |                  |                   |                     |
| Land   | \$ 168,288           | \$ 1,076         | \$ 344            | \$ 169,020          |
| Construction in Progress                                   | 106,324              | 53,023           | 95,324            | 64,023              |
| Other  | 121                  | -                | -                 | 121                 |
| Total Capital Assets not being<br>Depreciated or Amortized | <u>274,733</u>       | <u>54,099</u>    | <u>95,668</u>     | <u>233,164</u>      |
| Other Capital Assets:                                      |                      |                  |                   |                     |
| Land Improvements  | 99,646               | 3,424            | 1,856             | 101,214             |
| Infrastructure   | 401,354              | 49,466           | 1                 | 450,819             |
| Buildings  | 3,618,273            | 53,067           | 12,421            | 3,658,919           |
| Equipment  | 422,397              | 29,475           | 14,017            | 437,855             |
| Software   | 67,424               | 201              | 3,319             | 64,306              |
| Library Books  | 199,576              | 5,613            | 592               | 204,597             |
| Intangibles and Others                                     | 137,489              | 2,485            | -                 | 139,974             |
| Total Other Capital Assets                                 | <u>4,946,159</u>     | <u>143,731</u>   | <u>32,206</u>     | <u>5,057,684</u>    |
| Less Accumulated Depreciation on<br>Amortization for:      |                      |                  |                   |                     |
| Land Improvements  | 56,476               | 5,883            | 747               | 61,612              |
| Infrastructure   | 306,095              | 9,864            | (119)             | 316,078             |
| Buildings  | 1,007,768            | 74,865           | 8,968             | 1,073,665           |
| Equipment  | 304,213              | 27,052           | 12,582            | 318,683             |
| Software   | 63,286               | 1,390            | 3,319             | 61,357              |
| Library Books  | 175,782              | 6,208            | 339               | 181,651             |
| Intangibles and Others                                     | 129,410              | 5,184            | -                 | 134,594             |
| Total Accumulated Depreciation<br>and Amortization         | <u>2,043,030</u>     | <u>130,446</u>   | <u>25,836</u>     | <u>2,147,640</u>    |
| Other Capital Assets, Net                                  | <u>2,903,129</u>     | <u>13,285</u>    | <u>6,370</u>      | <u>2,910,044</u>    |
| Capital Assets, Net  | <u>\$ 3,177,862</u>  | <u>\$ 67,384</u> | <u>\$ 102,038</u> | <u>\$ 3,143,208</u> |

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**NOTE 6 CAPITAL ASSETS (CONTINUED)**

|  | 2019                 |                   |                   |                     |
|--|----------------------|-------------------|-------------------|---------------------|
|  | Beginning<br>Balance | Additions         | Reductions        | Ending<br>Balance   |
| Capital asset summary:   |                      |                   |                   |                     |
| Capital Assets not being Depreciated<br>or Amortized:              | \$ 274,733           | \$ 54,099         | \$ 95,668         | \$ 233,164          |
| Other Capital Assets   | 4,946,159            | 143,731           | 32,206            | 5,057,684           |
| <b>Total Cost of Capital Assets</b>                                | <b>5,220,892</b>     | <b>197,830</b>    | <b>127,874</b>    | <b>5,290,848</b>    |
| Less Accumulated Depreciation and<br>Amortization                  | 2,043,030            | 130,446           | 25,836            | 2,147,640           |
| <b>Capital Assets, Net</b>   | <b>\$ 3,177,862</b>  | <b>\$ 67,384</b>  | <b>\$ 102,038</b> | <b>\$ 3,143,208</b> |
|  | 2018                 |                   |                   |                     |
|  | Beginning<br>Balance | Additions         | Reductions        | Ending<br>Balance   |
| Capital Assets not being Depreciated<br>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                 |
| <b>Total Capital Assets not being<br/>Depreciated or Amortized</b> | <b>332,745</b>       | <b>72,520</b>     | <b>130,532</b>    | <b>274,733</b>      |
| 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             |
| <b>Total Other Capital Assets</b>                                  | <b>4,783,712</b>     | <b>182,573</b>    | <b>20,126</b>     | <b>4,946,159</b>    |
| Less Accumulated Depreciation on<br>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             |
| <b>Total Accumulated Depreciation<br/>and Amortization</b>         | <b>1,920,154</b>     | <b>136,209</b>    | <b>13,333</b>     | <b>2,043,030</b>    |
| <b>Other Capital Assets, Net</b>                                   | <b>2,863,558</b>     | <b>46,364</b>     | <b>6,793</b>      | <b>2,903,129</b>    |
| <b>Capital Assets, Net</b>   | <b>\$ 3,196,303</b>  | <b>\$ 118,884</b> | <b>\$ 137,325</b> | <b>\$ 3,177,862</b> |

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**NOTE 6 CAPITAL ASSETS (CONTINUED)**

|   | 2018                 |                |                |                   |
|---|----------------------|----------------|----------------|-------------------|
|   | Beginning<br>Balance | Additions      | Reductions     | Ending<br>Balance |
| Capital asset summary:                                |                      |                |                |                   |
| Capital Assets not being Depreciated<br>or Amortized: | \$ 332,745           | \$ 72,520      | \$ 130,532     | \$ 274,733        |
| Other Capital Assets                                  | 4,783,712            | 182,573        | 20,126         | 4,946,159         |
| <br>Total Cost of Capital Assets                      | <br>5,116,457        | <br>255,093    | <br>150,658    | <br>5,220,892     |
| <br>Less Accumulated Depreciation and<br>Amortization | <br>1,920,154        | <br>136,209    | <br>13,333     | <br>2,043,030     |
| <br>Capital Assets, Net                               | <br>\$ 3,196,303     | <br>\$ 118,884 | <br>\$ 137,325 | <br>\$ 3,177,862  |

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, 2019, of approximately the following (dollars in thousands):

|                   |    |       |
|-------------------|----|-------|
| Fairmont          | \$ | 333   |
| Marshall          |    | 5,209 |
| Pierpont          |    | 43    |
| Northern          |    | 143   |
| Policy Commission |    | 646   |
| WVSOM             |    | 53    |
| WVU               |    | 3,000 |
| Total             | \$ | 9,427 |

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**NOTE 7 LONG-TERM LIABILITIES**

The following, for the years ended June 30, 2019 and 2018, is a summary of long-term obligation transactions for the Fund (dollars in thousands):

|  | 2019                 |                  |                    |                     |                    |
|--|----------------------|------------------|--------------------|---------------------|--------------------|
|  | Beginning<br>Balance | Additions        | Reductions         | Ending<br>Balance   | Current<br>Portion |
| Bonds, Capital Leases, and<br>Notes Payable:     |                      |                  |                    |                     |                    |
| Notes Payable                                    | \$ 71,859            | \$ 974           | \$ (1,628)         | \$ 71,205           | \$ 3,408           |
| Capital Leases Payable                           | 45,315               | 5,337            | (7,451)            | 43,201              | 4,989              |
| Bonds Payable                                    | 1,211,546            | 5,133            | (41,244)           | 1,175,435           | 43,199             |
| Total Bond, Capital Leases,<br>and Notes Payable | 1,328,720            | 11,444           | (50,323)           | 1,289,841           |                    |
| Advances from Federal<br>Sponsors                | 37,108               | 1,341            | (608)              | 37,841              | -                  |
| Real Estate Purchase<br>Agreements Payable       | 13,058               | -                | (795)              | 12,263              | 589                |
| Accrued Compensated<br>Absences                  | 49,072               | 4,409            | (1,285)            | 52,196              | 48,117             |
| Future Interest Payable                          | 39,025               | -                | (594)              | 38,431              | 4,754 *            |
| Net OPEB Liability                               | 283,628              | 4,513            | (25,987)           | 262,154             | -                  |
| Net Pension Liability                            | 20,016               | 307              | (6,515)            | 13,808              | -                  |
| Other Noncurrent Liabilities                     | 38,843               | 9,670            | (11,272)           | 37,241              | 787                |
| Total Long-Term<br>Liabilities                   | <u>\$ 1,809,470</u>  | <u>\$ 31,684</u> | <u>\$ (97,379)</u> | <u>\$ 1,743,775</u> |                    |

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

|  | 2018                 |                   |                     |                     |                    |
|--|----------------------|-------------------|---------------------|---------------------|--------------------|
|  | Beginning<br>Balance | Additions         | Reductions          | Ending<br>Balance   | Current<br>Portion |
| Bonds, Capital Leases, and<br>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,<br>and Notes Payable | 1,344,671            | 194,960           | (210,911)           | 1,328,720           | 47,419             |
| Advances from Federal<br>Sponsors                | 43,639               | 12                | (6,543)             | 37,108              | -                  |
| Real Estate Purchase<br>Agreements Payable       | 13,811               | -                 | (753)               | 13,058              | 610                |
| Accrued Compensated<br>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<br>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.

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**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, 2019 and 2018 (dollars in thousands):

|                                | 2019       | 2018       |
|--------------------------------|------------|------------|
| Net OPEB Liability             | \$ 262,154 | \$ 283,628 |
| Deferred Outflows of Resources | 37,708     | 24,101     |
| Deferred Inflows of Resources  | 66,587     | 48,457     |
| Revenues                       | 16,563     | 17,785     |
| OPEB Expense                   | 23,767     | 32,216     |
| Contributions Made by the Fund | 24,437     | 24,070     |

**Plan Description**

The OPEB plan is a cost-sharing, multiple employer, defined benefit other postemployment 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 nonparticipating 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).



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

**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.

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.

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

**Contributions (Continued)**

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 valuations as of June 30, 2017 and 2016, respectively, rolled forward to June 30, 2018 and 2017, respectively. 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 20 years; closed as of June 30, 2017.
- 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 years 2018 and 2017. For fiscal years on and after 2019, trend starts at 8.00% and 10.0% for pre- and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre- and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
- Inflation rate: 2.75%.
- Discount rate: 7.15%
- Mortality rates: based on RP-2000 Mortality Tables.

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

**Assumptions (Continued)**

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, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

| <u>Asset Class</u>          | <u>Long- Term<br/>Expected Real<br/>Rate of Return<br/>2019</u> | <u>Long- Term<br/>Expected Real<br/>Rate of Return<br/>2018</u> |
|-----------------------------|---|---|
| Large Cap Domestic          | 17.0%   | 17.0%   |
| Non-Large Cap Domestic      | 22.0%   | 22.0%   |
| International Qualified     | 24.6%   | 24.6%   |
| International Non-Qualified | 24.3%   | 24.3%   |
| International Equity        | 26.2%   | 26.2%   |
| Short-Term Fixed            | 0.5%  | 0.5%  |
| Total Return Fixed Income   | 6.7%  | 6.7%  |
| Core Fixed Income           | 0.1%  | 0.1%  |
| Hedge Fund                  | 5.7%  | 5.7%  |
| Private Equity              | 19.6%   | 19.6%   |
| Real Estate                 | 8.3%  | 8.3%  |
| Opportunistic Income        | 4.8%  | 4.8%  |
| Cash                        | 0.0%  | 0.0%  |

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

**Assumptions (Continued)**

**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, 2019 and 2018, respectively, 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<br>(6.15%) | Discount Rate<br>(7.15%) | 1% Increase<br>(8.15%) |
|-------------------------|------------------------|--------------------------|------------------------|
| Net OPEB Liability 2019 | \$ 308,413             | \$ 262,154               | \$ 244,067             |
| 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, 2019 and 2018, respectively, 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):

|                         | 1% Decrease | Healthcare Cost<br>Trend Rate | 1% Increase |
|-------------------------|-------------|-------------------------------|-------------|
| Net OPEB Liability 2019 | \$ 217,132  | \$ 262,154                    | \$ 317,584  |
| 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 liabilities at June 30, 2019 and 2018 were measured as of June 30, 2018 and 2017, which are the measurement dates. The total OPEB liabilities at June 30, 2019 and 2018 were determined by actuarial valuations as of June 30, 2017 and 2016, respectively, and rolled forward to the measurement dates.

At June 30, 2019 and 2018, the amount recognized as the Fund's proportionate share of the net OPEB liability was \$262,154 and \$283,628, respectively. At June 30, 2019 and 2018, the nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is \$54,235 and \$58,634, respectively. At June 30, 2019 and 2018, the total net OPEB liability attributable to the Fund is \$316,389 and \$342,262, respectively.

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

**Assumptions (Continued)**

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 12.2307243%, an increase of 0.6864575% from its proportion of 11.5442668% calculated as of June 30, 2017. At June 30, 2017, the Fund's proportion was 11.5442668%, a decrease of 2.1365146% from its proportion of 13.6807814% as of June 30, 2016.

For the year ended June 30, 2019 and 2018, the Fund recognized OPEB expense of \$23.8 million and \$32.2 million, respectively. Of this amount, \$7.2 million and \$14.4 million was recognized as the Fund's proportionate share of the OPEB expense, and \$16.6 million and \$17.8 million as the amount of OPEB expense attributed to special funding. The Fund also recognized revenue of \$16.6 million and \$17.8 million, respectively, for support provided by the State.

At June 30, 2019 and 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

|   | 2019                              |                                  | 2018                              |                                  |
|---|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
| Differences in Expected and Actual Experience Changes in Proportion and Difference Between Employer Contributions an Proportionate Share of Contributions | \$ -                              | \$ 4,244                         | \$ -                              | \$ 944                           |
| Net Difference between Projected and Actual investment earnings   | 13,272                            | 31,683                           | -                                 | 43,011                           |
| Changes in Assumptions  | -                                 | 4,850                            | -                                 | 4,502                            |
| Contributions after measurement date  | 24,436                            | 25,810                           | -                                 | -                                |
|   | <u>\$ 37,708</u>                  | <u>\$ 66,587</u>                 | <u>\$ 24,101</u>                  | <u>\$ 48,457</u>                 |

The Fund will recognize the \$24,436 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, 2020. 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 Ending June 30,</u> | <u>Amortization</u> |
|-----------------------------|---------------------|
| 2020                        | \$ 16,432           |
| 2021                        | 16,432              |
| 2022                        | 14,161              |
| 2023                        | 4,827               |
| 2024                        | 1,463               |
| Total                       | <u>\$ 53,315</u>    |

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**NOTE 9 LEASE OBLIGATIONS**

**Capital**

The Fund leases certain property, plant, and equipment through capital leases. At June 30, 2019 and 2018, leased equipment and buildings with a net book value of approximately \$44.3 million and \$46.9 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, 2019 (dollars in thousands):

| <u>Year Ending June 30.</u>   | <u>Amount</u> |
|-------------------------------|---------------|
| 2020                          | \$ 7,331      |
| 2021                          | 6,218         |
| 2022                          | 5,499         |
| 2023                          | 4,407         |
| 2024                          | 4,400         |
| 2025-2029                     | 15,040        |
| 2030-2034                     | 12,192        |
| 2035-2039                     | 9,974         |
| 2040-2044                     | 9,808         |
| Future Minimum Lease Payments | 74,869        |
| Less Interest                 | 31,668        |
| Total                         | \$ 43,201     |

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**NOTE 9 LEASE OBLIGATIONS (CONTINUED)**

**Operating**

The Fund had entered into various operating lease agreements. Future annual minimum lease payments for years subsequent to June 30, 2019, are as follows (dollars in thousands):

| <u>Year Ending June 30,</u> | <u>Amount</u>    |
|-----------------------------|------------------|
| 2019                        | \$ 12,311        |
| 2020                        | 9,107            |
| 2021                        | 8,058            |
| 2022                        | 7,132            |
| 2023                        | 4,326            |
| 2024-2028                   | 12,869           |
| 2029-2033                   | 5,222            |
| 2034-2038                   | 26               |
| 2039-2043                   | 5                |
| 2044-2048                   | 5                |
| 2049-2053                   | 5                |
| 2054-2058                   | 4                |
| Total                       | <u>\$ 59,070</u> |

Total rent expense for these operating leases for the years ended June 30, 2019 and 2018, was approximately \$14.6 million and \$14.5 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 October 1 starting in April 2014. The note balance at June 30, 2019 and 2018 was approximately \$2,773 and \$3,112, respectively.

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**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, 2019 and June 30, 2018 was approximately \$17.5 million and \$18.2 million, respectively.

During fiscal year 2017, WVU negotiated a loan with United Bank in the amount of \$3.0 million. This loan bears interest at a rate of 3.5% until June 28, 2021, at which time the loan will bear interest at a fixed rate equal to the five-year USD Libor Swap Rate plus 2.150 percentage points. Interest only will be payable on this note from July 28, 2017, to and including June 28, 2018. The amortization term is ten years. The proceeds of this loan were used to pay equipment lease/purchase agreement with United Bank in full. This loan is secured by certain property of WVU.

On December 22, 2017, WVU 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, 2019 and 2018, was \$1,449 and \$1,610, respectively.



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**NOTE 10 NOTES PAYABLE (CONTINUED)**

During fiscal year 2013, Glenville entered into a \$3,000 note collateralized by a first lien on equipment installed in various buildings on campus. Interest is 3.10% with semiannual principal payments of \$132. The note matures June 2028. The note balance at June 30, 2019 and 2018 was approximately \$2,058 and \$2,253, respectively.

During fiscal year 2019, Glenville entered into a \$500 promissory note to the Glenville State College Foundation. Interest is 4% with payment due in full by October 2019. The note balance at June 30, 2019 and 2018 was \$500.

During fiscal year 2019, Glenville entered into a \$400 note collateralized by rental properties. Interest is 4% with payments due in full upon request. The note balance at June 30, 2019 was \$400.

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, 2019 and 2018 was approximately \$719 and \$886, respectively.

Annual minimum payments for the years ending after June 30, 2019, are as follows (dollars in thousands):

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u>  | <u>Total</u>      |
|-----------------------------|------------------|------------------|-------------------|
| 2020                        | \$ 3,408         | \$ 2,760         | \$ 6,168          |
| 2021                        | 2,515            | 2,820            | 5,335             |
| 2022                        | 2,285            | 2,738            | 5,023             |
| 2023                        | 2,345            | 2,652            | 4,997             |
| 2024                        | 2,248            | 2,565            | 4,813             |
| 2025-2029                   | 10,854           | 11,475           | 22,329            |
| 2030-2034                   | 9,850            | 9,375            | 19,225            |
| 2035-2039                   | 8,828            | 7,276            | 16,104            |
| 2040-2044                   | 5,634            | 5,856            | 11,490            |
| 2045-2049                   | 7,035            | 4,455            | 11,490            |
| 2050-2054                   | 8,785            | 2,705            | 11,490            |
| 2055-2059                   | 7,418            | 624              | 8,042             |
| Total                       | <u>\$ 71,205</u> | <u>\$ 55,301</u> | <u>\$ 126,506</u> |

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**NOTE 11 INSTITUTION BONDS PAYABLE**

The Institutions within the Fund, at June 30, 2019 and 2018, have the following outstanding bonds payable (dollars in thousands):

|  | Maximum<br>Interest Rate | Annual<br>Installments | Principal Outstanding |           |
|--|--------------------------|------------------------|-----------------------|-----------|
|  |                          |                        | 2019                  | 2018      |
| Concord University - Revenue Bonds<br>2014 Series, due through 2044                                    | 5.00%                    | \$320-\$950            | \$ 15,415             | \$ 15,800 |
| Fairmont State University - Facilities<br>Improvement Revenue Bonds, 2006,<br>Series, due through 2026 | 1.74%<br>(10 year reset) | 343-611                | 3,671                 | 4,160     |
| Fairmont State University - Revenue<br>Refunding Bonds, 2012, Series A,<br>due through 2032            | 5.00                     | 730-1,155              | 14,675                | 15,545    |
| Fairmont State University - Revenue<br>Refunding Bonds, 2012, Series B,<br>due through 2032            | 5.00                     | 1,080-1,720            | 21,915                | 23,230    |
| Fairmont State University - Revenue<br>Refunding Bonds, 2015, Series A,<br>due through 2045            | 5.00                     | 580-1,665              | 28,400                | 29,020    |
| Glenville State University - Improvement and<br>Refunding Revenue Bonds, Series 2017,<br>due in 2047   | 5.25                     | 619-1,517              | 36,285                | 36,285    |
| Marshall University - University Refunding<br>Revenue Bonds 2010, due through 2030                     | 5.00                     | 915-2,885              | 25,455                | 27,180    |
| Marshall University - University Refunding<br>Revenue Bonds 2011, due through 2041                     | 5.00                     | 1,190-3,375            | 48,240                | 49,505    |
| Mountwest Community and Technical<br>College - Revenue Bonds, 2012, due<br>through 2022                | 4.125                    | 229-446                | 1,104                 | 1,516     |
| Shepherd University - Refinance<br>Revenue Bonds, due through 2033                                     | 4.375                    | 400-460                | 4,665                 | 5,065     |

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

|   | Maximum<br>Interest Rate | Annual<br>Installments | Principal Outstanding |           |
|---|--------------------------|------------------------|-----------------------|-----------|
|   |                          |                        | 2019                  | 2018      |
| Shepherd University - Refunding<br>Revenue Bond, due through 2037   | 3.65                     | 1,325-2,368            | \$ 31,827             | \$ 33,108 |
| West Liberty University - Revenue Refunding<br>Bonds 2013, due through 2028   | 2.68                     | 580-765                | 6,175                 | 6,810     |
| West Liberty University - Revenue<br>Bonds 2012, due through 2027   | 3.25                     | 585-785                | 6,240                 | 6,870     |
| West Liberty University - Revenue<br>Bonds 2018, due through 2038   | 3.65                     | 192-366                | 5,132                 | -         |
| West Virginia State University -<br>University Refunding and Improvement<br>Series 2012, due through 2030           | 4.50                     | 50-2,965               | 8,625                 | 8,675     |
| West Virginia State University -<br>University Revenue Bonds Series 2013,<br>due through 2021                       | 3.00                     | 300-340                | 1,000                 | 1,320     |
| West Virginia University -<br>Revenue Improvement Bonds 2011,<br>Series A, due through 2026                         | 3.87                     | 35-62                  | 8,877                 | 9,433     |
| West Virginia University -<br>Revenue Improvement Bonds 2011,<br>Series B, due through 2037                         | 4.14                     | 0-21,800               | 150,065               | 156,079   |
| West Virginia University -<br>Revenue Bonds (Taxable) 2012<br>Series A, due though 2042                             | 4.50                     | 35-62                  | 11,598                | 11,882    |
| West Virginia University -<br>Revenue Bonds (Taxable) 2012<br>Series A, due though 2032                             | Variable                 | 0-50                   | 3,494                 | 3,709     |
| West Virginia University -<br>Revenue Refunding and Improvement<br>Bonds 2013, Series A, due through 2043           | 3.55                     | 0-13,715               | 136,110               | 136,574   |
| West Virginia University - Revenue<br>Refunding and Improvement Bonds (Taxable)<br>2013, Series B, due through 2043 | 3.00                     | 995-7,440              | 44,120                | 50,840    |
| West Virginia University -<br>Improvement Revenue Bonds 2014,<br>Series A, due through 2045                         | 4.30                     | 855-30,285             | 60,000                | 60,000    |

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

|   | Maximum<br>Interest Rate | Annual<br>Installments | Principal Outstanding |            |
|---|--------------------------|------------------------|-----------------------|------------|
|   |                          |                        | 2019                  | 2018       |
| West Virginia University -<br>Improvement Revenue Bonds (Taxable)<br>2014, Series B, due through 2043 | 4.50                     | 10,075-24,105          | \$ 79,050             | \$ 79,050  |
| West Virginia University -<br>Improvement Revenue Bonds 2014,<br>Series C, due through 2042           | 2.43                     | 9,730-10,705           | 50,190                | 50,190     |
| West Virginia University -<br>Improvement Revenue Bonds 2016,<br>Series A, due through 2043           | 3.43                     | 0-678                  | 18,249                | 18,924     |
| Total   |                          |                        | 820,577               | 840,770    |
| Less Unamortized Bond Discount  |                          |                        | (229)                 | (241)      |
| Add Unamortized Bond Premium  |                          |                        | 38,267                | 40,244     |
| Total   |                          |                        | \$ 858,615            | \$ 880,773 |

A summary of the annual aggregate principal payments for years subsequent to June 30, 2019, is as follows (dollars in thousands):

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|------------------|-----------------|--------------|
| 2020                        | \$ 28,783        | \$ 34,527       | \$ 63,310    |
| 2021                        | 27,997           | 33,760          | 61,757       |
| 2022                        | 28,810           | 32,727          | 61,537       |
| 2023                        | 29,685           | 31,595          | 61,280       |
| 2024                        | 30,585           | 30,375          | 60,960       |
| 2025-2029                   | 162,656          | 131,610         | 294,266      |
| 2030-2034                   | 158,356          | 95,070          | 253,426      |
| 2035-2039                   | 158,730          | 58,221          | 216,951      |
| 2040-2044                   | 156,837          | 27,390          | 184,227      |
| 2045-2049                   | 38,138           | 1,558           | 39,696       |
| Total                       | \$ 820,577       | \$ 476,833      | \$ 1,297,410 |

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**NOTE 12 SYSTEM BONDS PAYABLE**

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

The State has chartered the Fund with the responsibility to construct or renovate, finance, and maintain various academic and other facilities of the State's universities and colleges, including certain facilities within the Fund. Financing for these facilities was provided through revenue bonds issued by various former governing boards which are now administered by the Policy Commission.

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

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

The Commission, at June 30, 2019 and 2018, has the following outstanding bonds payable (dollars in thousands):

|   | Maximum<br>Interest<br>Rate | Original<br>Range of<br>Annual<br>Installments | Principal Outstanding |                   |
|---|-----------------------------|--|-----------------------|-------------------|
|   |                             |  | 2019                  | 2018              |
| Series 2017 - Community and Technical<br>College Capital Improvement Revenue<br>Refunding Bonds | 5.00%                       | \$3-\$4,760                                    | \$ 64,045             | \$ 64,075         |
| Series 2017 - Revenue Refunding Bonds<br>Higher Education Facilities                            | 5.00                        | 1,205-3,885                                    | 23,615                | 24,905            |
| Series 2012A - Revenue Refunding Bonds, due<br>through 2034                                     | 5.00                        | 1,425-42,100                                   | 102,105               | 106,650           |
| Series 2012B - Revenue Bonds, due<br>through 2034   | 5.00                        | 200-2,400                                      | 6,095                 | 6,400             |
| Series 2010A - Revenue Bonds, due<br>through 2026   | 5.00                        | 235-12,750                                     | 1,735                 | 3,405             |
| Series 2010B - Revenue Bonds, due<br>through 2040   | 7.65                        | 10,800-39,465                                  | 50,265                | 50,265            |
| Series 2000A - University System<br>Bonds, due through 2031                                     | 6.26                        | 0-3,264  | 17,705                | 19,891            |
| Series 1998 - University System Bonds,<br>due through 2028                                      | 5.25                        | 1,065-3,625                                    | 26,825                | 29,100            |
| Total   |                             |  | 292,390               | 304,691           |
| Add Bond Premium  |                             |  | 24,430                | 26,082            |
| Total   |                             |  | <u>\$ 316,820</u>     | <u>\$ 330,773</u> |

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

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2019, is as follows (dollars in thousands):

| <u>Year Ending June 30,</u> | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>      |
|-----------------------------|-------------------|-------------------|-------------------|
| 2020                        | \$ 14,416         | \$ 19,304         | \$ 33,720         |
| 2021                        | 14,864            | 18,824            | 33,688            |
| 2022                        | 15,402            | 18,293            | 33,695            |
| 2023                        | 15,962            | 17,721            | 33,683            |
| 2024                        | 16,573            | 17,108            | 33,681            |
| 2025-2029                   | 84,710            | 74,850            | 159,560           |
| 2030-2034                   | 78,708            | 39,285            | 117,993           |
| 2035-2039                   | 40,960            | 10,997            | 51,957            |
| 2040-2044                   | 10,795            | 581               | 11,376            |
| Total                       | <u>\$ 292,390</u> | <u>\$ 216,963</u> | <u>\$ 509,353</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 refundings 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, 2019, the amount of defeased bonds outstanding was \$64,560 related to the 2009 Series A Bonds and \$12,815 related to the 2010 Series A Revenue Bonds.

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**NOTE 13 UNRESTRICTED NET POSITION**

The Fund's unrestricted net position at June 30, 2019 and 2018, includes certain designated net position as follows (dollars in thousands):

|  | 2019         | 2018         |
|--|--------------|--------------|
| Designated for Auxiliaries                           | \$ 7,471     | \$ 11,732    |
| Designated for Repair, Replacement, and New Property | 12,328       | 9,396        |
| Other  | 12,025       | 13,177       |
| Undesignated   | 57,872       | 39,235       |
| Total Unrestricted Net Assets before OPEB Liability  | 89,696       | 73,540       |
| Less OPEB Liability                                  | 262,154      | 283,628      |
| Total Unrestricted Net Assets                        | \$ (172,458) | \$ (210,088) |

**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 elect 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, 2019, 2018 and 2017, were approximately \$1,515, \$1,361, and \$1,348, respectively, which consisted of approximately \$755, \$681 and \$671, respectively, from the covered employees in 2019, 2018 and 2017, respectively.



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**NOTE 14 RETIREMENT PLANS (CONTINUED)**

**Defined Contribution Benefit Plans (Continued)**

Total contributions to the TIAA-CREF for the years ended June 30, 2019, 2018 and 2017, were approximately \$95.3 million, \$90.0 million, and \$90.3 million, respectively, which consisted of approximately \$47.6 million, \$45.0 million, and \$45.1 million, from the Fund in 2019, 2018 and 2017, respectively, and approximately \$47.7 million, \$45.0 million, and \$45.2 million, from the covered employees in 2019, 2018 and 2017, respectively.

The Fund's total payroll for the years ended June 30, 2019, 2018 and 2017, was approximately \$894.2 million, \$868.2 million, and \$865.3 million, respectively, and total covered employees' salaries in the TIAA-CREF and Empower Retirement were approximately \$782.2 million, and \$12.1 million for the year ended June 30, 2019; \$753.0 million, and \$18.6 million for the year ended June 30, 2018 and \$748.5 million, and \$11.3 million for the year ended June 30, 2017.

**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, 2019 and 2018 (dollars in thousands):

|                                | 2019      | 2018      |
|--------------------------------|-----------|-----------|
| Net Pension Liability          | \$ 13,808 | \$ 20,016 |
| Deferred Outflows of Resources | 2,989     | 4,017     |
| Deferred Inflows of Resources  | 9,116     | 7,341     |
| Revenues                       | 3,230     | 4,543     |
| Pension Expense                | 2,011     | 4,616     |
| Contributions Made by the Fund | 1,668     | 1,958     |

*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>.

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**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, 2018 and 2017, respectively, the Fund's proportionate share attributable to this special funding subsidy was \$3,145 and \$4,313.

The Fund's contributions to TRS for the years ended June 30, 2019, 2018, and 2017 were approximately \$1.7 million, \$2.0 million, and \$2.3 million, respectively.

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**NOTE 14 RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

*Assumptions*

For the year ended June 30, 2019, the total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2017 and rolled forward to June 30, 2018. For the year ended June 30, 2018, total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2016 and 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 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 nonteachers 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 nonteachers 1.316 – 24.75%
- Disability rates: 0 – 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.

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**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, 2019 and 2018 are summarized below.

| 2019<br><u>Asset Class</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> | <u>Target<br/>Allocation</u> |
|----------------------------|---|------------------------------|
| Domestic Equity            | 4.5%  | 27.5%                        |
| International Equity       | 8.6%  | 27.5%                        |
| Core Fixed Income          | 3.3%  | 15.0%                        |
| Real Estate                | 6.0%  | 10.0%                        |
| Private Equity             | 6.4%  | 10.0%                        |
| Hedge Funds                | 4.0%  | 10.0%                        |

| 2018<br><u>Asset Class</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> | <u>Target<br/>Allocation</u> |
|----------------------------|---|------------------------------|
| 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%

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**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, 2019 and 2018 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<br>(6.50%) | Current<br>Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|----------------------------|------------------------|-------------------------------------|------------------------|
| Net Pension Liability 2019 | \$ 18,639              | \$ 13,808                           | \$ 9,679               |
| Net Pension Liability 2018 | 26,379                 | 20,016                              | 14,617                 |

*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, 2019 was measured as of June 30, 2018. The total pension liability at June 30, 2018 was determined by an actuarial valuation as of July 1, 2017 and rolled forward to the measurement date.

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.

At June 30, 2019, the Fund's proportionate share of the TRS net pension liability was \$49.4 million. Of this amount, the Fund recognized approximately \$13.8 million as its proportionate share on the statements of net position. The remainder of \$35.6 million denotes the Fund's proportionate share of net pension liability attributable to the special funding.

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**NOTE 14 RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

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

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 \$20.0 million as its proportionate share on the statement of net position. The remainder of \$44.3 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 nonemployer-contributing entity is based on their proportionate share of employer and nonemployer contributions to TRS for each of the fiscal years ended June 30, 2018 and 2017. Employer contributions are recognized when due. At June 30, 2018, the Fund's proportion was 0.4420480%, a decrease of 0.1372779% from its proportion of 0.5793259% calculated as of June 30, 2017. At June 30, 2017, the Fund's proportion was 0.5793259%, an increase of 0.1044011% from its proportion of 0.6837270% calculated as of June 30, 2016.

For the years ended June 30, 2019 and 2018, the Fund recognized TRS pension expense of \$1.7 million and \$4.6 million, respectively. Of this amount, \$(1.5) million and \$.3 million, respectively, was recognized as the Fund's proportionate share of the TRS expense, \$3.1 million and \$4.3 million, respectively, as the amount of pension expense attributable to special funding from a nonemployer contributing entity and \$.1 million and \$.2 million, respectively as the amount of pension expense from a nonemployer contributing entity not attributable to a special funding situation. The Fund also recognized revenue of \$3.2 million and \$4.3 million, respectively, for support provided by the State.

At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows (dollars in thousands).

|  | 2019                                 |                                     | 2018                                 |                                     |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|  | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
| Changes in Proportion and Difference<br>between Employer Contributions and<br>Proportionate Share of Contributions | \$ 704                               | \$ 8,119                            | \$ 960                               | \$ 6,325                            |
| Net Difference between Projected and<br>Actual Experience  | 96                                   | 278                                 | 174                                  | 375                                 |
| Net Difference between Projected and<br>Actual Investment Earnings   | 4                                    | 719                                 | 35                                   | 641                                 |
| Change in Assumptions  | 428                                  | -                                   | 711                                  | -                                   |
| Contributions after the<br>Measurement Date  | 1,757                                | -                                   | 2,137                                | -                                   |
| Total  | <u>\$ 2,989</u>                      | <u>\$ 9,116</u>                     | <u>\$ 4,017</u>                      | <u>\$ 7,341</u>                     |

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**NOTE 14 RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

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

The Fund will recognize the \$1.8 million reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ending June 30, 2020. 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> |
|------------------------------------|---------------------|
| 2020                               | \$ 1,943            |
| 2021                               | 1,551               |
| 2022                               | 2,050               |
| 2023                               | 1,664               |
| 2024                               | 676                 |
| Total                              | <u>\$ 7,884</u>     |

*Payables to the Pension Plan*

The Fund did not report any amounts payable for normal contributions to the TRS as of June 30, 2019 and 2018.

**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.

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**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 \$921.5 million and \$881.3 million at June 30, 2019 and 2018, 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, 2019 and 2018 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, 2019 and 2018, 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 two other component units, 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).



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**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 \$14 and \$20 million at June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, the University recognized management fee revenue and its share of the net revenue of \$85 and \$79 million, respectively. This revenue is included in revenue from auxiliary enterprises on the statement of revenues, expense and changes in net position.

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**NOTE 18 SERVICE CONCESSION ARRANGEMENTS (CONTINUED)**

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 2019 and 2018, Marshall received \$682 and \$661 respectively, in commissions from Sodexo. Sodexo made renovations that were capitalized by Marshall totaling \$2,394 during 2019 as part of the agreement for the new contract that will begin August 16, 2019. No renovations were done in 2018. 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, 2019 and 2018, Marshall has a deferred inflow of \$2,426 and \$281, respectively, for the unaccreted inflow for renovations, and an accrued service concession liability of \$13 and \$117, respectively, for estimated insurance and maintenance costs that Marshall will be required to pay through the end of the contract. The existing contract ends August 15, 2019 and the new contract has been awarded to Sodexo beginning August 16, 2019.

Fairmont State University (Fairmont) has a contract with Aladdin that was effective on July 1, 2018 to provide food products and nonalcoholic beverages at its food service facilities. Aladdin provides food service in the Falcon Center, Chick-fil-A, Chilaca, Starbucks, Conference Center, Coffee Shop, Cafeteria, concessions, soda, snack and food vending at mutually agreed upon locations for Fairmont. Aladdin is paid a fixed administrative fee that increases 5% per year. Aladdin provides vendor contract revenues to Fairmont based on contractual agreement. The vendor contract revenues from Aladdin in fiscal years 2019 and 2018 were \$1,060 and \$964, respectively. As part of the agreement, Aladdin agreed to pay for certain improvements to the food services facilities on behalf of Fairmont. Fairmont reports the improvements as a capital asset with a carrying value of \$2,208 and unearned revenue in the amount of \$2,008 at June 30, 2019. According to the agreement, the related revenue will be earned over a period of ten years. In the event the agreement is terminated early, Fairmont will require the incoming food service operator to pay Aladdin any remaining balance of the donation or Fairmont will assume responsibility for repayment. Aladdin also provides \$100 annually to Fairmont during the term of the agreement for student scholarships.

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**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, 2019 and 2018.

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, 2019, WVU is committed to an additional \$1 million purchase to meet the minimum steam purchase requirement for the contract year ended September 30, 2019. 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.

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**NOTE 19 CONTINGENCIES AND COMMITMENTS (CONTINUED)**

**Commitments (Continued)**

During the year ended June 30, 2018, Concord entered into a Technology Subscription Contract with Helios Energy, LLC to provide improved lighting systems for the campus that will reduce energy consumption and related costs for electricity. Concord has agreed to pay Helios Energy, LLC \$.2 million annually for the next seven years. Upon completion of the terms of the contract, Concord may purchase the light fixtures at the then fair market value, may contract with Helios Energy, LLC to continue the service contract or Helios Energy, LLC may remove the light fixtures. The light fixtures are not the responsibility of Concord with regard to maintenance and repairs but Concord is required to name Helios Energy, LLC as an additional insured party on the general liability insurance policy.

On May 2, 2018, Marshall University entered into a development agreement with Signet Marshall Development, LLC, an Ohio limited liability company, to develop, design, and construct a new graduate/medical student housing facility and school of pharmacy. Signet's affiliate, Signet Marshall I, LLC has entered into a ground lease with Marshall for the University owned property that will be the site of this development. The ground lease payment was one dollar for the entire term and has been paid at the execution of the lease.

The University entered into a lease agreement with Signet Marshall I, LLC, an Ohio limited liability company, to lease buildings constructed in the development agreement for 35 years, once construction is complete. Ownership of the facilities will transfer to the University at the end of the lease term. Construction was substantially complete on August 15, 2019. This lease will appear as a liability for the University on the June 30, 2020 financial statements. Annual rental payments due to Signet Marshall I, LLC ranging between \$2,925,500 and \$4,786,581, will commence in fiscal year 2020 and continue for 5 years totaling \$130,674,525.

**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 two 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

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

**Basis of Accounting (Continued)**

The financial statements of the component units are presented on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. 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:

*Net Assets Without Donor Restrictions* - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objective of the Foundation. These net assets may be used at the discretion of the Foundation's management and Board of Directors.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed stipulations that will be met either by actions of the component units and/or the passage of time. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of 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 accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the United States of America, 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.

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

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

**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, 2019 and 2018, there were no material reclasses among net asset classes nor were there material changes in the endowments.

**Pledges Receivable**

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

**Funds Held in Custody for Others**

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

**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 \$382 and \$966 for the years ended June 30, 2019 and 2018, respectively.

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

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

**Student Housing Facility Project and Construction in Progress (Continued)**

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.

**Adoption of New Accounting Standard**

On August 18, 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which revises the not-for-profit financial reporting model. ASU 2016-14 provides for additional disclosures and modifies net asset reporting. The standard requires not-for-profits to reclassify its net assets (i.e. unrestricted, temporarily restricted, and permanently restricted) into two categories; net assets without donor imposed restrictions and net assets with donor imposed restrictions, among other requirements. The changes resulting from the adoption of ASU 2016-14 were applied retrospectively to ensure comparability with the prior year presented.

**Management's Plan for Continuing Operations**

Provident-Marshall's senior tax-exempt revenue bonds payable are secured by an irrevocable letter of credit issued by a financial institution which expires on January 30, 2020. Therefore, the bonds are classified as a current obligation in the balance sheet as of June 30, 2019. Without a renewal of the letter of credit, Provident-Marshall has substantial doubt about its ability to continue as a going concern within one year after the date that the financial statements are issued. Provident-Marshall continues to perform to budgeted expectations and generates sufficient cash to maintain operations and fund senior debt service and a portion of subordinate debt service. Prior to the maturity of the letter of credit, Provident-Marshall will consider a variety of options regarding means of securing senior tax-exempt bonds, including but not limited to, extending the letter of credit to ensure the long-term financial viability of the company.

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

**Investments**

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

|   |                     | 2019  |                                     |  |  |  |  |  |   |  |   |  |   |                                     |   | Total                 |
|---|---------------------|---|-------------------------------------|--|--|--|--|--|---|--|---|--|---|-------------------------------------|---|-----------------------|
|   |                     | Bluefield State University Foundation, Inc. | 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. | 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 University Foundation, Inc. | West Virginia State University Foundation, Inc. | WVU at Parkersburg Foundation, Inc. | Blue Ridge Community & Technical College Foundation, Inc. | Total                 |
| Cash and Temporary Investments          | \$ -                | \$ 50,085                                   | \$ 841,320                          | \$ 733,254                                 | \$ 437,862                                   | \$ -                                     | \$ -   | \$ 689,764                               | \$ 59,463   | \$ 929,575                               | \$ 267,606  | \$ 2,380,077   | \$ 1,980,906                                    | \$ -                                | \$ -  | \$ 8,369,912          |
| U.S. Government Securities              | -                   | -   | 11,852,211                          | -  | -  | -  | -  | 2,125,225                                | -   | 100,945                                  | 251,560   | 9,785,160  | -   | -                                   | -   | 24,115,101            |
| Corporate and Municipal Bonds and Notes | -                   | 2,005,894                                   | -                                   | 7,113,186                                  | 1,840,960                                    | -  | -  | 1,727,566                                | -   | 407,335                                  | 381,974   | 8,828,587  | 4,492,171                                       | 477,256                             | 50,375  | 27,325,304            |
| Mutual Funds                            | 8,851,083           | 4,457,581                                   | 24,949,973                          | 18,494,601                                 | 3,518,944                                    | 30,998,564                               | 386,827  | 19,017,094                               | -   | 5,005,504                                | 1,812,676   | -  | 6,416,009                                       | 7,098,398                           | -   | 131,007,254           |
| Equity Investments                      | -                   | 5,951,147                                   | 2,905,849                           | 587,832                                    | 5,438,023                                    | 102,834,094                              | -  | 2,297,894                                | 3,178,352   | 9,320,409                                | 1,807,653   | 16,109,304   | -   | 3,823,450                           | 662,429   | 154,916,436           |
| Other                                   | -                   | 355,470                                     | 3,204                               | 961,857                                    | 250,100                                      | 86,457,735                               | -  | 104,749                                  | -   | 987,708                                  | 299,006   | 9,858,961  | -   | -                                   | -   | 99,278,790            |
| <b>Total</b>                            | <b>\$ 8,851,083</b> | <b>\$ 12,820,177</b>                        | <b>\$ 40,552,557</b>                | <b>\$ 27,890,730</b>                       | <b>\$ 11,485,889</b>                         | <b>\$ 229,290,393</b>                    | <b>\$ 388,827</b>  | <b>\$ 25,962,292</b>                     | <b>\$ 3,237,815</b>   | <b>\$ 16,751,476</b>                     | <b>\$ 4,820,475</b>                                       | <b>\$ 46,962,089</b>   | <b>\$ 12,889,086</b>                            | <b>\$ 11,399,104</b>                | <b>\$ 712,804</b>   | <b>\$ 445,012,797</b> |

|   |                     | 2018  |                                     |  |  |  |  |  |   |  |   |  |   |                                     |   | Total                 |
|---|---------------------|---|-------------------------------------|--|--|--|--|--|---|--|---|--|---|-------------------------------------|---|-----------------------|
|   |                     | Bluefield State University Foundation, Inc. | 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. | 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 University Foundation, Inc. | West Virginia State University Foundation, Inc. | WVU at Parkersburg Foundation, Inc. | Blue Ridge Community & Technical College Foundation, Inc. | Total                 |
| Cash and Temporary Investments          | \$ -                | \$ 99,119                                   | \$ 410,913                          | \$ 616,649                                 | \$ 612,123                                   | \$ -                                     | \$ -   | \$ 684,628                               | \$ 59,463   | \$ 825,325                               | \$ 403,322  | \$ 2,537,779   | \$ 1,561,239                                    | \$ -                                | \$ -  | \$ 7,810,560          |
| U.S. Government Securities              | -                   | -   | 11,235,877                          | -  | -  | -  | -  | 1,291,923                                | -   | 96,880                                   | 97,635  | 9,157,845  | -   | -                                   | -   | 21,880,160            |
| 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  | 4,411,427                                       | 366,004                             | 48,837  | 24,475,189            |
| 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                           | -   | 129,418,635           |
| Equity Investments                      | -                   | 5,475,385                                   | 5,214,338                           | 554,395                                    | 4,492,301                                    | 89,565,667                               | -  | 1,984,237                                | 3,420,847   | 9,838,478                                | 1,810,840   | 18,003,731   | -   | 3,915,625                           | 519,747   | 144,795,591           |
| Other                                   | -                   | 639,079                                     | 635,109                             | 30,026                                     | -  | 83,169,481                               | -  | 108,754                                  | -   | 1,043,559                                | 298,938   | 6,550,099  | -   | -                                   | -   | 92,475,045            |
| <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>\$ 12,461,019</b>                            | <b>\$ 11,100,101</b>                | <b>\$ 568,584</b>   | <b>\$ 420,855,180</b> |

**Fair Value Measurement**

FASB 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.



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**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:

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

**Fair Value Measurement (Continued)**

|   | 2019              |  |   |   |
|---|-------------------|--|---|---|
|   | 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) | Significant Unobservable Inputs (Level 3) |
| <b>Investments by Fair Value Level:</b>               |                   |  |   |   |
| U.S. Government Investments:                          |                   |  |   |   |
| Cash  | \$ 6,647          | \$ 6,209   | \$ 438  | \$ -                                      |
| Mortgage Pools  | 336               | -  | 336   | -   |
| Bonds   | 2,827             | 2,574  | 253   | -   |
| Agency Obligations                                    | 10,214            | -  | 10,214  | -   |
| Treasury Obligations                                  | 2,302             | 1,396  | 906   | -   |
| Other   | 11,852            | 11,852   | -   | -   |
| Mutual Money Market Funds                             | 1,771             | 1,771  | -   | -   |
| Corporate Equities                                    | 2,906             | 2,906  | -   | -   |
| Corporate Bonds                                       | 15,686            | 3,975  | 11,711  | -   |
| Real Estate Securities                                | 1,705             | 1,705  | -   | -   |
| Debt Securities                                       | 933               | -  | 933   | -   |
| Equity Securities                                     | 24,552            | 24,552   | -   | -   |
| Bonds:  |                   |  |   |   |
| Consumer Discretionary                                | 280               | -  | 280   | -   |
| Financials  | 96                | -  | 96  | -   |
| Healthcare  | 51                | -  | 51  | -   |
| Industrials   | 50                | -  | 50  | -   |
| Mutual Bond Funds:                                    |                   |  |   |   |
| Diversifying Asset                                    | 25,818            | 25,818   | -   | -   |
| Other   | 8,830             | 8,830  | -   | -   |
| Mutual Funds:   |                   |  |   |   |
| US large Cap  | 5,383             | 5,383  | -   | -   |
| US Small and Mid Cap                                  | 2,128             | 2,128  | -   | -   |
| International Equity                                  | 2,592             | 2,592  | -   | -   |
| International Large Growth                            | 20                | 20   | -   | -   |
| Large Blend   | 126               | 126  | -   | -   |
| Large Growth  | 158               | 158  | -   | -   |
| Large Value   | 159               | 159  | -   | -   |
| International Fixed Income                            | 719               | 719  | -   | -   |
| Multi Alternative                                     | 233               | 233  | -   | -   |
| Multi Sector Bond                                     | 723               | 723  | -   | -   |
| High Yield Bond                                       | 517               | 517  | -   | -   |
| REITs   | 639               | 639  | -   | -   |
| Balanced  | 42                | 42   | -   | -   |
| Energy Limited Partnership                            | 514               | 514  | -   | -   |
| Foreign Large Blend                                   | 571               | 571  | -   | -   |
| Option Based Equity                                   | 1,090             | 1,090  | -   | -   |
| S&P 500 index   | 437               | 437  | -   | -   |
| S&P midcap 400 index                                  | 376               | 376  | -   | -   |
| S&P smallcap 600 index                                | 79                | 79   | -   | -   |
| Intermediate Term Bond                                | 411               | 411  | -   | -   |
| Hedge Equity  | 1,638             | 1,638  | -   | -   |
| Diversified Alternatives                              | 3,779             | 3,779  | -   | -   |
| Other   | 34,478            | 34,478   | -   | -   |
| Mutual Stock Funds:                                   |                   |  |   |   |
| Publically Traded                                     | 17,930            | 17,930   | -   | -   |
| Domestic Mutual Fund                                  | 2,647             | 2,647  | -   | -   |
| International Mutual Fund                             | 103               | 103  | -   | -   |
| Other   | 8                 | 8  | -   | -   |
| Stocks:   |                   |  |   |   |
| Consumer Goods  | 811               | 811  | -   | -   |
| Consumer Discretionary                                | 435               | 435  | -   | -   |
| Communication   | 327               | 327  | -   | -   |
| Energy  | 679               | 679  | -   | -   |
| Financials  | 1,844             | 1,675  | 169   | -   |
| Healthcare  | 1,285             | 1,285  | -   | -   |
| Industrial goods                                      | 891               | 891  | -   | -   |
| IT  | 637               | 637  | -   | -   |
| Materials   | 302               | 302  | -   | -   |
| Real estate   | 152               | 152  | -   | -   |
| Services  | 664               | 664  | -   | -   |
| Technology  | 1,007             | 1,007  | -   | -   |
| Utilities   | 227               | 227  | -   | -   |
| US Small and Mid Cap                                  | 775               | 775  | -   | -   |
| US large Cap  | 303               | 303  | -   | -   |
| International Equity                                  | 1,491             | 1,491  | -   | -   |
| Domestic Large Cap                                    | 15                | 15   | -   | -   |
| Domestic Mid Cap                                      | 15                | 15   | -   | -   |
| Domestic Small Cap                                    | 102               | 102  | -   | -   |
| Index Funds   | 166               | 166  | -   | -   |
| Other   | 3,849             | 3,849  | -   | -   |
| Fixed Income:   |                   |  |   |   |
| Domestic Mutual Funds                                 | 281               | 281  | -   | -   |
| International Mutual Fund                             | 1,095             | 1,095  | -   | -   |
| US Gov Bonds  | 64                | 64   | -   | -   |
| Other   | 4,145             | 4,145  | -   | -   |
| Public Real Asset                                     | 26                | 26   | -   | -   |
| Other   | 9,592             | 1,438  | 8,154   | -   |
| <b>Total</b>  | <b>\$ 225,536</b> | <b>\$ 191,945</b>  | <b>\$ 33,591</b>  | <b>\$ -</b>                               |
| <b>Investments Measured at Net Asset Value (NAV):</b> |                   |  |   |   |
| Commingled Global Fund                                | 29,567            |  |   |   |
| Global Equity   | 102,219           |  |   |   |
| Commingled Hedge Fund                                 | 41,554            |  |   |   |
| Real Asset Fund                                       | 23,981            |  |   |   |
| Private Capital Fund                                  | 16,316            |  |   |   |
| Private Equity  | 1,772             |  |   |   |
| Natural Resources                                     | 471               |  |   |   |
| Venture   | 2,272             |  |   |   |
| Distressed Debt                                       | 315               |  |   |   |
| Multi Strategy  | 1,007             |  |   |   |
| Non Recurring FMV                                     | 3                 |  |   |   |
| <b>Total Investments</b>                              | <b>\$ 445,013</b> |  |   |   |

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**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 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  | \$ 6,236   | \$ 5,624   | \$ 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   | -   |
| Mutual Money Market Funds                             | 1,236      | 1,236  | -   | -   |
| Certificates of Deposit                               | 377        | -  | 377   | -   |
| Corporate Equities                                    | 5,214      | 5,214  | -   | -   |
| Corporate Bonds                                       | 14,318     | 4,112  | 10,205  | -   |
| CDRS  | 271        | 271  | -   | -   |
| Real Estate Securities                                | 646        | 646  | -   | -   |
| Mortgage Loans  | 109        | -  | 109   | -   |
| Debt Securities                                       | 767        | -  | 767   | -   |
| Equity Securities                                     | 21,387     | 21,387   | -   | -   |
| Mutual Bond Funds:                                    |            |  |   |   |
| Diversifying Asset                                    | 21,728     | 21,728   | -   | -   |
| Other   | 11,375     | 11,375   | -   | -   |
| Mutual Funds:   |            |  |   |   |
| 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   | -   | -   |
| Mutual Stock Funds:                                   |            |  |   |   |
| Publicly Traded                                       | 19,709     | 19,709   | -   | -   |
| Domestic Mutual Fund                                  | 2,718      | 2,718  | -   | -   |
| International Mutual Fund                             | 106        | 106  | -   | -   |
| Stocks:   |            |  |   |   |
| 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   | 4,005      | 4,005  | -   | -   |
| Fixed Income:   |            |  |   |   |
| Domestic Mutual Funds                                 | 353        | 353  | -   | -   |
| International Mutual Fund                             | 2,391      | 2,391  | -   | -   |
| US Gov Bonds  | 46         | 46   | -   | -   |
| Other   | 3,797      | 3,797  | -   | -   |
| Public Real Asset                                     | 31         | 31   | -   | -   |
| Other   | 7,842      | 1,292  | 6,550   | -   |
| Total   | 214,395    | \$ 184,786   | \$ 29,608   | \$ -  |
| <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          |  |   |   |
| Total Investments                                     | \$ 420,855 |  |   |   |

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

**Property and Equipment**

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

|                             | 2019   |  |   |  |  |   |  |  |  | Total                |
|-----------------------------|--|--|---|--|--|---|--|--|--|----------------------|
|                             | Big Green<br>Scholarship<br>Foundation<br>Inc. | Concord<br>University<br>Foundation,<br>Inc. | Fairmont<br>State<br>Foundation<br>Inc. | The<br>Glennville<br>State<br>College<br>Foundation,<br>Inc. | The<br>Marshall<br>University<br>Foundation,<br>Inc. | Provident<br>Group-<br>Marshall<br>Properties,<br>LLC | The<br>Shepherd<br>University<br>Foundation,<br>Inc. | West<br>Virginia<br>State<br>University<br>Foundation,<br>Inc. | WVU at<br>Parkersburg<br>Foundation,<br>Inc. |                      |
| Land and Land Improvements  | \$ -   | \$ -   | \$ 68,000                               | \$ 550,043   | \$ 2,442,000   | \$ -  | \$ -   | \$ -   | \$ 24,592                                    | \$ 3,084,635         |
| Buildings                   | -  | -  | 272,000                                 | 3,067,718  | 12,323,230   | 77,434,820  | -  | 1,039,064  | 1,224,930                                    | 95,361,762           |
| Equipment                   | -  | 75,747                                       | 21,063                                  | 41,579   | 1,142,675  | 7,697,074   | 22,299   | 17,015   | 3,900  | 9,021,352            |
| Furniture                   | -  | -  | -                                       | -  | -  | -   | 1,012,802  | -  | 77,065                                       | 1,089,867            |
| Other                       | 89,851   | -  | -                                       | 141,277  | -  | 67,532  | 20,082,300   | -  | -  | 20,380,960           |
| Accumulated Depreciation    | (83,393)                                       | (74,607)                                     | (25,889)                                | (612,059)  | (3,903,305)  | (29,460,039)  | (1,364,347)  | (648,461)  | (117,056)                                    | (36,289,156)         |
| Property and Equipment, Net | <u>\$ 6,458</u>                                | <u>\$ 1,140</u>                              | <u>\$ 335,174</u>                       | <u>\$ 3,188,558</u>  | <u>\$ 12,004,600</u>                                 | <u>\$ 55,739,387</u>                                  | <u>\$ 19,753,054</u>                                 | <u>\$ 407,618</u>  | <u>\$ 1,213,431</u>                          | <u>\$ 92,649,420</u> |

|                             | 2018   |   |  |   |  |  |   |  |  | Total               |  |
|-----------------------------|--|---|--|---|--|--|---|--|--|---------------------|--|
|                             | Big Green<br>Scholarship<br>Foundation<br>Inc. | Bluefield<br>State<br>College<br>Research and<br>Development<br>Corporation | Concord<br>University<br>Foundation,<br>Inc. | Fairmont<br>State<br>Foundation<br>Inc. | The<br>Glennville<br>State<br>College<br>Foundation,<br>Inc. | The<br>Marshall<br>University<br>Foundation,<br>Inc. | Provident<br>Group-<br>Marshall<br>Properties,<br>LLC | The<br>Shepherd<br>University<br>Foundation,<br>Inc. | West<br>Virginia<br>State<br>University<br>Foundation,<br>Inc. |                     | WVU at<br>Parkersburg<br>Foundation,<br>Inc. |
| Land and Land Improvements  | \$ -   | \$ 773,967  | \$ -   | \$ 68,000                               | \$ 550,043   | \$ 2,442,000   | \$ -  | \$ -   | \$ -   | \$ 24,592           | \$ 3,858,602                                 |
| Buildings                   | -  | -   | -  | 272,000                                 | 3,067,718  | 12,323,230   | 77,435,382  | -  | 1,039,064  | 1,224,930           | 95,362,324                                   |
| Equipment                   | -  | -   | 74,965                                       | 21,063                                  | 54,627   | 1,112,362  | 7,711,565   | 22,299   | 17,015   | 3,900               | 9,017,796                                    |
| Furniture                   | -  | -   | -  | -                                       | -  | -  | -   | 1,012,802  | -  | 72,000              | 1,084,802                                    |
| Other                       | 82,351   | -   | -  | -                                       | 75,169   | -  | 99,899  | 20,082,300   | -  | 6,000               | 20,345,719                                   |
| Accumulated Depreciation    | (82,351)                                       | (7,076)   | (73,845)                                     | (17,392)                                | (497,864)  | (3,478,088)  | (26,471,870)  | (655,402)  | (618,406)  | (49,383)            | (31,951,677)                                 |
| Property and Equipment, Net | <u>\$ -</u>                                    | <u>\$ 766,891</u>   | <u>\$ 1,120</u>                              | <u>\$ 343,671</u>                       | <u>\$ 3,249,693</u>  | <u>\$ 12,399,504</u>                                 | <u>\$ 58,774,976</u>                                  | <u>\$ 20,461,999</u>                                 | <u>\$ 437,673</u>  | <u>\$ 1,282,039</u> | <u>\$ 97,717,566</u>                         |

**WEST VIRGINIA HIGHER EDUCATION FUND**  
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**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.

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**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.

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**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.

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**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.

**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.



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**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 2013**

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.

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**NOTE 21 SEGMENT INFORMATION (CONTINUED)**

**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.

**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.

**Board of Governors of West Liberty University, Capital Improvement Revenue Bonds 2018 Series**

On September 20, 2018, West Liberty University issued Capital Improvement Revenue Bonds, Series 2018 for \$5,132. The proceeds of the bonds were issued to finance certain capital improvements to the University. The bond proceeds are being expenses from the trustee as funds are requested for payments on capital projects that were preapproved by the Board of Governors of the University. As of June 30, 2019, \$2,387 had been expended from the bond proceeds for costs of issuance and capital expenditures on the 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.

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**NOTE 21 SEGMENT INFORMATION (CONTINUED)**

**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.

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**NOTE 21 SEGMENT INFORMATION (CONTINUED)**

|   | 2019               |   |  |  |  |  |  |  |  |  |
|---|--------------------|---|--|--|--|--|--|--|--|--|
|   | WVU<br>Auxiliaries | Marshall<br>Revenue<br>Series<br>2010<br>and 2011 | Fairmont<br>Improvement<br>Series 2006 | Fairmont<br>Revenue<br>Refunding<br>Bonds 2012<br>and Housing<br>Construction<br>Series 2015 | Shepherd<br>Revenue<br>Refunding<br>2013 | Shepherd<br>Revenue<br>Refunding<br>2017 | WV State<br>Capital,<br>Housing,<br>Student Union,<br>2013<br>Series A | West Liberty<br>Revenue<br>Refunding<br>2018 | West Liberty<br>Revenue<br>Refunding<br>2013 | West Liberty<br>Capital<br>Improvement<br>2012 |
| <b>CONDENSED STATEMENT OF NET POSITION</b>  |                    |   |  |  |  |  |  |  |  |  |
| Assets:   |                    |   |  |  |  |  |  |  |  |  |
| Current Assets  | \$ 70              | \$ 13,441   | \$ -                                   | \$ 12,331  | \$ 3,606                                 | \$ 5,087                                 | \$ 1,594   | \$ -   | \$ 6,559                                     | \$ 796   |
| Noncurrent Assets   | 1,137              | 140,819   | 6,002                                  | 76,349   | 7,161                                    | 36,777                                   | 13,128   | 5,000  | 9,473  | 8,676  |
| Total Assets  | <u>1,207</u>       | <u>154,260</u>                                    | <u>6,002</u>                           | <u>88,680</u>  | <u>10,767</u>                            | <u>41,864</u>                            | <u>14,722</u>  | <u>5,000</u>                                 | <u>16,032</u>                                | <u>9,472</u>                                   |
| Deferred Outflows of Resources  | 13                 | 685   | -                                      | 911  | -  | -  | -  | -  | 59   | -  |
| Total   | <u>\$ 1,220</u>    | <u>\$ 154,945</u>                                 | <u>\$ 6,002</u>                        | <u>\$ 89,591</u>   | <u>\$ 10,767</u>                         | <u>\$ 41,864</u>                         | <u>\$ 14,722</u>   | <u>\$ 5,000</u>                              | <u>\$ 16,091</u>                             | <u>\$ 9,472</u>                                |
| Liabilities:  |                    |   |  |  |  |  |  |  |  |  |
| Current Liabilities   | \$ 49              | \$ 5,478  | \$ 508                                 | \$ 3,531   | \$ 533                                   | \$ 2,056                                 | \$ 2,145   | \$ 338                                       | \$ 671                                       | \$ 676   |
| Noncurrent Liabilities  | 619                | 74,120  | 3,173                                  | 63,923   | 4,286                                    | 30,503                                   | 9,625  | 4,940  | 5,530  | 5,595  |
| Total Liabilities   | <u>668</u>         | <u>79,598</u>                                     | <u>3,681</u>                           | <u>67,454</u>  | <u>4,819</u>                             | <u>32,559</u>                            | <u>11,770</u>  | <u>5,278</u>                                 | <u>6,201</u>                                 | <u>6,271</u>                                   |
| Deferred Inflows of Resources   | 49                 | 2,625   | -                                      | -  | -  | -  | -  | -  | -  | -  |
| Total   | <u>717</u>         | <u>82,223</u>                                     | <u>3,681</u>                           | <u>67,454</u>  | <u>4,819</u>                             | <u>32,559</u>                            | <u>11,770</u>  | <u>5,278</u>                                 | <u>6,201</u>                                 | <u>6,271</u>                                   |
| Net Position:   |                    |   |  |  |  |  |  |  |  |  |
| Net Investment in Capital Assets  | 549                | 63,827  | 2,321                                  | 23,977   | 2,464                                    | 4,934                                    | 9,284  | (2,255)                                      | 4,045  | 4,304  |
| Restricted/Designated   | 36                 | 1   | -                                      | (1,840)  | -  | -  | 364  | -  | -  | -  |
| Unrestricted  | (82)               | 8,894   | -                                      | -  | 3,484                                    | 4,371                                    | (6,696)  | 1,977  | 5,845  | (1,103)  |
| Total Net Position  | <u>503</u>         | <u>72,722</u>                                     | <u>2,321</u>                           | <u>22,137</u>  | <u>5,948</u>                             | <u>9,305</u>                             | <u>2,952</u>   | <u>(278)</u>                                 | <u>9,890</u>                                 | <u>3,201</u>                                   |
| Total   | <u>\$ 1,220</u>    | <u>\$ 154,945</u>                                 | <u>\$ 6,002</u>                        | <u>\$ 89,591</u>   | <u>\$ 10,767</u>                         | <u>\$ 41,864</u>                         | <u>\$ 14,722</u>   | <u>\$ 5,000</u>                              | <u>\$ 16,091</u>                             | <u>\$ 9,472</u>                                |
| <b>CONDENSED STATEMENT OF REVENUES,<br/>EXPENSES, AND CHANGES IN NET POSITION</b> |                    |   |  |  |  |  |  |  |  |  |
| Operating:  |                    |   |  |  |  |  |  |  |  |  |
| Operating Revenues  | \$ 124             | \$ 23,979   | \$ -                                   | \$ 14,626  | \$ 2,362                                 | \$ 12,351                                | \$ 1,443   | \$ -   | \$ 619                                       | \$ 853   |
| Operating Expenses  | (147)              | (17,756)  | -                                      | (9,705)  | (2,626)                                  | (12,468)                                 | (1,316)  | -  | -  | -  |
| Other   | 32                 | -   | -                                      | -  | -  | -  | -  | -  | -  | -  |
| Net Operating Income  | <u>9</u>           | <u>6,223</u>                                      | <u>-</u>                               | <u>4,921</u>   | <u>(264)</u>                             | <u>(117)</u>                             | <u>127</u>   | <u>-</u>                                     | <u>619</u>                                   | <u>853</u>                                     |
| Nonoperating:   |                    |   |  |  |  |  |  |  |  |  |
| Transfers from Institution  | 11                 | (4,048)   | -                                      | -  | -  | -  | -  | -  | -  | -  |
| Nonoperating Revenues   | 25                 | -   | 490                                    | 587  | 201                                      | 207                                      | -  | -  | -  | -  |
| Nonoperating Expenses   | (29)               | (5,570)   | (262)                                  | (1,939)  | (192)                                    | (1,195)                                  | (706)  | (278)  | (426)  | (528)  |
| <b>INCREASE (DECREASE) IN NET POSITION</b>  | <u>16</u>          | <u>(3,395)</u>                                    | <u>228</u>                             | <u>3,569</u>   | <u>(255)</u>                             | <u>(1,105)</u>                           | <u>(579)</u>   | <u>(278)</u>                                 | <u>193</u>                                   | <u>325</u>                                     |
| Net Position - Beginning of Year  | 487                | 76,117  | 2,093                                  | 18,568   | 6,203                                    | 10,410                                   | 3,531  | -  | 9,697  | 2,876  |
| <b>NET POSITION - END OF YEAR</b>   | <u>\$ 503</u>      | <u>\$ 72,722</u>                                  | <u>\$ 2,321</u>                        | <u>\$ 22,137</u>   | <u>\$ 5,948</u>                          | <u>\$ 9,305</u>                          | <u>\$ 2,952</u>  | <u>\$ (278)</u>                              | <u>\$ 9,890</u>                              | <u>\$ 3,201</u>                                |
| <b>CONDENSED STATEMENT OF CASH FLOWS</b>  |                    |   |  |  |  |  |  |  |  |  |
| Net Cash Provided (Used) by Operating Activities                                  | \$ (4)             | \$ 9,610  | \$ 559                                 | \$ 3,794   | \$ 2,338                                 | \$ 1,441                                 | \$ 127   | \$ 5,000                                     | \$ 619                                       | \$ 854   |
| Net Cash Provided (Used) by Capital Financing Activities                          | 22                 | (12,519)  | (559)                                  | (5,387)  | (2,772)                                  | (3,358)                                  | (609)  | (5,000)                                      | (800)  | (821)  |
| Net cash Provided by Investing Activities   | -                  | -   | -                                      | 293  | -  | -  | -  | -  | -  | -  |
| <b>INCREASE (DECREASE) IN CASH</b>  | <u>18</u>          | <u>(2,909)</u>                                    | <u>-</u>                               | <u>(1,300)</u>   | <u>(434)</u>                             | <u>(1,917)</u>                           | <u>(482)</u>   | <u>-</u>                                     | <u>(181)</u>                                 | <u>33</u>                                      |
| Cash - Beginning of Year  | 59                 | 16,055  | -                                      | 8,518  | 3,788                                    | 6,866                                    | (641)  | -  | 6,740  | 763  |
| <b>CASH - END OF YEAR</b>   | <u>\$ 77</u>       | <u>\$ 13,146</u>                                  | <u>\$ -</u>                            | <u>\$ 7,218</u>  | <u>\$ 3,354</u>                          | <u>\$ 4,949</u>                          | <u>\$ (1,123)</u>  | <u>\$ -</u>                                  | <u>\$ 6,559</u>                              | <u>\$ 796</u>                                  |

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**NOTE 21 SEGMENT INFORMATION (CONTINUED)**

|   | 2018               |   |  |  |  |  |  |  |  |
|---|--------------------|---|--|--|--|--|--|--|--|
|   | WVU<br>Auxiliaries | Marshall<br>Revenue<br>Series<br>2010<br>and 2011 | Fairmont<br>Improvement<br>Series 2006 | Fairmont<br>Revenue<br>Refunding<br>Bonds 2012<br>and Housing<br>Construction<br>Series 2015 | Shepherd<br>Revenue<br>Refunding<br>2013 | Shepherd<br>Revenue<br>Refunding<br>2017 | WV State<br>Capital,<br>Housing,<br>Student Union,<br>2013<br>Series A | West Liberty<br>Revenue<br>Refunding<br>2013 | West Liberty<br>Capital<br>Improvement<br>2012 |
| <b>CONDENSED STATEMENT OF NET POSITION</b>                                    |                    |   |  |  |  |  |  |  |  |
| <b>Assets:</b>  |                    |   |  |  |  |  |  |  |  |
| Current Assets  | \$ 52              | \$ 16,197   | \$ -                                   | \$ 11,354  | \$ 4,049                                 | \$ 7,102                                 | \$ 1,784   | \$ 6,740                                     | \$ 764   |
| Noncurrent Assets   | 1,146              | 141,952   | 6,265                                  | 76,604   | 7,345                                    | 37,557                                   | 13,240   | 9,729  | 9,015  |
| Total Assets  | <u>1,198</u>       | <u>158,149</u>                                    | <u>6,265</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>\$ 6,265</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>Liabilities:</b>   |                    |   |  |  |  |  |  |  |  |
| Current Liabilities   | \$ 44              | \$ 5,343  | \$ 501                                 | \$ 3,403   | \$ 493                                   | \$ 2,422                                 | \$ 1,858   | \$ 663                                       | \$ 663   |
| Noncurrent Liabilities  | 641                | 77,488  | 3,671                                  | 66,968   | 4,698                                    | 31,827                                   | 9,635  | 6,175  | 6,240  |
| Total Liabilities   | <u>685</u>         | <u>82,831</u>                                     | <u>4,172</u>                           | <u>70,371</u>  | <u>5,191</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>4,172</u>                           | <u>70,371</u>  | <u>5,191</u>                             | <u>34,249</u>                            | <u>11,493</u>  | <u>6,838</u>                                 | <u>6,903</u>                                   |
| <b>Net Position:</b>  |                    |   |  |  |  |  |  |  |  |
| Net Investment in Capital Assets  | 542                | 64,216  | 2,093                                  | 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  | -                                      | -  | 3,957                                    | 5,981                                    | (6,334)  | -  | -  |
| Total Net Position  | <u>487</u>         | <u>76,117</u>                                     | <u>2,093</u>                           | <u>18,568</u>  | <u>6,203</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>\$ 6,265</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> |                    |   |  |  |  |  |  |  |  |
| <b>Operating:</b>   |                    |   |  |  |  |  |  |  |  |
| Operating Revenues  | \$ 136             | \$ 23,408   | \$ -                                   | \$ 11,926  | \$ 2,473                                 | \$ 14,030                                | \$ 1,670   | \$ 628                                       | \$ 867   |
| Operating Expenses  | (179)              | (18,969)  | 482                                    | (6,372)  | (642)                                    | (14,416)                                 | (1,273)  | -  | -  |
| Other   | 31                 | -   | (262)                                  | -  | -  | -  | -  | -  | -  |
| Net Operating Income  | <u>(12)</u>        | <u>4,439</u>                                      | <u>220</u>                             | <u>5,554</u>   | <u>1,831</u>                             | <u>(386)</u>                             | <u>397</u>   | <u>628</u>                                   | <u>867</u>                                     |
| <b>Nonoperating:</b>  |                    |   |  |  |  |  |  |  |  |
| Transfers from Institution  | 25                 | (688)   | -                                      | -  | -  | -  | -  | -  | -  |
| Nonoperating Revenues   | 25                 | 456   | -                                      | (2,526)  | 185                                      | 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>220</u>                             | <u>1,086</u>   | <u>1,814</u>                             | <u>(1,444)</u>                           | <u>(302)</u>   | <u>190</u>                                   | <u>347</u>                                     |
| Net Position - Beginning of Year  | 478                | 75,368  | 1,873                                  | 17,482   | 4,389                                    | 11,854                                   | 3,833  | 9,507  | 2,529  |
| <b>NET POSITION - END OF YEAR</b>   | <u>\$ 487</u>      | <u>\$ 76,117</u>                                  | <u>\$ 2,093</u>                        | <u>\$ 18,568</u>   | <u>\$ 6,203</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                                 | \$ 1,099                                 | \$ 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>(2,804)</u>                           | <u>(302)</u>   | <u>(169)</u>                                 | <u>42</u>                                      |
| Cash - Beginning of Year  | 102                | 13,315  | -                                      | 10,527   | 2,880                                    | 9,670                                    | (339)  | 6,909  | 721  |
| <b>CASH - END OF YEAR</b>   | <u>\$ 59</u>       | <u>\$ 16,055</u>                                  | <u>\$ -</u>                            | <u>\$ 8,518</u>  | <u>\$ 3,788</u>                          | <u>\$ 6,866</u>                          | <u>\$ (641)</u>  | <u>\$ 6,740</u>                              | <u>\$ 763</u>                                  |

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**NOTE 22 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

For the years ended June 30, 2019 and 2018, the following tables represent operating expenses within both natural and functional classifications (dollars in thousands):

|   | 2019                     |                   |                                   |                  |                                    |                   |  |                     |       |
|---|--------------------------|-------------------|-----------------------------------|------------------|------------------------------------|-------------------|--|---------------------|-------|
|   | Salaries<br>and<br>Wages |                   | Supplies<br>and Other<br>Services |                  | Scholarships<br>and<br>Fellowships |                   | Depreciation/<br>Amortization<br>Other |                     | Total |
|   | Benefits                 | Utilities         | Fellowships                       | Amortization     | Other                              |                   |  |                     |       |
| Instruction                             | \$ 423,391               | \$ 111,484        | \$ 63,491                         | \$ 723           | \$ 9                               | \$ -              | \$ 33                                  | \$ 599,131          |       |
| Research                                | 73,400                   | 32,115            | 51,920                            | 512              | 18                                 | -                 | 85                                     | 158,050             |       |
| Public Service                          | 51,411                   | 12,525            | 24,394                            | 319              | 7                                  | -                 | 33                                     | 88,689              |       |
| Academic Support                        | 57,573                   | 13,446            | 27,551                            | 262              | 8                                  | -                 | 30                                     | 98,870              |       |
| Student Services                        | 51,769                   | 15,920            | 26,791                            | 148              | 5                                  | -                 | -                                      | 94,633              |       |
| Operations and Maintenance<br>of Plant  | 37,181                   | 12,038            | 39,855                            | 40,007           | -                                  | -                 | -                                      | 129,081             |       |
| General Institutions Support            | 130,166                  | 30,743            | 84,435                            | 1,974            | 42                                 | -                 | 1,839                                  | 249,199             |       |
| Total Education and<br>General          | 824,891                  | 228,271           | 318,437                           | 43,945           | 89                                 | -                 | 2,020                                  | 1,417,653           |       |
| Student Financial Aid                   | 344                      | 38                | 397                               | -                | 112,042                            | -                 | -                                      | 112,821             |       |
| Auxiliary Enterprises                   | 69,834                   | 15,615            | 95,898                            | 15,757           | -                                  | -                 | 25                                     | 197,129             |       |
| Depreciation and Amortization           | -                        | -                 | -                                 | -                | -                                  | 130,294           | -                                      | 130,294             |       |
| Administration of Leasing<br>Activities | 1,230                    | 410               | 1,489                             | 3,049            | -                                  | -                 | -                                      | 6,178               |       |
| Other                                   | -                        | -                 | 371                               | -                | -                                  | -                 | 1,631                                  | 2,002               |       |
| Total                                   | <u>\$ 896,299</u>        | <u>\$ 244,334</u> | <u>\$ 416,592</u>                 | <u>\$ 62,751</u> | <u>\$ 112,131</u>                  | <u>\$ 130,294</u> | <u>\$ 3,676</u>                        | <u>\$ 1,866,077</u> |       |
|   | 2018                     |                   |                                   |                  |                                    |                   |  |                     |       |
|   | Salaries<br>and<br>Wages |                   | Supplies<br>and Other<br>Services |                  | Scholarships<br>and<br>Fellowships |                   | Depreciation/<br>Amortization<br>Other |                     | Total |
|   | Benefits                 | Utilities         | Fellowships                       | 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<br>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<br>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<br>Activities | 1,254                    | 427               | 2,590                             | 3,324            | -                                  | -                 | -                                      | 7,595               |       |
| Other                                   | -                        | -                 | 472                               | -                | -                                  | -                 | 1,422                                  | 1,894               |       |
| Total                                   | <u>\$ 868,270</u>        | <u>\$ 251,119</u> | <u>\$ 411,415</u>                 | <u>\$ 64,534</u> | <u>\$ 100,969</u>                  | <u>\$ 135,879</u> | <u>\$ 3,240</u>                        | <u>\$ 1,835,426</u> |       |

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**NOTE 23 RESTATEMENT**

In the fiscal year 2019, the Policy Commission identified errors in previously reported deposits and student financial aid and other payments to institutions resulting in a \$2,913 understatement of unrestricted net position as of June 30, 2018. The Policy Commission corrected the error. The summary of the restatement and its impact on the 2018 financial statements are presented in the tables below.

|   | As Previously<br>Reported<br>2018 | Effect of<br>Correction | As Restated<br>2018 |
|---|-----------------------------------|-------------------------|---------------------|
| <b>Statement of Net Position as of June 30, 2018</b>  |                                   |                         |                     |
| Total Liabilities and Deferred Inflows of Resources   |                                   |                         |                     |
| Deposits  | \$ 8,671                          | \$ (2,913)              | \$ 5,758            |
| Total Current Liabilities   | 341,107                           | (2,913)                 | 338,194             |
| Total Liabilities   | 2,053,121                         | (2,913)                 | 2,050,208           |
| Total Liabilities and Deferred Inflows of Resources   | 2,148,969                         | (2,913)                 | 2,146,056           |
| Net Position  |                                   |                         |                     |
| Unrestricted  | (213,001)                         | 2,913                   | (210,088)           |
| Total Net Position  | 2,045,595                         | 2,913                   | 2,048,508           |
| <b>Statement of Revenues, Expenses and Changes<br/>in Net Position for the Year Ended June 30, 2018</b> |                                   |                         |                     |
| Student Financial Aid and Other Payments to Institutions  | \$ (3,634)                        | \$ 2,913                | \$ (721)            |
| Net Nonoperating Revenue  | 606,292                           | 2,913                   | 609,205             |
| <b>INCREASE IN NET POSITION</b>   | 52,955                            | 2,913                   | 55,868              |
| <b>NET POSITION - END OF YEAR</b>   | 2,045,595                         | 2,913                   | 2,048,508           |

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**NOTE 24 SUBSEQUENT EVENTS**

On September 11, 2019, West Virginia University (Aa3/NA/AA-) sold \$124.965 million in bonds with a closing on September 25, 2019. The \$85.84 million 2019 Series A tax-exempt bonds were structured as serial bonds maturing from 2021 through 2040 and two term bonds one coming due in 2047 and another in 2049. Proceeds of the 2019 Series A bonds will be used to construct the new Reynolds Hall, home of the Chambers College of Business and Economics; renovate Hodges Hall and renovate the Puskar Center, an athletics facility. The 2019 Series A bonds sold with a premium of \$15,475.

The \$39.125 million 2019 Series B tax-exempt bonds were structured with a 10-year put feature with a three-month call. The proceeds of these bonds will be used to refund the University's 2014 Series C FRNs, which were originally structure with a five-year hard put at SIFMA plus 0.535%. The 2019 Series B bonds sold with a premium of \$11,409.



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**NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION**

Condensed combining information for the Fund's blended component units for the year ended June 30, 2019 is as follows:

**Condensed Combining Statements of Net Position**  
**June 30, 2019**

|   | Bluefield<br>State<br>College | Concord<br>University | West<br>Liberty<br>University | Shepherd<br>University | Glenville<br>State<br>College | Fairmont<br>State<br>University | Virginia<br>State<br>University | West<br>Virginia<br>University | Marshall<br>University | School of<br>Osteopathic<br>Medicine | Policy<br>Commission | Council    | Eliminating/<br>Reclassification<br>Entries | Total        |
|---|-------------------------------|-----------------------|-------------------------------|------------------------|-------------------------------|---------------------------------|---------------------------------|--------------------------------|------------------------|--------------------------------------|----------------------|------------|---|--------------|
| <b>ASSETS</b>   |                               |                       |                               |                        |                               |                                 |                                 |                                |                        |                                      |                      |            |   |              |
| Inter-Entity Receivables  | \$ 1                          | \$ 4                  | \$ -                          | \$ 15                  | \$ -                          | \$ -                            | \$ -                            | \$ 445                         | \$ -                   | \$ 58                                | \$ -                 | \$ 367     | \$ (890)                                    | \$ -         |
| Other Current Assets  | 1,634                         | 9,266                 | 13,352                        | 10,842                 | 2,303                         | 33,651                          | 5,562                           | 298,461                        | 100,118                | 75,504                               | 56,651               | 102,293    | (8,617)                                     | 701,020      |
| Capital Assets, Net   | 15,613                        | 61,393                | 73,735                        | 112,739                | 76,195                        | 133,844                         | 79,217                          | 1,809,035                      | 403,647                | 75,893                               | 59,239               | 242,658    | -   | 3,143,208    |
| Other Noncurrent Assets   | 575                           | 4,290                 | 3,219                         | 482                    | 3,221                         | 2,605                           | 350                             | 126,818                        | 120,511                | 4,829                                | 75,635               | 2,134      | (55,212)                                    | 289,457      |
| Total Assets  | 17,823                        | 74,953                | 90,306                        | 124,078                | 81,719                        | 170,100                         | 85,129                          | 2,234,759                      | 624,276                | 156,284                              | 191,525              | 347,452    | (64,719)                                    | 4,133,685    |
| <b>DEFERRED OUTFLOWS OF<br/>RESOURCES</b>                             | 550                           | 749                   | 1,348                         | 1,180                  | 1,215                         | 2,173                           | 1,160                           | 34,091                         | 6,888                  | 1,056                                | 16,296               | 3,828      | -   | 70,534       |
| Total Assets and<br>Deferred Outflows                                 | \$ 18,373                     | \$ 75,702             | \$ 91,654                     | \$ 125,258             | \$ 82,934                     | \$ 172,273                      | \$ 86,289                       | \$ 2,268,850                   | \$ 631,164             | \$ 157,340                           | \$ 207,821           | \$ 351,280 | \$ (64,719)                                 | \$ 4,204,219 |
| <b>LIABILITIES</b>  |                               |                       |                               |                        |                               |                                 |                                 |                                |                        |                                      |                      |            |   |              |
| Inter-Entity Payables   | \$ 4                          | \$ -                  | \$ -                          | \$ -                   | \$ -                          | \$ 6                            | \$ -                            | \$ -                           | \$ -                   | \$ -                                 | \$ -                 | \$ 175     | \$ (185)                                    | \$ -         |
| Other Current Liabilities   | 3,311                         | 5,454                 | 6,493                         | 8,051                  | 5,797                         | 13,148                          | 10,268                          | 207,762                        | 47,295                 | 4,424                                | 29,489               | 30,153     | (9,073)                                     | 362,572      |
| Other Long-Term Liabilities   | 4,608                         | 25,351                | 26,121                        | 44,556                 | 43,098                        | 77,912                          | 41,252                          | 907,986                        | 140,403                | 7,881                                | 339,810              | 34,415     | (55,461)                                    | 1,637,932    |
| Total Liabilities   | 7,923                         | 30,805                | 32,614                        | 52,607                 | 48,895                        | 91,066                          | 51,520                          | 1,115,748                      | 187,698                | 12,305                               | 369,299              | 64,743     | (64,719)                                    | 2,000,504    |
| <b>DEFERRED INFLOWS OF<br/>RESOURCES</b>                              | 1,411                         | 2,390                 | 2,075                         | 2,277                  | 1,787                         | 2,491                           | 2,491                           | 87,100                         | 13,812                 | 1,225                                | 796                  | 8,434      | -   | 126,289      |
| Total Liabilities and<br>Deferred Inflows of<br>Resources             | 9,334                         | 33,195                | 34,689                        | 54,884                 | 50,682                        | 93,557                          | 54,011                          | 1,202,848                      | 201,510                | 13,530                               | 370,095              | 73,177     | (64,719)                                    | 2,126,793    |
| <b>Net Position</b>   |                               |                       |                               |                        |                               |                                 |                                 |                                |                        |                                      |                      |            |   |              |
| Net Investment in Capital<br>Assets                                   | 15,552                        | 43,388                | 56,556                        | 75,219                 | 36,929                        | 64,908                          | 46,261                          | 1,096,718                      | 312,725                | 75,893                               | 58,520               | 233,555    | -   | 2,116,224    |
| Restricted  |                               |                       |                               |                        |                               |                                 |                                 |                                |                        |                                      |                      |            |   |              |
| Nonexpendable   | 575                           | 2,425                 | -                             | -                      | -                             | -                               | -                               | 19,031                         | 15,176                 | -                                    | -                    | 50         | -   | 37,257       |
| Expendable  | (1,095)                       | 1,957                 | 259                           | 835                    | 2,712                         | 4,516                           | (103)                           | 11,040                         | 16,688                 | 11,233                               | 38,391               | 9,970      | -   | 96,403       |
| Unrestricted  | (5,993)                       | (5,263)               | 150                           | (5,680)                | (7,389)                       | 9,292                           | (13,880)                        | (60,787)                       | 85,065                 | 56,684                               | (259,185)            | 34,528     | -   | (172,458)    |
| Total Net Position  | 9,039                         | 42,507                | 56,965                        | 70,374                 | 32,252                        | 78,716                          | 32,278                          | 1,066,002                      | 429,654                | 143,810                              | (162,274)            | 278,103    | -   | 2,077,426    |
| Total Liabilities, Deferred Inflows of<br>Resources, and Net Position | \$ 18,373                     | \$ 75,702             | \$ 91,654                     | \$ 125,258             | \$ 82,934                     | \$ 172,273                      | \$ 86,289                       | \$ 2,268,850                   | \$ 631,164             | \$ 157,340                           | \$ 207,821           | \$ 351,280 | \$ (64,719)                                 | \$ 4,204,219 |

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
**(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, 2019**

|  | Bluefield<br>State<br>College | Concord<br>University | West<br>Liberty<br>University | Shepherd<br>University | Glenville<br>State<br>College | Fairmont<br>State<br>University | West<br>Virginia<br>State<br>University | West<br>Virginia<br>University | Marshall<br>University | West Virginia<br>School of<br>Osteopathic<br>Medicine | Policy<br>Commission | Council           | Eliminating/<br>Reclassification<br>Entries | Total               |
|--|-------------------------------|-----------------------|-------------------------------|------------------------|-------------------------------|---------------------------------|---|--------------------------------|------------------------|---|----------------------|-------------------|---|---------------------|
| <b>OPERATING REVENUES</b>                      |                               |                       |                               |                        |                               |                                 |   |                                |                        |   |                      |                   |   |                     |
| Student Tuition and Fees, Net                  | \$ 4,375                      | \$ 6,856              | \$ 14,885                     | \$ 15,602              | \$ 5,500                      | \$ 12,658                       | \$ 11,524                               | \$ 411,253                     | \$ 84,136              | \$ 36,811   | \$ -                 | \$ 27,507         | \$ -  | \$ 631,107          |
| Federal, State, Local<br>Contracts and Grants  | 6,842                         | 8,496                 | 4,783                         | 5,626                  | 3,158                         | 10,851                          | 13,249                                  | 219,384                        | 65,235                 | 2,491   | 6,035                | 20,676            | (48,788)                                    | 318,038             |
| Sales and Services of<br>Educational Activity  | 70                            | 2                     | -                             | 29                     | 380                           | 22                              | -                                       | 22,563                         | 206                    | -   | 3,249                | 833               | (2,161)                                     | 25,193              |
| Auxiliary Enterprise<br>Revenue                | 393                           | 8,047                 | 8,134                         | 12,702                 | 4,180                         | 13,892                          | 3,515                                   | 143,383                        | 34,032                 | 621   | 5,639                | 1,967             | -   | 236,505             |
| Other Operating Revenues                       | 26                            | 936                   | 282                           | 824                    | 408                           | 3,426                           | 1,226                                   | 13,245                         | 9,753                  | 447   | 4,215                | 2,335             | (4,538)                                     | 32,585              |
| Total Operating<br>Revenues                    | 11,706                        | 24,337                | 28,084                        | 34,783                 | 13,626                        | 40,849                          | 29,514                                  | 809,828                        | 193,362                | 40,370  | 19,138               | 53,318            | (55,487)                                    | 1,243,428           |
| <b>OPERATING EXPENSES</b>                      |                               |                       |                               |                        |                               |                                 |   |                                |                        |   |                      |                   |   |                     |
| Operations                                     | 21,046                        | 34,422                | 38,982                        | 49,712                 | 21,376                        | 52,807                          | 42,951                                  | 1,001,353                      | 272,176                | 42,996  | 24,578               | 139,833           | (6,449)                                     | 1,735,783           |
| Depreciation                                   | 1,298                         | 2,565                 | 2,922                         | 6,377                  | 2,433                         | 4,628                           | 3,479                                   | 74,024                         | 15,646                 | 3,516   | 2,081                | 11,325            | -   | 130,294             |
| Total Operating Expenses                       | 22,344                        | 36,987                | 41,904                        | 56,089                 | 23,809                        | 57,435                          | 46,430                                  | 1,075,377                      | 287,822                | 46,512  | 26,659               | 151,158           | (6,449)                                     | 1,866,077           |
| Operating Loss                                 | (10,638)                      | (12,650)              | (13,820)                      | (21,306)               | (10,183)                      | (16,586)                        | (16,916)                                | (265,549)                      | (94,460)               | (6,142)   | (7,521)              | (97,840)          | (49,038)                                    | (622,649)           |
| <b>NONOPERATING REVENUES<br/>(EXPENSES)</b>    |                               |                       |                               |                        |                               |                                 |   |                                |                        |   |                      |                   |   |                     |
| State Appropriations                           | 5,601                         | 8,553                 | 7,824                         | 10,172                 | 6,386                         | 15,112                          | 11,448                                  | 176,739                        | 63,875                 | 7,392   | 56,036               | 67,052            | -   | 436,190             |
| Federal Pell Grants                            | 3,394                         | 4,118                 | 4,062                         | 5,286                  | 3,733                         | 6,890                           | 4,662                                   | 30,290                         | 17,806                 | -   | -                    | 29,401            | -   | 109,642             |
| Other Nonoperating<br>Revenues (Expenses)      | 1,024                         | 40                    | 698                           | 1,225                  | (1,401)                       | (1,481)                         | (1,199)                                 | 47,860                         | 6,665                  | 4,427   | (34,784)             | 3,746             | 48,886                                      | 75,706              |
| Total Nonoperating Revenues                    | 10,019                        | 12,711                | 12,584                        | 16,683                 | 8,718                         | 20,521                          | 14,911                                  | 254,889                        | 88,346                 | 11,819  | 21,252               | 100,199           | 48,886                                      | 621,538             |
| Capital Grants, Appropriations,<br>and Gifts   | -                             | 5                     | -                             | 68                     | -                             | -                               | 2,121                                   | 17,107                         | 4,709                  | 69  | -                    | 3,604             | -   | 27,683              |
| Net Other Transfers Made<br>and Received       | -                             | -                     | 1,189                         | -                      | -                             | 1,365                           | -                                       | -                              | -                      | -   | (2,060)              | 1,700             | 152   | 2,346               |
| <b>INCREASE (DECREASE) IN<br/>NET POSITION</b> | (619)                         | 66                    | (47)                          | (4,555)                | (1,465)                       | 5,300                           | 116                                     | 6,447                          | (1,405)                | 5,746   | 11,671               | 7,663             | -   | 28,918              |
| Net Position - Beginning of Year               | 9,658                         | 42,441                | 57,012                        | 74,929                 | 33,717                        | 73,416                          | 32,162                                  | 1,059,555                      | 431,059                | 138,064   | (173,945)            | 270,440           | -   | 2,048,508           |
| <b>NET POSITION - END OF YEAR</b>              | <b>\$ 9,039</b>               | <b>\$ 42,507</b>      | <b>\$ 56,965</b>              | <b>\$ 70,374</b>       | <b>\$ 32,252</b>              | <b>\$ 78,716</b>                | <b>\$ 32,278</b>                        | <b>\$ 1,066,002</b>            | <b>\$ 429,654</b>      | <b>\$ 143,810</b>                                     | <b>\$ (162,274)</b>  | <b>\$ 278,103</b> | <b>\$ -</b>                                 | <b>\$ 2,077,426</b> |

**WEST VIRGINIA HIGHER EDUCATION FUND**  
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**NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statements of Cash Flows**  
**Year Ended June 30, 2019**

|   | Bluefield<br>State<br>College | Concord<br>University | West<br>Liberty<br>University | Shepherd<br>University | Glenville<br>State<br>College | Fairmont<br>State<br>University | West<br>Virginia<br>State<br>University | West<br>Virginia<br>University | Marshall<br>University | West Virginia<br>School of<br>Osteopathic<br>Medicine | Policy<br>Commission | Council          | Eliminating/<br>Reclassification<br>Entries | Total             |
|---|-------------------------------|-----------------------|-------------------------------|------------------------|-------------------------------|---------------------------------|---|--------------------------------|------------------------|---|----------------------|------------------|---|-------------------|
| <b>NET CASH PROVIDED (USED)</b>   |                               |                       |                               |                        |                               |                                 |   |                                |                        |   |                      |                  |   |                   |
| <b>BY OPERATING ACTIVITIES</b>  |                               |                       |                               |                        |                               |                                 |   |                                |                        |   |                      |                  |   |                   |
| Operating Activities  | \$ (9,044)                    | \$ (10,513)           | \$ (10,601)                   | \$ (13,926)            | \$ (7,526)                    | \$ (11,792)                     | \$ (15,078)                             | \$ (151,124)                   | \$ (75,785)            | \$ (2,047)  | \$ (6,370)           | \$ (86,549)      | \$ (49,387)                                 | \$ (449,742)      |
| Noncapital Financing<br>Activities                                      | 8,995                         | 12,467                | 11,885                        | 17,394                 | 9,618                         | 22,526                          | 16,095                                  | 266,671                        | 84,062                 | 7,356   | 30,486               | 95,718           | 48,691                                      | 631,964           |
| Capital Financing Activities  | (718)                         | (2,972)               | (1,507)                       | (5,140)                | (2,666)                       | (7,952)                         | (2,043)                                 | (91,832)                       | (13,822)               | (3,247)   | (21,746)             | (7,480)          | (1,690)                                     | (162,815)         |
| Investing Activities  | 28                            | 293                   | 327                           | 227                    | 117                           | 616                             | 65                                      | 10,661                         | 4,130                  | 1,306   | 1,073                | 1,848            | -   | 20,691            |
| <b>INCREASE (DECREASE) IN<br/>CURRENT CASH AND<br/>CASH EQUIVALENTS</b> | (739)                         | (725)                 | 104                           | (1,445)                | (457)                         | 3,398                           | (961)                                   | 34,376                         | (1,415)                | 3,368   | 3,443                | 3,537            | (2,386)                                     | 40,098            |
| Cash - Beginning of Year  | 1,597                         | 4,320                 | 10,992                        | 11,017                 | 1,176                         | 27,995                          | 2,178                                   | 106,438                        | 82,378                 | 29,953  | 38,789               | 92,099           | (23,538)                                    | 385,394           |
| <b>CASH - END OF YEAR</b>   | <b>\$ 858</b>                 | <b>\$ 3,595</b>       | <b>\$ 11,096</b>              | <b>\$ 9,572</b>        | <b>\$ 719</b>                 | <b>\$ 31,393</b>                | <b>\$ 1,217</b>                         | <b>\$ 140,814</b>              | <b>\$ 80,963</b>       | <b>\$ 33,321</b>                                      | <b>\$ 42,232</b>     | <b>\$ 95,636</b> | <b>\$ (25,924)</b>                          | <b>\$ 425,492</b> |

**WEST VIRGINIA HIGHER EDUCATION FUND**  
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**NOTE 25 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

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<br>State<br>College | Concord<br>University | West<br>Liberty<br>University | Shepherd<br>University | Glennville<br>State<br>College | Fairmont<br>State<br>University | West<br>Virginia<br>State<br>University | West<br>Virginia<br>University | Marshall<br>University | West Virginia<br>School of<br>Osteopathic<br>Medicine | (As Restated)<br>Policy<br>Commission | Council    | Eliminating/<br>Reclassification<br>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<br>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                         | 6,374                 | 4,688                         | 7,960                  | 3,528                          | 10,333                          | 10,351                                  | 188,329                        | 45,840                 | 4,407   | 26,171                                | 28,585     | (1,528)                                     | 338,193      |
| Other Long-Term Liabilities   | 5,370                         | 27,179                | 21,084                        | 46,643                 | 44,906                         | 81,504                          | 42,920                                  | 902,073                        | 141,661                | 8,032   | 357,526                               | 39,404     | (6,287)                                     | 1,712,015    |
| Total Liabilities   | 8,629                         | 33,828                | 27,290                        | 55,278                 | 49,058                         | 93,191                          | 53,271                                  | 1,139,393                      | 196,330                | 12,442  | 385,456                               | 68,288     | (72,246)                                    | 2,050,208    |
| <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<br>Deferred Inflows of<br>Resources             | 9,827                         | 35,803                | 28,748                        | 57,076                 | 50,261                         | 95,177                          | 55,238                                  | 1,206,874                      | 205,024                | 13,202  | 386,087                               | 74,985     | (72,246)                                    | 2,146,056    |
| <b>Net Position</b>   |                               |                       |                               |                        |                                |                                 |   |                                |                        |   |                                       |            |   |              |
| Net Investment in Capital<br>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<br>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  | (273,397)                             | 29,446     | -   | (210,088)    |
| Total Net Position  | \$ 9,658                      | \$ 42,441             | \$ 57,012                     | \$ 74,929              | \$ 33,717                      | \$ 73,416                       | \$ 32,162                               | \$ 1,059,555                   | \$ 431,059             | \$ 138,064  | \$ (173,945)                          | \$ 270,440 | \$ -  | \$ 2,048,508 |
| Total Liabilities, Deferred Inflows of<br>Resources, and Net Position | \$ 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 |

**WEST VIRGINIA HIGHER EDUCATION FUND**  
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**(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, 2018**

|   | Bluefield<br>State<br>College | Concord<br>University | West<br>Liberty<br>University | Shepherd<br>University | Glenville<br>State<br>College | Fairmont<br>State<br>University | West<br>Virginia<br>State<br>University | West<br>Virginia<br>University | Marshall<br>University | West Virginia<br>School of<br>Osteopathic<br>Medicine | (As Restated)<br>Policy<br>Commission | Council    | Eliminating/<br>Reclassification<br>Entries | Total        |
|---|-------------------------------|-----------------------|-------------------------------|------------------------|-------------------------------|---------------------------------|---|--------------------------------|------------------------|---|---------------------------------------|------------|---|--------------|
| <b>OPERATING REVENUES</b>   |                               |                       |                               |                        |                               |                                 |   |                                |                        |   |                                       |            |   |              |
| Student Tuition and Fees, Net<br>Federal, State, Local                | \$ 4,139                      | \$ 7,194              | \$ 14,273                     | \$ 16,263              | \$ 5,641                      | \$ 12,840                       | \$ 10,851                               | \$ 411,796                     | \$ 85,798              | \$ 36,401   | \$ -                                  | \$ 29,295  | \$ -  | \$ 634,491   |
| Contracts and Grants<br>Sales and Services of<br>Educational Activity | 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      |
| Auxiliary Enterprise<br>Revenue                                       | 101                           | 7                     | -                             | 49                     | 483                           | 86                              | -                                       | 22,770                         | 193                    | -   | 3,253                                 | 1,033      | -   | 27,975       |
| Other Operating Revenues  | 632                           | 8,147                 | 8,186                         | 14,260                 | 4,980                         | 13,385                          | 4,553                                   | 152,679                        | 34,010                 | 595   | 5,249                                 | 1,995      | -   | 248,671      |
| Total Operating<br>Revenues   | 37                            | 1,190                 | 802                           | 868                    | 42                            | 4,135                           | 1,256                                   | 9,592                          | 10,062                 | 617   | 8,064                                 | 2,251      | (8,161)                                     | 30,755       |
|   | 10,905                        | 24,376                | 27,852                        | 37,296                 | 14,488                        | 40,535                          | 28,955                                  | 808,129                        | 192,891                | 39,363  | 21,891                                | 59,629     | (58,254)                                    | 1,248,056    |
| <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      |
| Total Operating Expenses  | 20,783                        | 37,494                | 39,003                        | 58,393                 | 24,712                        | 59,130                          | 44,464                                  | 1,053,017                      | 280,846                | 44,089  | 28,150                                | 152,826    | (7,481)                                     | 1,835,426    |
| Operating Loss  | (9,878)                       | (13,118)              | (11,151)                      | (21,097)               | (10,224)                      | (18,595)                        | (15,509)                                | (244,888)                      | (87,955)               | (4,726)   | (6,259)                               | (93,197)   | (50,773)                                    | (587,370)    |
| <b>NONOPERATING REVENUES<br/>(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<br>Revenues (Expenses)                             | 183                           | 311                   | 780                           | 636                    | (1,289)                       | (2,225)                         | (1,328)                                 | 55,839                         | 9,658                  | 2,654   | (41,642)                              | 4,248      | 52,328                                      | 80,153       |
| Total Nonoperating Revenues   | 9,331                         | 13,202                | 12,309                        | 15,106                 | 8,041                         | 19,097                          | 14,673                                  | 258,346                        | 89,597                 | 9,842   | 9,769                                 | 97,564     | 52,328                                      | 609,205      |
| Capital Grants, Appropriations,<br>and Gifts                          | -                             | 30                    | -                             | -                      | -                             | -                               | 4,905                                   | 26,746                         | 3,488                  | 53  | -                                     | 416        | -   | 35,638       |
| Net Other Transfers Made<br>and Received                              | -                             | -                     | 997                           | -                      | -                             | 1,269                           | -                                       | 896                            | -                      | -   | -                                     | (3,212)    | (1,555)                                     | (1,605)      |
| <b>INCREASE (DECREASE) IN<br/>NET POSITION</b>                        | (547)                         | 114                   | 2,155                         | (5,991)                | (2,183)                       | 1,771                           | 4,069                                   | 41,100                         | 5,130                  | 5,169   | 3,510                                 | 1,571      | -   | 55,868       |
| Net Position - Beginning of Year                                      | 10,205                        | 42,327                | 54,857                        | 80,920                 | 35,900                        | 71,645                          | 28,093                                  | 1,018,455                      | 425,929                | 132,895   | (177,455)                             | 268,869    | -   | 1,992,640    |
| <b>NET POSITION - END OF YEAR</b>                                     | \$ 9,658                      | \$ 42,441             | \$ 57,012                     | \$ 74,929              | \$ 33,717                     | \$ 73,416                       | \$ 32,162                               | \$ 1,059,555                   | \$ 431,059             | \$ 138,064  | \$ (173,945)                          | \$ 270,440 | \$ -  | \$ 2,048,508 |

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
**(DOLLARS IN THOUSANDS)**

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

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

|   | Bluefield<br>State<br>College | Concord<br>University | West<br>Liberty<br>University | Shepherd<br>University | Glenville<br>State<br>College | Fairmont<br>State<br>University | West<br>Virginia<br>State<br>University | West<br>Virginia<br>University | Marshall<br>University | West Virginia<br>School of<br>Osteopathic<br>Medicine | Policy<br>Commission | Council          | Eliminating/<br>Reclassification<br>Entries | Total             |
|---|-------------------------------|-----------------------|-------------------------------|------------------------|-------------------------------|---------------------------------|---|--------------------------------|------------------------|---|----------------------|------------------|---|-------------------|
| <b>NET CASH PROVIDED (USED)<br/>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<br>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<br/>CURRENT CASH AND<br/>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>   | <u>\$ 1,597</u>               | <u>\$ 4,320</u>       | <u>\$ 10,992</u>              | <u>\$ 11,017</u>       | <u>\$ 1,176</u>               | <u>\$ 27,995</u>                | <u>\$ 2,178</u>                         | <u>\$ 106,438</u>              | <u>\$ 82,378</u>       | <u>\$ 29,953</u>                                      | <u>\$ 38,789</u>     | <u>\$ 92,099</u> | <u>\$ (23,538)</u>                          | <u>\$ 385,394</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, 2019 AND 2018  
(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, 2018    | 0.6181100%  | \$ 13,808                  | \$ 35,596                   | \$ 49,404                 | \$ 9,707                        | 142%  | 66.25%   |
| 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, 2018    | \$ 2,021                             | \$ 1,806            | \$ 215                           | \$ 9,707        | 18.61%   |
| 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, 2019**

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. With only five 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 LIABILITY  
AND EMPLOYER CONTRIBUTIONS  
DECEMBER 31, 2019 AND 2018  
(UNAUDITED)**

**Schedule of Proportionate Share of Net Other Postemployment 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, 2018  | 12.2307243%                | \$ 262,154                  | \$ 54,235                 | \$ 316,389                      | \$ 316,294  | 83%   |
| June 30, 2017    | 11.5442668%  | \$ 283,628                 | \$ 58,634                   | \$ 342,262                | \$ 310,818                      | 91%   | 25.10%  |

**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, 2018                        | \$ 24,641           | \$ 24,437                        | \$ 204          | \$ 312,470   |
| June 30, 2017    | \$ 24,070                            | \$ 24,070           | \$ -                             | \$ 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, 2019**

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 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, 2019**  
**(DOLLARS IN THOUSANDS)**

|  | Higher<br>Education<br>Fund | Aggregate<br>Discretely<br>Presented<br>Component<br>Units | Total               |
|--|-----------------------------|--|---------------------|
| <b>ASSETS AND DEFERRED<br/>OUTFLOWS OF RESOURCES</b>       |                             |  |                     |
| <b>CURRENT ASSETS</b>                                      |                             |  |                     |
| Cash and Cash Equivalents                                  | \$ 425,492                  | \$ 28,442  | \$ 453,934          |
| Short-Term Investments                                     | 117,626                     | 36,695   | 154,321             |
| Appropriations Due from Primary Government                 | 8,320                       | -  | 8,320               |
| Accounts Receivable, Net                                   | 127,772                     | 20,497   | 148,269             |
| Loans Receivable - Current Portion                         | 6,931                       | -  | 6,931               |
| Other Current Assets                                       | 11,535                      | 2,863  | 14,398              |
| Inventories  | 3,344                       | 3  | 3,347               |
| Total Current Assets                                       | <u>701,020</u>              | <u>88,500</u>  | <u>789,520</u>      |
| <b>NONCURRENT ASSETS</b>                                   |                             |  |                     |
| Cash and Cash Equivalents                                  | 55,992                      | 4,948  | 60,940              |
| Investments  | 167,050                     | 408,718  | 575,768             |
| Loans Receivable - Net of Allowance of \$8,788             | 39,379                      | 2,226  | 41,605              |
| Other Assets   | 27,036                      | 80,124   | 107,160             |
| Capital Assets, Net  | 3,143,208                   | 92,649   | 3,235,857           |
| Total Noncurrent Assets                                    | <u>3,432,665</u>            | <u>588,665</u>   | <u>4,021,330</u>    |
| Total Assets   | 4,133,685                   | 677,165  | 4,810,850           |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                      |                             |  |                     |
| Deferred Loss on Refunding                                 | 29,704                      | -  | 29,704              |
| Deferred Outflows Related to Pensions                      | 2,989                       | -  | 2,989               |
| Deferred Outflows Related to OPEB                          | 37,708                      | -  | 37,708              |
| Deferred Outflows Related to BRNI Acquisition              | 133                         | -  | 133                 |
| Total Deferred Outflows of Resources                       | <u>70,534</u>               | <u>-</u>   | <u>70,534</u>       |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS<br/>OF RESOURCES</b> |                             |  |                     |
|  | <u>\$ 4,204,219</u>         | <u>\$ 677,165</u>  | <u>\$ 4,881,384</u> |

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING NET POSITION INFORMATION (CONTINUED)**  
**DECEMBER 31, 2019**  
**(DOLLARS IN THOUSANDS)**

| <b>LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND NET POSITION</b> | Higher<br>Education<br>Fund | Aggregate<br>Discretely<br>Presented<br>Component<br>Units | Total     |
|---|-----------------------------|--|-----------|
| <b>CURRENT LIABILITIES</b>  |                             |  |           |
| Accounts Payable  | \$ 70,360                   | \$ 620   | \$ 70,980 |
| Due to State of West Virginia   | 279                         | -  | 279       |
| Accrued Liabilities   | 92,548                      | 1,815  | 94,363    |
| Unearned Revenue  | 82,882                      | 406  | 83,288    |
| Deposits/Custodial/Annuity Liabilities                                  | 5,598                       | 120,901  | 126,499   |
| Real Estate Purchase Agreements Payable - Current<br>Portion            | 589                         | -  | 589       |
| Other Liabilities - Current Portion                                     | 787                         | 2,304  | 3,091     |
| Compensated Absences - Current Portion                                  | 48,117                      | -  | 48,117    |
| Notes Payable - Current Portion   | 3,408                       | 657  | 4,065     |
| Capital Lease Obligations - Current Portion                             | 4,989                       | -  | 4,989     |
| Interest Payable  | 9,816                       | -  | 9,816     |
| Bonds Payable - Current Portion   | 43,199                      | 78,707   | 121,906   |
| Total Current Liabilities   | 362,572                     | 205,410  | 567,982   |
| <b>NONCURRENT LIABILITIES</b>   |                             |  |           |
| Advances from Federal Sponsors  | 37,841                      | -  | 37,841    |
| Real Estate Purchase Agreement Payable                                  | 11,674                      | -  | 11,674    |
| Compensated Absences  | 4,079                       | -  | 4,079     |
| Notes Payable   | 67,797                      | 25,211   | 93,008    |
| Capital Lease Obligations   | 38,212                      | -  | 38,212    |
| Future Interest Payable   | 33,677                      | -  | 33,677    |
| Bonds Payable   | 1,132,236                   | 32,202   | 1,164,438 |
| Other Postemployment Benefit Liability                                  | 262,154                     | -  | 262,154   |
| Net Pension Liability   | 13,808                      | -  | 13,808    |
| Other Noncurrent Liabilities  | 36,454                      | 14,424   | 50,878    |
| Total Noncurrent Liabilities  | 1,637,932                   | 71,837   | 1,709,769 |
| Total Liabilities   | 2,000,504                   | 277,247  | 2,277,751 |

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING NET POSITION INFORMATION (CONTINUED)**  
**DECEMBER 31, 2019**  
**(DOLLARS IN THOUSANDS)**

|   | Higher<br>Education<br>Fund | Aggregate<br>Discretely<br>Presented<br>Component<br>Units | Total               |
|---|-----------------------------|--|---------------------|
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (CONTINUED)</b> |                             |  |                     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                             |  |                     |
| Service Concession Arrangement  | \$ 39,697                   | \$ -   | \$ 39,697           |
| Deferred Inflows Related to Pensions  | 9,116                       | -  | 9,116               |
| Deferred Inflows Related to OPEB  | 66,587                      | -  | 66,587              |
| Other   | 10,889                      | -  | 10,889              |
| Total Deferred Inflows of Resources   | <u>126,289</u>              | <u>-</u>   | <u>126,289</u>      |
| Total Liabilities and Deferred Inflows<br>of Resources                          | 2,126,793                   | 277,247  | 2,404,040           |
| <b>NET POSITION</b>   |                             |  |                     |
| Net Investment in Capital Assets  | 2,116,224                   | (18,413)   | 2,097,811           |
| Restricted for:   |                             |  |                     |
| Expendable:   |                             |  |                     |
| Scholarships  | 13,047                      | 41,086   | 54,133              |
| Sponsored Projects  | 25,062                      | 382  | 25,444              |
| Loans   | 15,934                      | 28   | 15,962              |
| Capital Projects  | 24,860                      | 2,462  | 27,322              |
| Debt Service  | 13,015                      | -  | 13,015              |
| Other   | 4,485                       | 95,327   | 99,812              |
| Total Restricted Expendable   | <u>96,403</u>               | <u>139,285</u>   | <u>235,688</u>      |
| Nonexpendable   | 37,257                      | 255,546  | 292,803             |
| Unrestricted  | <u>(172,458)</u>            | <u>23,500</u>  | <u>(148,958)</u>    |
| Total Net Position  | <u>2,077,426</u>            | <u>399,918</u>   | <u>2,477,344</u>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>       | <u>\$ 4,204,219</u>         | <u>\$ 677,165</u>  | <u>\$ 4,881,384</u> |

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION INFORMATION**  
**YEAR ENDED DECEMBER 31, 2019**  
**(DOLLARS IN THOUSANDS)**

|  | Higher<br>Education<br>Fund | Aggregate<br>Discretely<br>Presented<br>Component<br>Units | Total            |
|--|-----------------------------|--|------------------|
| <b>OPERATING REVENUES</b>                            |                             |  |                  |
| Student Tuition and Fees, Net of Scholarship         |                             |  |                  |
| Allowance of \$215,703                               | \$ 631,107                  | \$ -   | \$ 631,107       |
| Gift and Contributions                               | -                           | 70,831   | 70,831           |
| Federal and Local land Grants                        | 8,228                       | -  | 8,228            |
| Contracts and Grants:                                |                             |  |                  |
| Federal  | 139,555                     | 27   | 139,582          |
| State  | 49,803                      | -  | 49,803           |
| Local  | 2,139                       | -  | 2,139            |
| Private  | 118,313                     | -  | 118,313          |
| Interest on Student Loans Receivable                 | 1,460                       | -  | 1,460            |
| Sales and Services of Educational Activities         | 25,193                      | -  | 25,193           |
| Auxiliary Enterprise Revenue Net of Scholarship      |                             |  |                  |
| Allowance of \$25,788                                | 236,505                     | 11,993   | 248,498          |
| Other Operating Revenues                             | 31,125                      | 1,808  | 32,933           |
| Total Operating Revenues                             | <u>1,243,428</u>            | <u>84,659</u>  | <u>1,328,087</u> |
| <b>OPERATING EXPENSES</b>                            |                             |  |                  |
| Salaries and Wages                                   | 896,299                     | 8,133  | 904,432          |
| Benefits   | 244,334                     | 175  | 244,509          |
| Supplies and Other Services                          | 416,592                     | 1,978  | 418,570          |
| Utilities  | 62,751                      | 426  | 63,177           |
| Student Financial Aid - Scholarships and Fellowships | 112,131                     | 12,390   | 124,521          |
| Depreciation and Amortization                        | 130,294                     | 4,535  | 134,829          |
| Other Operating Expenses                             | 3,676                       | 22,756   | 26,432           |
| Total Operating Expenses                             | <u>1,866,077</u>            | <u>50,393</u>  | <u>1,916,470</u> |
| <b>OPERATING INCOME (LOSS)</b>                       | <b>(622,649)</b>            | <b>34,266</b>  | <b>(588,383)</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, 2019**  
**(DOLLARS IN THOUSANDS)**

|  | Higher<br>Education<br>Fund | Aggregate<br>Discretely<br>Presented<br>Component<br>Units | Total               |
|--|-----------------------------|--|---------------------|
| <b>NONOPERATING REVENUES (EXPENSES)</b>                                    |                             |  |                     |
| State Appropriations   | \$ 436,190                  | \$ -   | \$ 436,190          |
| State Lottery Appropriations   | 27,081                      | -  | 27,081              |
| Federal Pell Grants  | 109,642                     | -  | 109,642             |
| Gifts  | 62,546                      | -  | 62,546              |
| Investment Income, Net   | 25,424                      | 14,952   | 40,376              |
| Interest on Indebtedness   | (57,010)                    | (1,948)  | (58,958)            |
| Payments made on Behalf of the Fund  | 20,012                      | -  | 20,012              |
| Student Financial Aid and Other Payments to Institutions                   | (447)                       | -  | (447)               |
| Other Nonoperating Expenses, Net   | (1,900)                     | (1,665)  | (3,565)             |
| Net Nonoperating Revenues (Expenses)                                       | <u>621,538</u>              | <u>11,339</u>  | <u>632,877</u>      |
| <b>INCOME (LOSS) BEFORE OTHER REVENUES,<br/>EXPENSES, GAINS, OR LOSSES</b> | (1,111)                     | 45,605   | 44,494              |
| <b>CAPITAL GRANTS, APPROPRIATIONS AND GIFTS</b>                            | 27,683                      | -  | 27,683              |
| <b>CAPITAL BOND PROCEEDS FROM THE STATE</b>                                | 126                         | -  | 126                 |
| <b>STATE CAPITAL GRANTS</b>  | 165                         | -  | 165                 |
| <b>CAPITAL PAYMENTS MADE ON BEHALF OF THE FUND</b>                         | <u>2,055</u>                | <u>-</u>   | <u>2,055</u>        |
| <b>INCREASE IN NET POSITION</b>  | 28,918                      | 45,605   | 74,523              |
| Net Position - Beginning of Year   | <u>2,048,508</u>            | <u>354,313</u>   | <u>2,402,821</u>    |
| <b>NET POSITION - END OF YEAR</b>  | <u>\$ 2,077,426</u>         | <u>\$ 399,918</u>  | <u>\$ 2,477,344</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, 2019, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2019. 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 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or 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 deficiency described in the accompanying schedule of findings and responses as item 2019-002 to be a significant deficiency.

### **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, 2019

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED DECEMBER 31, 2019**

**2019-001: Fixed Asset Accounting – West Liberty University**

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

**Condition:** During the year ended June 30, 2019, the West Liberty University had several construction projects in progress that were not recorded properly. Several contract applications (invoices) related to these projects totaling over \$1 million, including retainage, were not recorded at the year ended June 30, 2019 in construction in progress or accounts payable and retainage payable. In addition, several of these projects are funded by either the 2018 Revenue Bonds, the West Liberty Foundation, or the West Virginia Department of Commerce. When the projects are funded by third-party sources, the University should report these funds as capital payments made on behalf of the university. If the construction work has been completed as of the end of the year and the University has not yet been reimbursed from the third party for the payments that were made or invoices accrued, the University should recognize a receivable (due from). It was noted that these transactions were not recognized as capital payments made on behalf of the University or as a receivable. Also, the University's calculation of the net investment in capital assets portion of its net position was incorrect. Audit adjustments were made by the University after these items were identified.

**Criteria:** All services and construction activity that occurred before the year ended June 30, 2019 should be properly recorded as construction-in-process. In addition, reimbursements and expected reimbursements from third-party funding sources should be properly recorded as capital payments made on behalf of the university and a receivable. Net position reflecting the University's net investment in capital assets should be calculated using the appropriate guidance under generally accepted accounting principles.

**Cause:** Several invoices held by the architect for review and approval and were not provided to the University on a timely basis. In addition, the transactions noted occurred at the end of the year and are not typical recurring transactions to the University. There was an unusually high amount of construction activity at the University during the fiscal year and some projects were funded from external sources which increased the complexity of the accounting.

**Effect:** Improper recording of these transactions in the proper period can result in an understatement of assets and revenues and improper presentation of the University's net investment in capital assets.

**Repeat Finding:** No

**Auditors' Recommendation:** We recommend the University review and modify its internal controls over fixed asset accounting to assure that proper cutoff of activity close to year end is achieved. In addition the process for calculating the University's net investment in capital assets should be reviewed to ensure that it follows the appropriate accounting standards.

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED DECEMBER 31, 2019**

**Views of Responsible Officials:** There is no disagreement with the audit findings.

**2019-002 – Federal Grant Receivables and Unearned Revenue- Bluefield State College**

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

**Condition:** 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.

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

**Context:** The Veterans Upward Bound grant was closed on 9/30/07 and carried a receivable balance of \$67,729 with no activity in the current year.

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

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

**Repeat Finding:** Yes, prior year finding 2018-004.

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

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

