

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

**Financial Statements and  
Supplementary Information**

**Years Ended June 30, 2017 and 2016**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**Years Ended June 30, 2017 and 2016**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....</b>	<b>4</b>
<b>FINANCIAL STATEMENTS</b>	
Statements of Net Position.....	18
Statements of Revenues, Expenses, and Changes in Net Position .....	21
Statements of Cash Flows .....	23
Component Units – Statements of Net Assets.....	26
Component Units – Statements of Activities .....	30
Notes to Financial Statements .....	32
<b>REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED).....</b>	<b>111</b>
Schedule of Proportionate Share of TRS Net Pension Liability .....	112
Schedule of Employer Contributions.....	112
Note to Required Supplementary Information.....	112
<b>SUPPLEMENTARY INFORMATION .....</b>	<b>113</b>
Schedule of Combining Net Position Information.....	114
Schedule of Combining Revenues, Expenses, and Changes in Net Position Information.....	117
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....</b>	<b>119</b>
<b>SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES .....</b>	<b>121</b>

## 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, 2017 and 2016, 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, 2017 and 2016, which represent 18%, 26%, and 16%, respectively, of total assets, total net position, and total revenues of the Fund in 2017 and 18%, 25%, and 16%, respectively, of total assets, total net position and total revenues of the Fund in 2016. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Other Institutions, is based solely on the report of such other auditors. We also did not audit the financial statements of the discretely presented component units as defined in Note 2 to the financial statements, other than the Blue Ridge Community and Technical College Foundation, Inc., (collectively the Other Discretely Presented Component Units), for the years ended June 30, 2017 and 2016, which represent 99%, 99%, and 99%, respectively, of total assets, total net assets and total revenues of the discretely presented component units in 2017 and 2016. The Other Discretely Presented Component Units' statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the discretely presented component units' financial statements, is based solely on the reports of such other audits. We, and the auditors for the Other Institutions, conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The discretely presented component unit's financial statements were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

***Opinion***

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Fund as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

The independent auditors' report of other auditors on the 2017 financial statements of Bluefield State Research and Development Corporation (the Corporation), a discretely presented component unit, contained an emphasis of matter paragraph because as discussed in Note 20 to the financial statements, the Corporation had a net deficiency in net assets that raises substantial doubt about its ability to continue as a going concern. The financial statements of the Corporation 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 and Schedule of Employer Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the West Virginia Higher Education Fund's financial statements. The Schedule of Combining Net Position Information and Schedule of Combining Revenues, Expenses, and Changes in Net Position Information (Supplementary Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 27, 2017

**WEST VIRGINIA HIGHER EDUCATION FUND  
(A Component Unit of the State of West Virginia)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2017  
(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, 2017 and 2016. These component units are private nonprofit organizations that report under the Financial Accounting Standards Board. A supplemental information schedule is provided presenting these statements on a consolidated GASB basis to meet the State's reporting requirements.

The following discussion and analysis of the Fund's financial statements provides an overview of its financial activities for Fiscal Years 2017 and 2016 and is required supplemental information. The emphasis of discussions about these statements will focus on current year data in comparison to prior year. There are three financial statements presented: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

**Statements of Net Position**

The statements of net position present the assets and deferred outflows of resources, liabilities and deferred inflow of resources and net position of the Fund and is a point of time financial statement. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of the Fund. The statement of net position presents end-of-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows minus liabilities and deferred inflows).

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

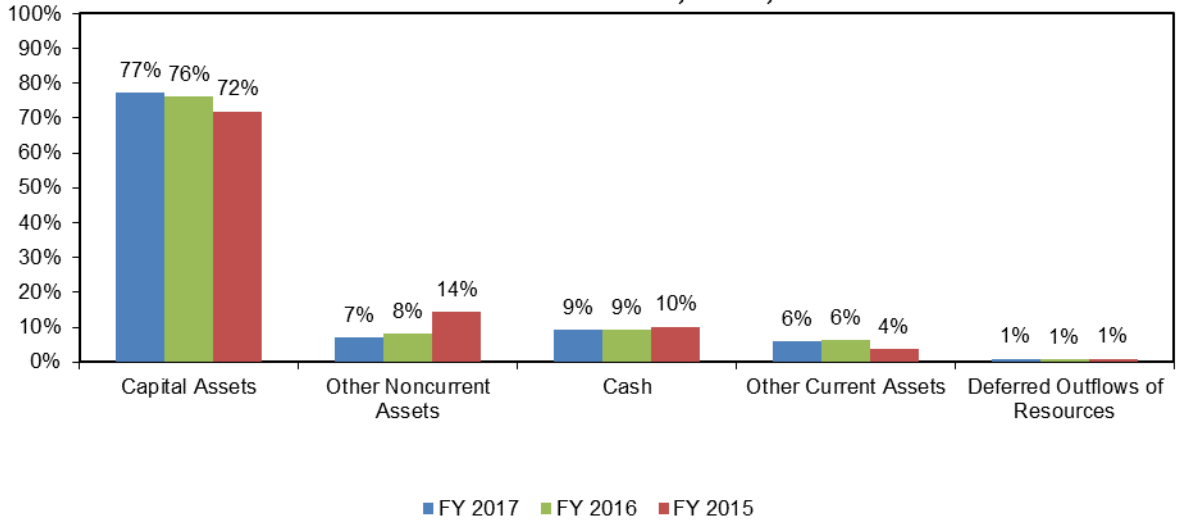
Net position is divided into three major categories. The first category, net investment in capital assets, provides the Fund's equity in land, buildings, furniture, and equipment owned by the Fund less related long-term debt issued to finance capital assets. The next net position category is restricted,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

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

	June 30 2017	June 30 2016	June 30 2015	Change From 2017 to 2016
<b>Assets</b>				
Current Assets	\$ 620,542	\$ 638,672	\$ 556,212	\$ (18,130)
Capital Assets, Net	3,196,303	3,149,948	2,904,473	46,355
Other Noncurrent Assets	289,998	315,613	539,895	(25,615)
Total Assets	<u>4,106,843</u>	<u>4,104,233</u>	<u>4,000,580</u>	<u>2,610</u>
Deferred Outflows of Resources	<u>35,755</u>	<u>33,199</u>	<u>35,462</u>	<u>2,556</u>
Total	<u>\$ 4,142,598</u>	<u>\$ 4,137,432</u>	<u>\$ 4,036,042</u>	<u>\$ 5,166</u>
<b>Liabilities</b>				
Current Liabilities	\$ 333,551	\$ 384,692	\$ 327,161	\$ (51,141)
Noncurrent Liabilities	1,793,640	1,753,149	1,812,965	40,491
Total Liabilities	<u>2,127,191</u>	<u>2,137,841</u>	<u>2,140,126</u>	<u>(10,650)</u>
Deferred Inflows of Resources	<u>43,822</u>	<u>46,090</u>	<u>43,458</u>	<u>(2,268)</u>
Total	<u>2,171,013</u>	<u>2,183,931</u>	<u>2,183,584</u>	<u>(12,918)</u>
<b>Net Position</b>				
Net Investment in Capital Assets	2,129,316	2,140,789	1,999,927	(11,473)
Restricted-expendable	95,021	101,541	82,703	(6,520)
Restricted-nonexpendable	35,981	35,219	35,784	762
Unrestricted	<u>(288,733)</u>	<u>(324,048)</u>	<u>(265,956)</u>	<u>35,315</u>
Total Net Position	<u>1,971,585</u>	<u>1,953,501</u>	<u>1,852,458</u>	<u>18,084</u>
Total	<u>\$ 4,142,598</u>	<u>\$ 4,137,432</u>	<u>\$ 4,036,042</u>	<u>\$ 5,166</u>

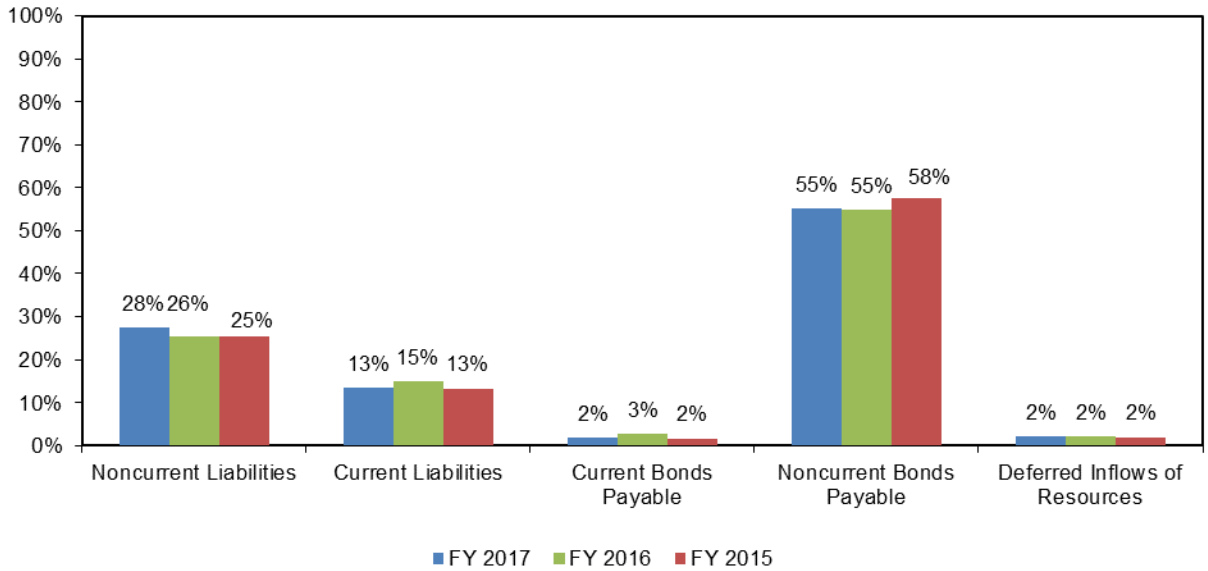
## Assets and Deferred Outflows Composition

For the Years Ended June 30, 2017, 2016 and 2015



## Liabilities and Deferred Inflows Composition

For the Years Ended June 30, 2017, 2016 and 2015





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

- Total current assets of \$620.5 million exceeded total current liabilities of \$333.6 million as of June 30, 2017 for net working capital of \$286.9 million as compared to net working capital of \$254.0 million and \$229.1 million as of June 30, 2016 and 2015, respectively. Current assets decreased by \$18.1 million from 2016 to 2017 and increased \$82.5 million from 2015 to 2016, while current liabilities decreased by \$51.1 million from 2016 to 2017 and increased by \$57.5 million from 2015 to 2016.
- The major components of current assets include cash and cash equivalents of \$378.4 million, \$378.5 million, and \$409.7 million and net accounts receivable of \$99.1 million, \$91.5 million, and \$86.6 million as of June 30, 2017, 2016, and 2015, 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, 2017, 2016 and 2015.
- The major components of current liabilities include \$78.9 million, \$73.2 million, and \$75.8 million of unearned revenue, \$61.0 million, \$81.9 million, and \$71.7 million, in accounts payable, \$81.0 million, \$79.9 million, and \$74.4 million of accrued liabilities, \$44.1 million, \$43.7 million, and \$42.8 million in accrued compensated absences, and \$41.1 million, \$60.7 million, and \$36.7 million in current portion of bonds payable as of June 30, 2017, 2016, and 2015, respectively.
- The changes from last year in the level of most of the current assets and liabilities reflect normal fluctuations in business operations; current construction projects activities and changes in grant activities. As State appropriations have declined, cash reserves have decreased.
- Noncurrent assets total \$3,486.3 million, \$3,465.6 million, and \$3,444.4 million and noncurrent liabilities total \$1,793.6, \$1,753.1 million, and \$1,813.0 million as of June 30, 2017, 2016, and 2015, respectively. Noncurrent assets increased by \$20.7, million from 2016 to 2017 and \$21.2 million from 2015 to 2016 while noncurrent liabilities increased by \$40.5 million from 2016 to 2017 and decreased \$59.9 million from 2015 to 2016.
- The primary noncurrent asset is \$3,196.3 million, \$3,150.0 million, and \$2,904.5 million, of net capital assets as of June 30, 2017, 2016, and 2015, respectively. Also included as noncurrent assets are cash and cash equivalents primarily for capital purposes of \$68.0 million, \$84.0 million, and \$120.2 million, investments for capital purposes totaling \$150.6 million, \$155.0 million, and \$343.7 million, and net loans to students of \$45.5 million, \$46.7 million, and \$46.8 million as of June 30, 2017, 2016, and 2015, respectively.

- Major components of noncurrent liabilities include long-term bonds payable totaling \$1,195.1 million, \$1,195.9 million, and \$1,257.2 million, capital leases of \$46.5 million, \$42.4 million, and \$48.0 million, advances from federal sponsors of \$43.6 million, \$44.2 million, and \$46.1 million, notes payable of \$55.0 million, \$28.9 million, and \$30.4 million, and accruals for other post employment benefit liability of \$336.3 million, \$327.0 million, and \$308.8 million, as of June 30, 2017, 2016, and 2015, respectively. In addition, the net pension liability recorded was \$28.1 million, \$23.5 million and \$25.8 million, as of June 30, 2017, 2016 and 2015, respectively.
- The increases in other post-employment benefit liability of \$9.0 million and \$18.2 million, as of 2017 and 2016, respectively, are primarily attributed to continued lack of payments on behalf of the Fund. As a result of 2012 legislation, this liability will continue to increase until FY 2023, when the liability will begin to be reduced as a result of credits applied to previously billed annual required contribution amounts. The liability is estimated to be funded by 2057.
- Deferred outflows of resources decreased from \$35.5 million, as of June 30, 2015, to \$33.2 million, as of June 30, 2016 and increased to \$35.8 million as of June 30, 2017. The 2017 increase is the result of an increase in deferred outflows related to pensions of \$4.0 million offset by a decrease in deferred loss on refunding of \$1.5 million. The 2016 decrease is the result of decreases in deferred outflows of resources related to deferred loss on refunding of \$1.5 million, interest rate swap of \$.6 million and deferred outflows related to pensions of \$.2 million.
- Most of the FY 2017, \$2.3 million decrease in deferred inflows was a result of a decline in the concession arrangements and deferred inflows related to pensions. Most of the FY 2016 \$2.6 million increase in deferred inflows of resources was a result of additions to service concession agreements of \$3.3 million offset by a decrease in deferred inflows related to pensions of \$.3 million.
- The net position of the Fund totaled \$1,971.6 million, \$1,953.5 million, and \$1,852.5 million as of June 30, 2017, 2016, and 2015, respectively, an increase of \$18.0 million from 2016 to 2017 and \$101.0 million from 2015 to 2016.
- Net investment in capital assets totaled \$2,129.3 million, \$2,140.8 million, and \$2,000.0 million as of June 30, 2017, 2016, and 2015, respectively.
- Restricted expendable net position totaled \$95.0 million, \$101.5 million, and \$82.7 million and include \$24.7 million, \$22.1 million, \$30.6 million for sponsored projects, \$27.1 million, \$33.7 million, and \$15.9 million, for capital projects, and \$13.6 million, \$13.8 million, and \$13.6 million for loan programs as of June 30, 2017, 2016, and 2015, respectively.
- Unrestricted net position totaled (\$288.7) million, (\$324.0) million, and (\$266.0) million as of June 30, 2017, 2016, and 2015, 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.

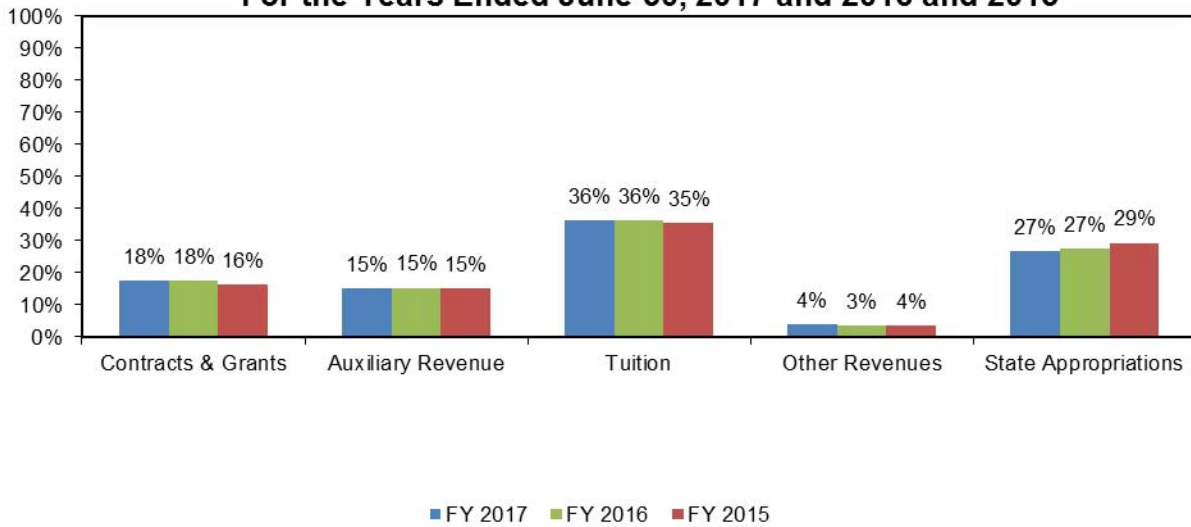
Operating revenues represent the receipts earned from providing goods and service to the various customers and constituencies served by the Fund, including fees from students and revenue in the form of Federal and State grants used to support operations and various initiatives. Operating expenses are 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 2017	FY 2016	FY 2015
Operating Revenues	\$ 1,233,870	\$ 1,208,672	\$ 1,153,190
Operating Expenses	1,855,971	1,851,111	1,801,832
Operating Loss	(622,101)	(642,439)	(648,642)
Net Nonoperating Revenues	588,153	571,516	599,671
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	(33,948)	(70,923)	(48,971)
Capital Grants, Appropriations and Gifts	51,907	170,190	108,376
Capital Bond Proceeds from State	124	424	25
Capital Payments and Transfers to Outside Entities	-	-	(424)
State Capital Grants (Federal)	-	1,352	5,691
Increase in Net Position	\$ 18,083	\$ 101,043	\$ 64,697

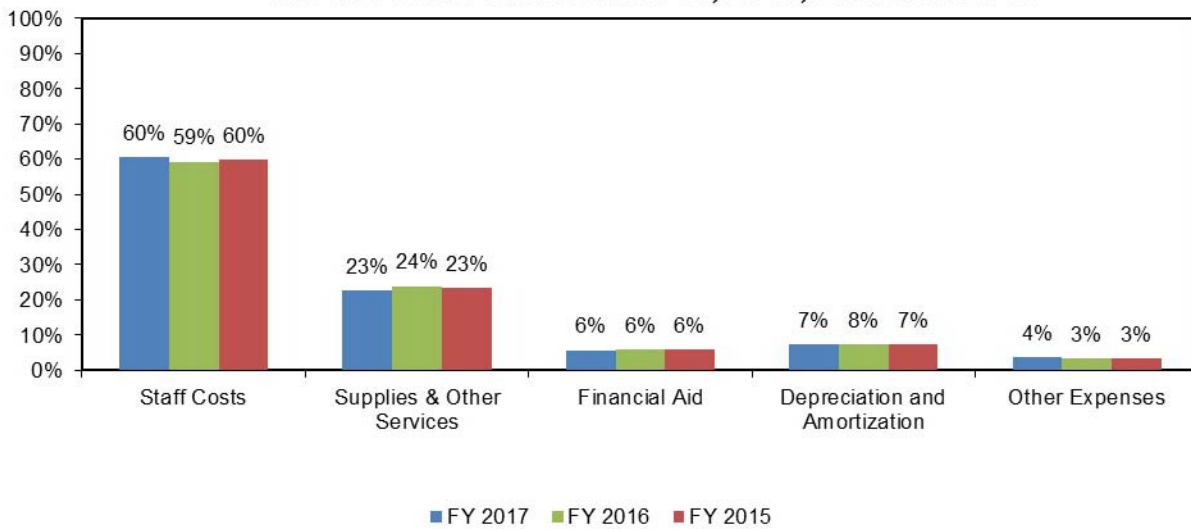
## Operating Revenues and State Appropriations

For the Years Ended June 30, 2017 and 2016 and 2015



## Total Operating Expenses

For the Years Ended June 30, 2017, 2016 and 2015



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

- Operating Revenues of the Fund totaled \$1,233.9 million, \$1,208.8 million, and \$1,153.2 million for the years ended June 30, 2017, 2016, and 2015, respectively, an increase of \$80.7 million from 2016 to 2017 and an increase of \$55.6 million from 2015 to 2016.
  - Student tuition and fees revenues totaled \$614.4 million in FY 2017, \$600.8 million in FY 2016, and \$578.2 million in FY 2015, an increase of \$13.6 or 2.3% in FY 2017 and \$22.6 million or 3.9% in FY 2016. Tuition is reported net of scholarship allowances totaling \$194.8 million, \$182.1 million, and \$176.8 million for the years ended June 30, 2017, 2016, and 2015, 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 \$131.6 million, \$142.1 million, and \$125.7 million, for the years ended June 30, 2017, 2016, and 2015, respectively. The decrease of \$10.5 million in FY 2017 mainly represents decreased revenues from existing federal awards for sponsored research and other miscellaneous federal programs. The increase of \$16.4 million in FY 2016 represents increased revenues from existing federal awards and new federal awards received by the West Virginia University Innovation Corporation.
  - Auxiliary enterprises generated revenues of \$255.5 million, \$254.6 million, and \$249.3 million, net of \$29.5 million, \$27.6 million, and \$25.5 million, of scholarship allowances for the years ended June 30, 2017, 2016, and 2015, respectively. FY 2017 net auxiliary revenues increased by \$.9 million or .4%. FY 2016 net auxiliary revenues increased by \$5.3 million or 2.1%, reflecting primarily increases in rates.
  - State grants and contracts totaled \$52.4 million, \$51.8 million, and \$44.5 million for the years ended June 30, 2017, 2016, and 2015, respectively, an increase of \$4.8 million from 2016 to 2017 and an increase of \$7.3 million from 2015 to 2016. Private grants and contracts totaled \$103.7, \$90.9 million, and \$87.3 million for the years ended June 30, 2017, 2016, and 2015, respectively, an increase of \$12.8 from 2016 to 2017 and increase of \$3.6 million from 2015 to 2016. These changes represent normal fluctuations in grant activities.
- Operating expenses totaled \$1,856.0 million, \$1,851.1 million, and \$1,801.8 million for the years ended June 30, 2017, 2016, and 2015, respectively, an increase of \$4.9 million from 2016 to 2017 and an increase of \$49.3 million from 2015 to 2016.
  - Staff salary costs totaled \$866.4 million, \$850.8 million, and \$834.0 million, an increase of \$15.6 million or 1.8% from 2016 to 2017 and \$16.8 million or 2.0% from 2015 to 2016. FY 2017 increase is attributed to the overall salary raises in FY17.
  - Supplies and other services totaled \$419.7 million, \$443.3 million, and \$419.5 million for the years ended June 30, 2017, 2016, and 2015, respectively, a decrease of \$23.6 million or 5.3% from 2016 to 2017 and an increase \$23.8 million or 5.7% from 2015 to 2016.

- Scholarships and fellowships totaled \$106.2 million, \$108.7 million, and \$106.9 million for the years ended June 30, 2017, 2016, and 2015, respectively, a decrease of \$2.5 million or 2.3% from 2016 to 2017 and an increase of \$1.8 million or 1.7% from 2015 to 2016. This is primarily a result of decreases in Pell Grant revenues.
- Depreciation and amortization on capital assets totaled \$138.3 million, \$139.0 million, and \$132.3 million for the years ended June 30, 2017, 2016, and 2015, respectively, a decrease of \$.7 million from 2016 to 2017 and an increase of \$6.7 million from 2015 to 2016. The decrease in FY 2017 is related to disposals of capital assets offset by an increase in depreciation on construction projects completed and placed into service during the year. The FY 2016 increase is related to the completion of capital projects funded by recent bond issues.
- The result from operations was a net operating loss of \$622.1 million, \$642.4 million, and \$648.6 million for the years ended June 30, 2017, 2016, and 2015, respectively, which excludes State appropriations of \$453.4 million, \$456.5 million, and \$479.0 million, and Federal Pell grants of \$113.7 million, \$114.9 million, and \$122.4 million for the years ended June 30, 2017, 2016, and 2015, respectively. The net operating loss decrease of \$18.9 million in FY 2017 was the outcome of decreased spending in supplies and other services. The net operating loss decrease of \$6.2 million in FY 2016 was the outcome of the increase in operating expenses of \$49.3 million, offset by the \$55.5 million increase in operating revenue.
- Net non-operating revenue totaled \$588.2 million, \$571.5 million, and \$599.7 million for the years ended June 30, 2017, 2016, and 2015, respectively, an increase of \$16.7 million from 2016 to 2017 and a decrease of \$28.2 million from 2015 to 2016.
  - State general revenue and lottery appropriations totaled \$453.4 million, \$456.5 million, and \$479.0 million for the years ended June 30, 2017, 2016, and 2015, respectively, decrease of \$3.1 million from 2016 to 2017 and a decrease of \$22.5 million from 2015 to 2016. The decreases are due primarily to appropriation reductions required to balance the State budget.
  - Interest incurred on indebtedness totaled \$55.0 million, \$54.3 million, and \$49.3 million for the years ended June 30, 2017, 2016, and 2015, an increase of \$.7 million from 2016 to 2017 and an increase of \$5.0 million from 2015 to 2016. This is attributable to the reduction of debt held and less capitalized interest on construction projects that were completed during the year. The FY 2016 change is attributable to bond FY 2016 bond issuances.
  - Investment income totaled \$29.3, \$.2 million, and \$5.6 million for the years ended June 30, 2017, 2016, and 2015, respectively, an increase of \$29.1 million from 2016 to 2017 and a decrease of \$5.4 million from 2015 to 2016. These changes are due to a positive market outcome during FY17. The FY 2016 changes are a result of declining investment returns realized by the Board of Treasury Investments (BTI) and investments managed by the West Virginia University Foundation, Marshall University Foundation, as well as declining cash balances.

- Other revenues consist of capital grants and gifts totaling \$51.9 million, \$170.2 million, and \$108.4 million for the years ended June 30, 2017, 2016, and 2015, respectively, a decrease of \$118.3 from 2016 to 2017 and an increase of \$61.8 million from 2015 to 2016. These decreases were due to facilities transferred to West Virginia University from its public private partners in FY 2016. Finally, State Capital Grants (Federal) totaled \$0, \$1.4 million, and \$5.7 million, for the years ended June 30, 2017, 2016, and 2015, respectively, a decrease of \$1.4 from 2016 to 2017 and a decrease of \$4.3 million from 2015 to 2016.
- The activity for FY 2017 resulted in an increase of net position totaling \$18.1 million as compared to the FY 2016 increase of net position totaling \$101.0 million, and an increase of \$64.7 million FY 2015.
- As reported below on a functional expenditure basis, expenditures for Educational and General Expenses were \$1,388.9 million, \$1,382.1 million, and \$1,342.0 million for the years ended June 30, 2017, 2016, and 2015, respectively, an increase of \$6.8 million or .5% from FY 2016 and an increase of \$40.1 million or 3.0% from FY 2015. Cost of instruction constitutes 41.3%, 41.2%, and 41.2% of total educational and general expenses for the years ended June 30, 2017, 2016, and 2015, respectively. Institutional Support remained consistent as a percentage of E & G at 17.1% in FY 2015, 17.4% in FY 2016 and 17.8% in FY 2017.

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

	FY 17	% of	FY 16	% of	FY 15	% of
	Total	E&G Total	Total	E&G Total	Total	E&G Total
Instruction	\$ 573,045	41.3%	\$ 569,268	41.2%	\$ 552,492	41.2%
Research	154,343	11.1%	149,805	10.8%	150,028	11.2%
Public Service	88,747	6.4%	88,721	6.4%	89,038	6.6%
Academic Support	96,887	7.0%	96,757	7.0%	97,620	7.3%
Student Services	91,705	6.6%	92,324	6.7%	90,118	6.7%
Plant Operations	136,339	9.8%	144,865	10.5%	133,303	9.9%
Institutional Support	247,833	17.8%	240,348	17.4%	229,372	17.1%
<b>Total E &amp; G Expenses</b>	<u>1,388,899</u>	<u>100.0%</u>	<u>1,382,088</u>	<u>100.0%</u>	<u>1,341,971</u>	<u>100.0%</u>
Financial Aid	106,576		107,838		106,119	
Auxiliary Enterprises	213,677		214,184		212,969	
Depreciation	138,312		139,037		132,253	
Other	8,507		7,964		8,520	
<b>Total Operating Expenses</b>	<u>\$ 1,855,971</u>		<u>\$ 1,851,111</u>		<u>\$ 1,801,832</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 2017	FY 2016	FY 2015	Change From 2017 to 2016
Cash (Used In) Provided By:				
Operating Activities	\$ (466,270)	\$ (487,892)	\$ (500,681)	\$ 21,622
Noncapital Financing Activities	615,813	622,439	647,815	(6,626)
Capital Financing Activities	(209,713)	(241,641)	(44,308)	31,928
Investing Activities	60,050	75,988	(156,846)	(15,938)
Increase (Decrease) in Cash and Cash Equivalents	(120)	(31,106)	(54,020)	30,986
Cash and Cash Equivalents, beginning of year	378,544	409,650	463,670	(31,106)
Cash and Cash Equivalents, end of year	\$ 378,424	\$ 378,544	\$ 409,650	\$ (120)

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 \$466.3 million, \$487.9 million, and \$500.7 million for the years ended June 30, 2017, 2016, and 2015, 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 2017, 2016, and 2015, respectively, were student tuition and fees of \$623.5 million, \$612.8 million, and \$580.8 million; contracts and grants of \$288.6 million, \$282.3 million, and \$257.5 million; and auxiliary enterprise charges of \$249.5 million, \$246.9 million, and \$251.0 million. Primary uses of cash for FY 2017, 2016, and 2015, respectively, included payments to and on behalf of employees of \$1,102.0 million, \$1,072.4 million, and \$1,057.9 million and payments to suppliers of \$419.1 million, \$433.2 million, and \$404.6 million.
- Net cash provided from noncapital financing activities for FY 2017, 2016, and 2015, respectively, totaled \$615.8 million, \$622.4 million, and \$647.8 million, of which \$449.1 million, \$456.6 million, and \$486.0 million was from State General Revenue and Lottery appropriations, \$113.8 million, \$115.0 million, and \$122.3 million, was from Federal Pell Grants.



- Net cash used by capital financing activities for FY 2017 totaled \$209.7 million. The withdrawals from noncurrent cash and cash equivalents totaled \$30.9 million. Other sources include proceeds from bond issuances and borrowings of \$79.0 million, capital bond proceeds from the State of \$.9 million, and State capital grants (federal) received of \$18.9 million offset by purchases of capital assets totaling \$188.9 million, principal and interest paid on notes, bonds and leases of \$153.1 million.
- Net cash used by capital financing activities for FY 2016 totaled \$241.6 million. The withdrawals from noncurrent cash and cash equivalents totaled \$30.9 million. Other sources include proceeds from bond issuances and borrowings of \$12.3 million, capital bond proceeds from the State of \$.3 million, capital grants and gifts received of \$21.3 million and State capital grants (federal) received of \$1.4 million offset by purchases of capital assets totaling \$213.4 million, principal and interest paid on notes, bonds and leases of \$98.9 million.
- Net cash provided by (used in) investing activities for FY 2017 and 2016 totaled \$60.1 million and \$76.0 million, compared to net cash provided by investing activities of (\$156.8) million for FY 2015. The FY 2017 change is a result of a decrease in receipts and purchases of investments. The FY 2016 change is a result of an increase in the net receipts from sales/maturities of investments.
- Net cash for FY 2017 decreased by \$.1 million compared to a decrease in net cash for FY 2016 of \$31.1 million and FY 2015 of \$54.0 million, respectively. These changes are the net result of all the previous activity discussed.

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

The Fund continued to expand its capital facilities to further its mission of providing quality programs to students and to provide expanded research capabilities. Cash used for capital assets totaled \$188.9 million in FY 2017, as compared to \$213.4 million in FY 2016. 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 2017, expenditures at West Virginia University and Marshall University accounted for \$144.1 million of the \$188.9 million total. For FY 2016, expenditures at West Virginia University and Marshall University accounted for \$152.8 million of the \$213.4 million total.

During Fiscal Year 2017, West Virginia University completed improvements to buildings, infrastructure and land including the Agricultural Sciences Building II, Percival Hall lab renovations, Law center renovations, Evansdale traffic flow, upgrades to the PRT, Coliseum renovations, various capital projects at the Health Sciences Center, and several internally developed software projects. Additionally, several projects on the Beckley campus were completed including the renovations of the library, Shroyer Hall, Hogan Hall, the Robert C. Byrd Learning Resource Center, the Benedum Center and the Health Sciences Center Building. Other on-going capital activity included renovations to the Milan Puskar Stadium, PRT train control upgrades, various energy performance objects and additional projects to the HSC in addition to the engineering lab building and information technology infrastructure improvements on the Beckley campus.

During Fiscal Year 2017, West Virginia University executed the following real estate transactions:

- Took ownership of improvements to the space in the University's Health Sciences Center Cafeteria Building from its public-private partner, HSC Fresh Kitchen, LLC in the amount of \$4.5 million. Additionally, capital assets of \$6.3 million were transferred to the University from its public-private partner, University Park at Evansdale LLC, for University Park, a mixed use retail and residential facility including student housing.
- During fiscal year 2017, the University purchased two parcels of real estate as follows: a parcel on Research Park Road in Morgantown, WV for approximately \$241,000 and a parcel on Oakland Street in Morgantown, WV for \$364,000.

In June 2016, the WVU Research Corporation received a short-term (90-day note) loan in the principal amount of \$12.0 million from United Bank, Inc. The loan proceeds were used to reimburse the University for the acquisition and start-up costs of the new campus in Beckley, West Virginia. This short term loan was converted to a note payable in December 2016. The note is a drawn down note with a maximum authorized amount of \$36.1 million, of which \$24.0 million was drawn down and payable as of June 30, 2017.

During Fiscal Year 2017, projects that were completed at Marshall University include various renovation and maintenance projects at the President's House, Student Center and Twin Towers. New projects that were initiated in FY 2017 were various renovation and maintenance projects at Smith Music Hall, the Biotech center, Jenkins Hall and the Joan C. Edwards Stadium. Further details regarding capital asset activity are included in Note 6.

Funding for capital projects comes from a variety of sources, including student tuition and other operating revenues, fund raising, bond proceeds, capital lease financing, and other external financing arrangements. The institutions have participated in a number of System Bonds issued in previous years, with a balance outstanding of \$54.4 million as of June 30, 2017. This includes the 2007 Refunding Bonds of \$15.8 million, which are funded from tuition collections at the institutions, the Council 2009 Revenue Bonds of \$68.0 million, the Facilities 2010 System bonds of \$68.2 million and the 2012 System Bonds of \$117.8 million are funded from excess lottery revenue. There have been no significant changes in credit ratings or debt limitations that may affect future financing for the Fund. In addition the individual institutions have outstanding bonds with an outstanding balance of \$859 million as of June 30, 2017. Further details concerning the long-term liabilities of the Fund are included in Notes 7 through 12 of the notes to the financial statements.

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

The mission of the Commission is to align the West Virginia Higher Education System in accord with the master plan for 2016-2018. The master plan entitled *Leading the Way: Access. Success. Impact* sets forth the overarching goals for West Virginia public higher education and provides the conceptual framework plan. Three areas that are central to meeting current challenges in West Virginia higher education are identified in the plan:

1. Access
2. Success
3. Impact

For each area, a definition of the area, current Commission efforts, strategies for success and goals are provided for West Virginia's public colleges and universities to address in each of the three areas of the public agenda. These plan components for addressing needs in higher education in West Virginia from 2016 to 2018 are the basis for the development of new institutional compacts for the State's four-year public colleges and universities and the West Virginia School for Osteopathic Medicine.

The Council is separate from the Commission and has its own mission and Master Plan. The Council's mission is to promote and provide high-quality, accessible, and responsive education and training opportunities that maximize student learning, improve the standard of living for West Virginians, and contribute to the economic vitality and competitiveness of the state. The Master Plan entitled 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 \$1,971.6 million. The continued success of the Fund is closely tied to the economic strength of the State of West Virginia. Over 27% of operating and nonoperating revenues of the Fund in FY 2016 are from State general revenue and lottery revenues. This funding is critical to the success of the higher education system in meeting the Compact goals.

State appropriations decreased about 1% in FY 2017 from FY 2016. The decline in the extractive industries has resulted in reduced severance tax collections for the State. In addition, sales tax reductions have reduced funds available for state agencies.

The demographics of the State of West Virginia also have an impact on the future operations of the Fund. The number of high school graduates has declined in recent years but is projected to be relatively stable over the next several years. Significant efforts are underway to expand the participation rate in higher education by both high school graduating seniors as well as adults to improve the economic environment of the State. Increased attendance by non-resident students is another factor in the future financial stability of the Fund. Net student tuition and fees provide approximately 33.7% of the total revenues of the Fund, a decrease of 2.5% over FY 2016.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF NET POSITION**  
**June 30, 2017 and 2016**  
(Dollars in thousands)

	<u>2017</u>	<u>2016</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 378,424	\$ 378,544
Investments	110,706	124,768
Investment Settlements Pending	-	12,505
Appropriations due from Primary Government	8,842	10,017
Accounts receivable-net	99,108	91,483
Loans receivable-current portion	8,052	7,468
Other current assets	11,079	9,321
Inventories	<u>4,331</u>	<u>4,566</u>
Total current assets	<u>620,542</u>	<u>638,672</u>
<b>NONCURRENT ASSETS</b>		
Cash and cash equivalents	67,987	83,983
Investments	150,644	154,992
Loans receivable-net of allowance \$10,224 and \$10,623 in 2017 and 2016, respectively	45,488	46,747
Other assets	25,879	29,891
Capital assets-net	<u>3,196,303</u>	<u>3,149,948</u>
Total noncurrent assets	<u>3,486,301</u>	<u>3,465,561</u>
Total assets	<u>4,106,843</u>	<u>4,104,233</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	28,301	29,828
Deferred outflows related to BRNI acquisition	398	-
Interest rate swap agreement	-	333
Deferred outflows related to pensions	<u>7,056</u>	<u>3,038</u>
Total deferred outflows of resources	<u>35,755</u>	<u>33,199</u>
<b>TOTAL ASSETS AND DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 4,142,598</u>	<u>\$ 4,137,432</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF NET POSITION (CONTINUED)**  
**June 30, 2017 and 2016**  
(Dollars in thousands)

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 60,997	\$ 81,910
Due to State of West Virginia	544	582
Accrued liabilities	80,979	79,913
Unearned revenue	78,851	73,181
Deposits	7,035	7,854
Real estate purchase agreements payable-current portion	600	591
Other liabilities-current portion	735	1,200
Compensated absences-current portion	44,066	43,690
Notes payable-current portion	2,482	13,433
Capital lease obligations-current portion	4,588	9,735
Interest payable	11,563	11,888
Bonds payable-current portion	<u>41,111</u>	<u>60,715</u>
Total current liabilities	<u>333,551</u>	<u>384,692</u>
<b>NONCURRENT LIABILITIES</b>		
Advances from federal sponsors	43,639	44,180
Real estate purchase agreement payable	13,211	14,692
Compensated absences	4,031	4,418
Notes payable	54,951	28,914
Capital lease obligations	46,487	42,412
Future interest payable	35,466	35,891
Bonds payable	1,195,052	1,195,903
Other post employment benefit liability	336,281	326,975
Net pension liability	28,100	23,450
Other noncurrent liabilities	<u>36,422</u>	<u>36,314</u>
Total noncurrent liabilities	<u>1,793,640</u>	<u>1,753,149</u>
Total liabilities	<u>2,127,191</u>	<u>2,137,841</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF NET POSITION (CONTINUED)**  
**June 30, 2017 and 2016**  
(Dollars in thousands)

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (CONTINUED)</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Service concession arrangements	\$ 38,538	\$ 39,746
Deferred inflows related to pensions	4,140	5,829
Other	<u>1,144</u>	<u>515</u>
Total deferred inflows of resources	<u>43,822</u>	<u>46,090</u>
Total liabilities and deferred inflows of resources	<u>2,171,013</u>	<u>2,183,931</u>
<b>NET POSITION</b>		
Net investment in capital assets	<u>2,129,316</u>	<u>2,140,789</u>
Restricted for:		
Expendable:		
Scholarships	12,818	12,823
Sponsored projects	24,729	21,050
Loans	13,618	13,845
Capital projects	27,146	33,654
Debt service	11,965	15,896
Other	<u>4,745</u>	<u>4,273</u>
Total restricted expendable	<u>95,021</u>	<u>101,541</u>
Nonexpendable	<u>35,981</u>	<u>35,219</u>
Unrestricted	<u>(288,733)</u>	<u>(324,048)</u>
Total net position	<u>1,971,585</u>	<u>1,953,501</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b><u>\$ 4,142,598</u></b>	<b><u>\$ 4,137,432</u></b>

See accompanying notes to the financial statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**

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

(Dollars in thousands)

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees - net of scholarship allowance of \$194,840 in 2017 and \$182,099 in 2016	\$ 614,353	\$ 600,847
Federal and local land grants	9,100	9,202
Contracts and grants:		
Federal	131,634	142,116
State	52,439	51,836
Local	1,910	1,501
Private	103,709	90,881
Interest on student loans receivable	1,235	1,200
Sales and services of educational activities	27,593	26,353
Auxiliary enterprise revenue - net of scholarship allowance of \$29,531 in 2016 and \$27,618 in 2016	255,481	254,636
Other operating revenues	<u>36,416</u>	<u>30,100</u>
Total operating revenues	<u>1,233,870</u>	<u>1,208,672</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	866,409	850,837
Benefits	255,542	246,304
Supplies and other services	419,698	443,339
Utilities	62,755	59,025
Student financial aid - scholarships and fellowships	106,164	108,669
Depreciation and amortization	138,312	139,037
Other operating expenses	<u>7,091</u>	<u>3,900</u>
Total operating expenses	<u>1,855,971</u>	<u>1,851,111</u>
<b>OPERATING LOSS</b>	<u>(622,101)</u>	<u>(642,439)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	426,226	429,237
State lottery appropriations	27,155	27,213
Federal Pell grants	113,691	114,899
Gifts	53,239	53,729
Investment income (including unrealized gain (loss) of \$6,831 in 2017 and (\$2,461) in 2016)	29,254	205
Interest on indebtedness	<u>(55,009)</u>	<u>(54,295)</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION (CONTINUED)**  
**For the Years Ended June 30, 2017 and 2016**  
(Dollars in thousands)

	<u>2017</u>	<u>2016</u>
<b>NONOPERATING REVENUES (EXPENSES) (CONTINUED)</b>		
Payments made on behalf of the Fund	\$ 6,409	\$ 5,066
Student financial aid and other payments to institutions	(5,592)	(4,198)
Other nonoperating expense - net	<u>(7,220)</u>	<u>(340)</u>
Net nonoperating revenues	<u>588,153</u>	<u>571,516</u>
 <b>LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	 (33,948)	 (70,923)
 <b>CAPITAL GRANTS, APPROPRIATIONS, AND GIFTS</b>	 51,907	 170,190
 <b>CAPITAL BOND PROCEEDS FROM THE STATE</b>	 124	 424
 <b>STATE CAPITAL GRANTS (FEDERAL)</b>	 <u>-</u>	 <u>1,352</u>
 <b>INCREASE IN NET POSITION</b>	 18,083	 101,043
 <b>NET POSITION - BEGINNING OF YEAR</b>	 <u>1,953,502</u>	 <u>1,852,458</u>
 <b>NET POSITON - END OF YEAR</b>	 <u>\$ 1,971,585</u>	 <u>\$ 1,953,501</u>

See accompanying notes to the financial statements.



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2017 and 2016**  
(Dollars in thousands)

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition and fees	\$ 623,548	\$ 612,775
Federal and local land grants	9,100	9,201
Contracts and grants	288,630	282,314
Payments to and on behalf of employees	(1,101,982)	(1,072,377)
Payments to suppliers	(419,119)	(433,195)
Payments to utilities	(60,877)	(58,987)
Payments for scholarships and fellowships	(110,699)	(109,969)
Loans issued to students	(2,819)	(2,687)
Collection of loans to students	2,645	2,801
Sales and services of educational activities	26,146	25,626
Interest earned on loans to students	851	889
Auxiliary enterprise charges	249,546	246,901
Other receipts - net	28,760	8,816
Net cash used in operating activities	<u>(466,270)</u>	<u>(487,892)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	449,135	456,618
Federal Pell grants	113,785	114,988
Payments to other institutions	(5,592)	(4,198)
Gift receipts	51,956	46,296
Direct lending receipts	465,887	452,768
Direct lending payments	(464,415)	(452,836)
Other nonoperating receipts - net	5,057	8,803
Net cash provided by noncapital financing activities	<u>615,813</u>	<u>622,439</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from bond issuances and borrowings	78,993	12,333
Proceeds from capital asset disposals and sale of natural resources	16	51
Capital bond proceeds from State	874	329
Withdrawals from noncurrent cash and cash equivalents	30,948	30,889
Deposits to noncurrent cash and cash equivalents	(14,190)	5,373
Capital grants and gifts received	18,917	21,303
State capital grants (federal) received	-	1,352
Purchases of capital assets	(188,868)	(213,442)
Principal paid on notes, bonds, and leases	(93,417)	(40,620)
Interest paid on notes, bonds, and leases	(59,644)	(58,309)
Other	16,658	(900)
Net cash used in capital financing	<u>(209,713)</u>	<u>(241,641)</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**For the Years Ended June 30, 2017 and 2016**  
(Dollars in thousands)

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipts from sales/maturities of investments	\$ 46,576	\$ 130,745
Purchases of investments	1,403	(61,982)
Investment income	12,071	7,225
Net cash provided by investing activities	<u>60,050</u>	<u>75,988</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(120)	(31,106)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>378,544</u>	<u>409,650</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 378,424</u>	<u>\$ 378,544</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (622,101)	\$ (642,439)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	138,312	139,037
Donated/noncapitalized expense	2,009	7,896
Accretion on bond premium/discount	(450)	(26)
Loan cancellations and write-offs	152	149
Expenses paid on behalf of the Fund	2,877	2,175
Changes in assets and liabilities:		
Receivables - net	(7,816)	(9,594)
Loans receivable - net	206	626
Prepaid expenses	(2,440)	1,274
Inventories	235	223
Accounts payable	4,152	(2,921)
Accrued liabilities	8,732	11,913
Defined benefit pension	521	(1,751)
Compensated absences	68	643
Unearned revenue	5,271	(3,055)
Deposits	(300)	414
Other post employment benefit liability	3,939	7,640
Advances from federal sponsors	(206)	(1,706)
Other	569	1,610
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>\$ (466,270)</u>	<u>\$ (487,892)</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**For the Years Ended June 30, 2017 and 2016**  
(Dollars in thousands)

	<u>2017</u>	<u>2016</u>
<b>SIGNIFICANT NONCASH TRANSACTIONS</b>		
Construction in progress and capital asset additions included in accounts payable and accrued liabilities	\$ <u>8,407</u>	\$ <u>25,636</u>
Donated capital assets	\$ <u>22,647</u>	\$ <u>153,232</u>
(Loss) gain on disposal of fixed assets	\$ <u>(4,080)</u>	\$ <u>3,677</u>
Capitalized interest	\$ <u>2,011</u>	\$ <u>2,539</u>
Unrealized gain (loss) on investment	\$ <u>6,831</u>	\$ <u>(5,021)</u>
Bond & real estate agreements payable discounts, premiums, losses	\$ <u>1,541</u>	\$ <u>1,541</u>
Other post employment benefits	\$ <u>(4,988)</u>	\$ <u>10,290</u>
Gift of noncapital asset	\$ <u>2,578</u>	\$ <u>7,488</u>
Capital assets obtained under capital leases	\$ <u>2,359</u>	\$ <u>1,353</u>
Adjustment to medical malpractice liability	\$ <u>(7,193)</u>	\$ <u>5,050</u>
Deferred service concession arrangements, net	\$ <u>754</u>	\$ <u>3,738</u>
Expenses paid on behalf	\$ <u>20,686</u>	\$ <u>3,834</u>
Deferred (loss) gain on refunding	\$ <u>(466)</u>	\$ <u>45</u>

See accompanying notes to the financial statements.

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

	Big Green Scholarship Foundation <u>Inc.</u>	Bluefield State College Foundation <u>Inc.</u>	Bluefield State College Research and Development Corporation	Concord University Foundation, <u>Inc.</u>	Fairmont State Foundation <u>Inc.</u>	The Glennville State College Foundation, <u>Inc.</u>	The Marshall University Foundation, <u>Inc.</u>	New River Community and Technical College Foundation, <u>Inc.</u>	Provident Group- Marshall Properties, <u>LLC</u>	The Shepherd University Foundation, <u>Inc.</u>	Southern West Virginia Community College Foundation, <u>Inc.*</u>	West Liberty University Foundation, <u>Inc.</u>	West Virginia Northern Community College Foundation, <u>Inc.</u>	West Virginia School of Osteopathic Medicine Foundation, <u>Inc.</u>	West Virginia State University Foundation, <u>Inc.</u>	WVU at Parkersburg Foundation, <u>Inc.</u>	Blue Ridge Community & Technical College Foundation, <u>Inc.</u>
<b>ASSETS</b>																	
Cash and cash equivalents	\$ 1,597,686	\$ 1,102,405	\$ 54,405	\$ 985,118	\$ 1,098,794	\$ 6,745	\$ 15,491,176	\$ 279,906	\$ 1,183,864	\$ 8,632,553	\$ 231,808	\$ 117,646	\$ 87,864	\$ 410,010	\$ 2,517,905	\$ 31,874	\$ 467,523
Investments	7,697,483	11,294,994	-	37,107,058	24,280,833	9,492,263	202,130,933	373,264	-	23,025,064	3,552,548	14,638,884	4,096,706	41,976,753	11,412,121	11,114,880	258,425
Pledges and contributions receivable, net	599,201	2,000,000	88,541	747,773	789,831	-	16,303,877	-	590,942	3,585,350	194,807	1,103,234	4,585	1,364,549	2,381,600	-	15,000
Other assets	2,342,262	52,338	284,838	25,394	2,000	1,671,417	2,084,245	1,851,502	5,419,062	374,633	23,742	75,262	287,277	250,000	22,718,259	5,658	5,498
Beneficial interests	731,556	-	-	-	2,920,592	-	9,486,260	-	-	-	-	2,175,746	1,087,873	-	263,176	-	-
Property and equipment, net	14,767	-	766,891	1,860	6,628	3,369,568	12,771,262	-	61,609,530	18,932,126	-	-	-	-	699,446	1,063,763	-
<b>TOTAL</b>	<b>\$ 12,982,955</b>	<b>\$ 14,449,737</b>	<b>\$ 1,194,675</b>	<b>\$ 38,867,203</b>	<b>\$ 29,098,678</b>	<b>\$ 14,539,993</b>	<b>\$ 258,267,753</b>	<b>\$ 2,504,672</b>	<b>\$ 68,803,398</b>	<b>\$ 54,549,726</b>	<b>\$ 4,002,905</b>	<b>\$ 18,110,772</b>	<b>\$ 5,564,305</b>	<b>\$ 44,001,312</b>	<b>\$ 39,992,507</b>	<b>\$ 12,216,175</b>	<b>\$ 746,446</b>

\* - December 31 year-end

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

	Big Green Scholarship Foundation <u>Inc.</u>	Bluefield State College Foundation <u>Inc.</u>	Bluefield State College Research and Development Corporation	Concord University Foundation, <u>Inc.</u>	Fairmont State College Foundation <u>Inc.</u>	The Glenville State College Foundation, <u>Inc.</u>	The Marshall University Foundation, <u>Inc.</u>	New River Community and Technical College Foundation, <u>Inc.</u>	Provident Group- Marshall Properties, <u>LLC</u>	The Shepherd University Foundation, <u>Inc.</u>	Southern West Virginia Community College Foundation, <u>Inc.</u> *	West Liberty University Foundation, <u>Inc.</u>	West Virginia Northern Community College Foundation, <u>Inc.</u>	West Virginia School of Osteopathic Medicine Foundation, <u>Inc.</u>	West Virginia State University Foundation, <u>Inc.</u>	WVU at Parkersburg Foundation, <u>Inc.</u>	Blue Ridge Community & Technical College Foundation, <u>Inc.</u>
<b>LIABILITIES AND NET ASSETS</b>																	
Liabilities:																	
Accounts payable	\$ 46,784	\$ -	\$ 59,564	\$ 153,750	\$ 9,797	\$ 69,680	\$ 41,301	\$ 2,568	\$ 140,889	\$ 1,747,003	\$ 247,016	\$ 8,880	\$ 6,575	\$ -	\$ 27,891	\$ 94,233	\$ -
Other accrued liabilities	350	41,738	286,052	4,719,916	27,681	78,647	955,302	101,625	17,640,171	24,381,654	-	21,477	-	37,202,282	-	15,238	80
Amounts held on behalf of others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Annuity obligations	-	-	-	-	-	10,465	66,802,481	-	-	-	-	-	-	-	-	-	-
Bonds and notes payable	2,096,023	-	3,183,156	-	-	3,230,483	7,238,376	-	87,225,398	-	-	-	-	-	24,814,140	-	-
Liabilities of discontinued operations, held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swap liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	2,143,157	41,738	3,528,772	4,873,666	37,478	3,389,275	75,037,460	104,193	105,006,458	26,128,657	247,016	30,357	6,575	37,202,282	24,842,031	109,471	80
Net assets (deficit):																	
Unrestricted	2,273,106	11,642,866	(2,334,097)	382,309	4,401,504	97,805	11,339,231	123,935	(36,203,060)	(6,230,161)	63,028	1,561,783	868,817	1,879,820	807,817	1,220,155	115,328
Temporarily restricted	731,556	910,202	-	9,111,371	5,603,003	1,667,991	61,192,115	690,945	-	8,703,956	3,677,861	5,207,072	2,745,580	1,478,527	7,375,524	9,732,631	131,038
Permanently restricted	7,835,136	1,854,931	-	24,499,857	19,056,693	9,384,922	110,698,947	1,585,599	-	25,947,274	15,000	11,311,560	1,943,333	3,440,683	6,967,135	1,153,918	500,000
Total net assets (deficit)	10,839,798	14,407,999	(2,334,097)	33,993,537	29,061,200	11,150,718	183,230,293	2,400,479	(36,203,060)	28,421,069	3,755,889	18,080,415	5,557,730	6,799,030	15,150,476	12,106,704	746,366
<b>TOTAL</b>	<b>\$ 12,982,955</b>	<b>\$ 14,449,737</b>	<b>\$ 1,194,675</b>	<b>\$ 38,867,203</b>	<b>\$ 29,098,678</b>	<b>\$ 14,539,993</b>	<b>\$ 258,267,753</b>	<b>\$ 2,504,672</b>	<b>\$ 68,803,398</b>	<b>\$ 54,549,726</b>	<b>\$ 4,002,905</b>	<b>\$ 18,110,772</b>	<b>\$ 5,564,305</b>	<b>\$ 44,001,312</b>	<b>\$ 39,992,507</b>	<b>\$ 12,216,175</b>	<b>\$ 746,446</b>

\* - December 31 year-end

See accompanying notes to the financial statements.

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

	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Bluefield State College Research and Development Corporation	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glennville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc.*	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.
<b>ASSETS</b>																	
Cash and cash equivalents	\$ 1,949,426	\$ 1,424,770	\$ 9,793	\$ 649,782	\$ 652,248	\$ 50,881	\$ 31,874,886	\$ 376,849	\$ 1,161,884	\$ 23,098,204	\$ 331,883	\$ 69,844	\$ 94,894	\$ 1,045,610	\$ 2,444,734	\$ 474,206	\$ 678,365
Investments	7,098,840	10,784,627	-	34,850,509	19,678,963	7,461,765	163,332,662	337,969	-	21,523,684	3,079,273	12,461,210	3,609,896	33,319,574	11,039,761	10,527,627	-
Pledges and contributions receivable, net	557,308	2,000,000	160,262	266,777	1,002,501	-	18,549,171	103,580	413,185	3,198,860	281,094	242,226	1,480	1,342,364	3,299,621	-	17,000
Other assets	2,783,778	38,415	287,780	451,455	2,191	1,550,867	1,024,866	-	6,075,437	937,024	28,673	79,766	312,972	250,000	21,917,515	2,014	5,000
Beneficial interests	685,021	-	-	-	2,781,130	-	9,070,277	1,219,250	-	-	-	2,056,347	1,028,174	-	246,825	-	-
Property and equipment, net	76,582	-	1,657,089	1,986	9,546	3,434,623	13,175,952	323,263	64,364,161	2,007,684	-	-	-	-	737,883	418,873	-
<b>TOTAL</b>	<b>\$ 13,150,955</b>	<b>\$ 14,247,812</b>	<b>\$ 2,114,924</b>	<b>\$ 36,220,509</b>	<b>\$ 24,126,579</b>	<b>\$ 12,498,136</b>	<b>\$ 237,027,814</b>	<b>\$ 2,360,911</b>	<b>\$ 72,014,667</b>	<b>\$ 50,765,456</b>	<b>\$ 3,720,923</b>	<b>\$ 14,909,393</b>	<b>\$ 5,047,416</b>	<b>\$ 35,957,548</b>	<b>\$ 39,686,339</b>	<b>\$ 11,422,720</b>	<b>\$ 700,365</b>

\* - December 31 year-end

See accompanying notes to the financial statements.

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

	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Bluefield State College Research and Development Corporation	Concord University Foundation, Inc.	Fairmont State College Foundation Inc.	The Glennville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University College Foundation, Inc.	Southern West Virginia Community College Foundation, Inc.*	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.
<b>LIABILITIES AND NET ASSETS</b>																	
Liabilities:																	
Accounts payable	\$ 83,896	\$ -	\$ 173,663	\$ 45,000	\$ 23,722	\$ 46,727	\$ 28,146	63,775	\$ 107,707	\$ 1,104,400	\$ 12,236	\$ 11,075	\$ 7,935	\$ -	\$ 125,146	\$ 24,790	\$ -
Other accrued liabilities	-	-	15,389	-	-	61,876	200,735	106,676	1,199,821	27,485	114,226	-	-	180,000	-	-	-
Amounts held on behalf of others	-	31,156	282,012	4,263,096	-	8,539	59,438,399	-	-	1,574,435	-	-	-	29,402,928	-	24,230	-
Annuity obligations	-	-	-	79,958	43,328	-	319,025	56,712	-	134,983	-	24,701	-	-	-	-	-
Bonds and notes payable	2,650,398	-	3,271,131	-	-	3,389,899	7,967,895	-	88,366,136	22,385,000	-	-	-	-	24,864,088	-	-
Swap liability	-	-	-	-	-	-	347,176	-	23,670,020	-	-	-	-	-	-	-	1,500
<b>Total liabilities</b>	<b>2,734,294</b>	<b>31,156</b>	<b>3,742,195</b>	<b>4,388,054</b>	<b>67,050</b>	<b>3,507,041</b>	<b>68,301,376</b>	<b>227,163</b>	<b>113,343,684</b>	<b>25,226,303</b>	<b>126,462</b>	<b>35,776</b>	<b>7,935</b>	<b>29,582,928</b>	<b>24,989,234</b>	<b>49,020</b>	<b>1,500</b>
Net assets (deficit):																	
Unrestricted	2,458,661	11,796,932	(1,627,271)	375,511	3,530,924	(463,795)	10,555,898	76,988	(41,329,017)	(6,772,981)	69,949	1,282,238	793,574	1,696,273	722,712	793,680	109,151
Temporarily restricted	685,021	702,361	-	7,893,612	5,360,432	1,557,179	55,469,110	640,312	-	7,079,385	3,509,512	3,494,435	2,409,708	1,455,809	7,209,886	9,426,102	89,714
Permanently restricted	7,272,979	1,717,363	-	23,563,332	15,168,173	7,897,711	102,701,430	1,416,448	-	25,232,749	15,000	10,096,944	1,836,199	3,222,538	6,764,507	1,153,918	500,000
<b>Total net assets (deficit)</b>	<b>10,416,661</b>	<b>14,216,656</b>	<b>(1,627,271)</b>	<b>31,832,455</b>	<b>24,059,529</b>	<b>8,991,095</b>	<b>168,726,438</b>	<b>2,133,748</b>	<b>(41,329,017)</b>	<b>25,539,153</b>	<b>3,594,461</b>	<b>14,873,617</b>	<b>5,039,481</b>	<b>6,374,620</b>	<b>14,697,105</b>	<b>11,373,700</b>	<b>698,865</b>
<b>TOTAL</b>	<b>\$ 13,150,955</b>	<b>\$ 14,247,812</b>	<b>\$ 2,114,924</b>	<b>\$ 36,220,509</b>	<b>\$ 24,126,579</b>	<b>\$ 12,498,136</b>	<b>\$ 237,027,814</b>	<b>\$ 2,360,911</b>	<b>\$ 72,014,667</b>	<b>\$ 50,765,456</b>	<b>\$ 3,720,923</b>	<b>\$ 14,909,393</b>	<b>\$ 5,047,416</b>	<b>\$ 35,957,548</b>	<b>\$ 39,686,339</b>	<b>\$ 11,422,720</b>	<b>\$ 700,365</b>

\* - December 31 year-end

See accompanying notes to the financial statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**COMPONENT UNITS - STATEMENTS OF ACTIVITIES**  
**For the Year Ended June 30, 2017**

	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Bluefield State College Research and Development Corporation	Concord University Foundation, Inc.	Fairmont State College Foundation, Inc.	The Glennville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc.*	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>																	
Unrestricted:																	
Gifts, contributions, and other	\$ 3,696,781	\$ 28,823	\$ 1,704,527	\$ 280,743	\$ 257,540	\$ 515,858	\$ 405,797	\$ 217,678	\$ 10,690,396	\$ 26,720	\$ -	\$ 374,678	\$ 44,894	\$ 510,334	\$ 437,674	\$ 72,800	\$ 17,106
Investment income (loss)	120,602	852,968	-	(69,253)	536,884	675,087	1,470,404	10,971	7,179,214	1,641,301	24,724	257,861	46,367	163,218	3,782	(9,265)	-
Reclassifications	405,790	29,813	-	1,722,594	2,427,452	1,191,755	15,051,031	68,530	-	1,753,985	444,597	1,154,686	108,020	324,598	1,599,260	887,557	36,800
Temporarily restricted:																	
Gifts, contributions, and other	-	138,645	-	263,012	1,054,740	660,769	7,645,997	40,242	-	2,762,450	186,790	1,531,255	64,001	52,615	677,420	183,377	67,220
Investment income (loss)	46,535	103,531	-	2,325,962	1,674,189	641,798	13,142,088	108,448	-	620,718	426,156	1,336,068	379,891	294,701	1,075,504	1,010,709	10,904
Reclassifications	-	(34,335)	-	(1,371,215)	(2,486,358)	(1,191,755)	(15,065,080)	(98,057)	-	(1,758,597)	(444,597)	(1,154,686)	(108,020)	(324,598)	(1,587,286)	(887,557)	(36,800)
Permanently restricted:																	
Gifts, contributions, and other	423,513	133,046	-	235,968	3,566,613	1,487,211	6,924,030	139,624	-	688,224	-	1,000,347	107,134	218,145	198,251	-	-
Investment income	544,434	-	-	1,051,936	263,001	-	1,059,438	-	-	21,689	-	214,269	-	-	16,351	-	-
Reclassifications	(405,790)	4,522	-	(351,379)	58,906	-	14,049	29,527	-	4,612	-	-	-	-	(11,974)	-	-
Total revenues, gains, and other support	4,831,865	1,257,013	1,704,527	4,088,368	7,352,967	3,980,723	30,647,754	516,963	17,869,610	5,761,102	637,670	4,714,478	642,287	1,239,013	2,408,982	1,257,621	95,230
<b>EXPENSES</b>																	
Scholarships, awards, and grants	1,852,500	251,477	1,420,318	822,863	1,199,339	422,550	3,991,791	136,309	-	1,757,190	275,228	470,949	45,245	504,783	-	185,949	16,391
College support	1,150,878	138,580	-	783,523	670,095	888,532	10,488,988	-	-	107,195	95,797	818,510	35,364	-	1,576,239	49,741	30,621
Management and general	1,405,350	675,613	170,945	320,900	481,862	510,018	1,663,120	113,923	12,743,653	1,014,801	105,217	218,221	43,429	309,820	379,372	288,927	717
Impairment loss	-	-	820,090	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	4,408,728	1,065,670	2,411,353	1,927,286	2,351,296	1,821,100	16,143,899	250,232	12,743,653	2,879,186	476,242	1,507,680	124,038	814,603	1,955,611	524,617	47,729
<b>CHANGE IN NET ASSETS</b>																	
Unrestricted	(185,555)	(154,066)	(706,826)	6,798	870,580	561,600	783,333	46,947	5,125,957	542,820	(6,921)	279,545	75,243	183,547	85,105	426,475	6,177
Temporarily restricted	46,535	207,841	-	1,217,759	242,571	110,812	5,723,005	50,633	-	1,624,571	168,349	1,712,637	335,872	22,718	165,638	306,529	41,324
Permanently restricted	562,157	137,568	-	936,525	3,888,520	1,487,211	7,997,517	169,151	-	714,525	-	1,214,616	107,134	218,145	202,628	-	-
Total change in net assets	423,137	191,343	(706,826)	2,161,082	5,001,671	2,159,623	14,503,855	266,731	5,125,957	2,881,916	161,428	3,206,798	518,249	424,410	453,371	733,004	47,501
<b>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</b>	10,416,661	14,216,656	(1,627,271)	31,832,455	24,059,529	8,991,095	168,726,438	2,133,748	(41,329,017)	25,539,153	3,594,461	14,873,617	5,039,481	6,374,620	14,697,105	11,373,700	698,865
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	\$ 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

See accompanying notes to the financial statements.



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

	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Bluefield State College Research and Development Corporation	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glenville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	Provident Group- Marshall Properties, LLC	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc.*	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>																	
Unrestricted:																	
Gifts, contributions, and other	\$ 3,966,503	\$ 2,016,094	\$ 1,747,908	\$ 385,871	\$ 236,972	\$ 982,540	\$ 674,190	\$ 267,504	\$ 10,455,133	\$ 23,311	\$ -	\$ 294,675	\$ 65,750	\$ 358,092	\$ 317,005	\$ 362,955	\$ 28,475
Investment income (loss)	91,112	694,535	-	(448,925)	(1,873,883)	60,065	(474,704)	3,763	(5,871,574)	(1,472,419)	42,459	(127,267)	5,453	(8,943)	3,928	198	108
Reclassifications	373,924	88,665	-	1,350,924	2,103,133	670,482	9,635,006	162,960	-	1,533,524	615,724	(173,789)	256,711	423,000	2,091,723	711,951	30,101
Temporarily restricted:																	
Gifts, contributions, and other	-	119,296	-	336,155	1,410,630	571,257	3,969,443	63,230	-	1,120,990	198,387	1,058,406	124,559	42,325	2,115,648	1,509,771	36,058
Investment income (loss)	(64,364)	40,669	-	92,231	1,411,050	(138,205)	(3,374,394)	46,551	-	730,298	(37,114)	(226,240)	(56,083)	(25,821)	158,501	53,986	-
Reclassifications	-	(88,665)	-	(876,282)	(1,843,219)	(676,611)	(10,162,125)	(162,960)	-	(1,509,285)	(615,724)	173,789	(256,711)	(419,032)	(2,380,913)	(711,951)	(30,101)
Permanently restricted:																	
Gifts, contributions, and other	206,422	71,066	-	134,223	1,345,393	294,551	2,672,038	57,906	-	693,774	-	43,256	-	2,206,678	1,702,928	-	500,000
Investment income	(84,198)	-	-	(122,551)	166,489	-	(64,130)	-	-	25,748	-	94,332	(9,122)	-	-	-	-
Reclassifications	(373,923)	-	-	(474,642)	(259,914)	6,129	527,119	-	-	(24,239)	-	-	-	(3,968)	289,190	-	-
Total revenues, gains, and other support	4,115,476	2,941,660	1,747,908	377,004	2,696,651	1,770,208	3,402,443	438,954	4,583,559	1,121,702	203,732	1,137,162	130,557	2,572,331	4,298,010	1,926,910	564,641
<b>EXPENSES</b>																	
Scholarships, awards, and grants	1,852,500	123,171	1,367,117	772,333	871,247	528,292	3,627,154	113,413	-	1,509,129	300,220	460,414	67,698	401,736	-	198,930	23,048
College support	907,681	72,414	-	649,900	919,101	1,649,690	8,016,695	-	-	76,809	192,220	1,044,891	185,865	-	1,764,541	24,029	5,564
Management and general	1,350,505	362,552	167,340	324,854	396,492	473,309	1,574,549	159,660	12,367,935	703,587	116,847	152,184	61,641	239,591	392,859	244,426	-
Impairment loss	-	-	1,959,865	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	4,110,686	558,137	3,494,322	1,747,087	2,186,840	2,651,291	13,218,398	273,073	12,367,935	2,289,525	609,287	1,657,489	315,204	641,327	2,157,400	467,385	28,612
<b>CHANGE IN NET ASSETS</b>																	
Unrestricted	320,853	2,241,157	(1,746,414)	(459,217)	(1,720,618)	(938,204)	(3,383,906)	161,154	(7,784,376)	(2,205,109)	48,896	(1,663,870)	12,710	130,822	255,256	607,719	30,072
Temporarily restricted	(64,364)	71,300	-	(447,896)	978,461	(243,559)	(9,567,076)	(53,179)	-	342,003	(454,451)	1,005,955	(188,235)	(402,528)	(106,764)	851,806	5,957
Permanently restricted	(251,699)	71,066	-	(462,970)	1,251,968	300,680	3,135,027	57,906	-	695,283	-	137,588	(9,122)	2,202,710	1,992,118	-	500,000
Total change in net assets	4,790	2,383,523	(1,746,414)	(1,370,083)	509,811	(881,083)	(9,815,955)	165,881	(7,784,376)	(1,167,823)	(405,555)	(520,327)	(184,647)	1,931,004	2,140,610	1,459,525	536,029
<b>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</b>																	
	10,411,871	11,833,133	119,143	33,202,538	23,549,718	9,872,178	178,542,393	1,967,867	(33,544,641)	26,706,976	4,000,016	15,393,944	5,224,128	4,443,616	12,556,495	9,914,175	162,836
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>																	
	\$ 10,416,661	\$ 14,216,656	\$ (1,627,271)	\$ 31,832,455	\$ 24,059,529	\$ 8,991,095	\$ 168,726,438	\$ 2,133,748	\$ (41,329,017)	\$ 25,539,153	\$ 3,594,461	\$ 14,873,617	\$ 5,039,481	\$ 6,374,620	\$ 14,697,105	\$ 11,373,700	\$ 698,865

See accompanying notes to the financial statements.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**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, 2017 and 2016**

**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 24 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, 2017 and 2016**

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

**Financial Statement Presentation (Continued)**

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

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

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

*Unrestricted Net Position* - Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the Fund, and may be used at the discretion of the respective governing boards to meet current expenses for any purpose.

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

**Cash and Cash Equivalents** - For purposes of the statements of net position, the Fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**Cash and Cash Equivalents (Continued)**

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, and by the provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund which consists of eight investment pools and participant-directed accounts, three of which the state and local governmental agencies may invest in. These pools have been structured as multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual audited financial report. A copy of that annual audited financial report can be obtained from the following address: 1900 Kanawha Boulevard East, Room E-122, Charleston, West Virginia 25305 or <http://www.wvbt.com>.

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**Investments (Continued)**

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

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligation); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements, asset-backed securities; certificates of deposits; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature and any other program investments authorized by the legislature.

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

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

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

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

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

**Capital Assets** - Capital assets include property, plant, and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. 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 \$2.5 million and \$3.3 million for the years ended June 30, 2017 and 2016, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, 7 to 20 years for library assets, and 3 to 10 years for furniture and equipment. The estimated useful life of intangible assets varies. The financial statements reflect all adjustments required by GASB.

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

**Compensated Absences and Other Post Employment Benefits** - GASB provides standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2007, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the Fund was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan and its stand-alone financial statements can be obtained by contacting West Virginia Public Employees Insurance Agency (PEIA), State Capitol complex, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, West Virginia 25305-0710 or <http://www.wvpeia.com>.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

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

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

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service.

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

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



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**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 2017 and 2016, the Fund had a deferred loss on refunding of approximately \$28,301,000 and \$29,828,000, respectively, deferred outflows of resources related to interest rate swap agreement of approximately \$0 and \$333,000, respectively, and deferred outflows of resources related to pensions of approximately \$7,056,000 and \$3,038,000, respectively (Note 14). Deferred outflows are accreted over the periods of the refinancing bond issue related to the deferred loss on refinancing and the interest rate swap agreement.

**Deferred Inflows of Resources** - An acquisition of net position by the Fund that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statements of net position. Deferred inflows related to service concession arrangements are accreted over the periods of the service concession arrangements. As of June 30, 2017 and 2016, the Fund had total deferred inflows of resources of approximately \$38,538,000 and \$39,746,000 related to service concession arrangements. As of June 30, 2017 and 2016, the deferred inflows related to pensions were approximately \$4,140,000 and \$5,829,000 (Note 14). Other deferred inflows of resources include deferred gains on refunding and deferred federal Pell grants of approximately \$1,144,000 and \$515,000 as of June 30, 2017 and 2016, respectively.

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**Risk Management (Continued)**

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

The WVU and Marshall Schools of Medicine (SOMs) have established a \$250,000 deductible program under BRIM's professional liability coverage for the SOMs effective July 1, 2005. Starting July 1, 2005, the SOMs assumed the risk and responsibility for any and all indemnity amounts up to \$250,000 per occurrence and all loss expenses associated with medical malpractice claims and/or suits in exchange for a reduction in its premium for medical malpractice insurance. For fiscal year 2017, BRIM will provide coverage for indemnity amounts between \$250,000 and \$1,511,000 per occurrence. For fiscal year 2016, BRIM will provide coverage for indemnity amounts between \$250,000 and \$1,500,000 per occurrence. After June 30, 2016, BRIM coverage may increase annually based on the Consumer Price Index until it reaches a maximum of \$2,000,000 per occurrence. Prior to July 1, 2005, the HSC was totally covered by BRIM at a limit of \$1,000,000 per occurrence.

Under the program, the SOMs entered into an agreement with BRIM whereby the SOMs have on deposit \$4.5 million as of June 30, 2017 and 2016, 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 \$25.3 million and \$26.0 million as of June 30, 2017 and 2016, respectively, in an investment account with the West Virginia University Foundation to cover the liabilities under this program. Marshall has a receivable from the University Physicians & Surgeons, Inc. for the funding it has agreed to provide for the self-insurance liability of \$7.8 million and \$7.9 million as of June 30, 2017 and 2016, respectively. Based on actuarial valuations of this self-insurance program, the Fund has recorded a liability of \$30.0 million and \$29.6 million to reflect projected claim payments at June 30, 2017 and 2016, respectively, for both WVU's and Marshall's SOMs.

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

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

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

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

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

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

**Federal Financial Assistance Programs** - The Fund makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through the institutions within the Fund. Direct student loan receivables are not included in the Fund's statements of net position. In 2017 and 2016, the Fund received and disbursed, or awarded, approximately \$466 million and \$453 million, respectively, under the Direct Loan Program, which is not included as revenue and expense in the statements of revenues, expenses, and changes in net position.

The Fund also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2017 and 2016, the Fund received and disbursed approximately \$129 million and \$123 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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**Scholarship Allowances (Continued)**

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

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

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

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

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

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ materially from those estimates.

**Risk and Uncertainties** - Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain securities, it is reasonably possible that changes in risk and values will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**Reclassifications** - Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

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

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

The GASB has also issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which is effective for fiscal years beginning after December 15, 2016. This statement establishes recognition and measurement requirements for irrevocable split-interest agreements created through trusts – or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements – in which a donor irrevocably transfers resources to an intermediary. The intermediary administers these resources for the unconditional benefit of a government or at least one other beneficiary. The Fund has determined it has no irrevocable split-interest agreements.

The GASB has also issued Statement No. 86, *Certain Debt Extinguishment Issues*, which is effective for fiscal years beginning after June 15, 2017. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The adoption of this standard had no effect on the Fund's financial statements.

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

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

The GASB has also issued Statement No. 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 Fund has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

The GASB has also issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2018. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The Fund has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The GASB has also issued Statement No. 85, *Omnibus 2017*, which is effective for fiscal years beginning after June 15, 2017. Statement No. 85 addresses practice issues that have been identified during implementation of certain GASB statements. The Fund has not yet determined the effect that the adoption of GASB Statement No. 85 may have on its financial statements.

The 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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The composition of cash and cash equivalents at June 30, 2017 and 2016, was held as follows (dollars in thousands):

	<u>2017</u>		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
State Treasurer	\$ 319,698	\$ 13,769	\$333,467
Municipal Bond Commission	1,889	-	1,889
Trustee	2,953	48,947	51,900
Bank	46,376	750	47,126
Cash equivalents	7,394	-	7,394
Escrowed cash	-	4,521	4,521
On hand	<u>114</u>	<u>-</u>	<u>114</u>
	<u>\$ 378,424</u>	<u>\$ 67,987</u>	<u>\$ 446,411</u>
	<u>2016</u>		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
State Treasurer	\$ 306,558	\$ 16,048	\$ 322,606
Municipal Bond Commission	1,974	-	1,974
Trustee	8,437	62,728	71,165
Bank	52,080	675	52,755
Cash equivalents	9,380	-	9,380
Escrowed cash	-	4,532	4,532
On hand	<u>115</u>	<u>-</u>	<u>115</u>
	<u>\$ 378,544</u>	<u>\$ 83,983</u>	<u>\$ 462,527</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 \$25.8 million and \$26.7 million of restricted cash at June 30, 2017 and 2016, respectively. Cash equivalents are primarily related to amounts held in money markets, repurchase agreements, and savings accounts.

The combined carrying amounts of cash in the bank at June 30, 2017 and 2016, were \$48.3 million and \$52.7 million, as compared with the combined bank balance of \$52.7 million and \$39.1 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.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

Amounts with the State Treasurer as of June 30, 2017 and 2016 are comprised of approximately \$78.7 million and \$73.6 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	2017		2016	
	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	\$ 247,198	AAAm	\$ 241,155	AAAm
WV Government Money Market Pool	\$ 1,889	AAAm	\$ 2,064	AAAm
WV Short Term Bond Pool	\$ 5,690	Not Rated	\$ 5,735	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	2017		2016	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 247,198	36	\$ 241,155	49
WV Government Money Market Pool	\$ 1,889	52	\$ 2,064	50

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

External Pool	2017		2016	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	\$ 5,690	426	\$ 5,735	462



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**Cash in Bank with Trustee**

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

<u>Investment Type</u>	Carrying Value	
	2017	2016
	(in Thousands)	(in Thousands)
Money Market Fund	\$ 51,900	\$ 71,165

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

*Interest Rate Risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund's investment policy limits investment maturities from potential fair value losses due to increasing interest rates. No more than 5% of the money market fund's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. government and its agencies.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 4 - INVESTMENTS**

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Fund had the following recurring fair value measurements comprised of investments as of June 30, 2017 and 2016 (dollars in thousands):

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 4 - INVESTMENTS (CONTINUED)**

	2016			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
U.S. government investments				
Agency Obligations	\$ 2,536	\$ -	\$ 2,536	\$ -
Treasury Obligations	73,606	73,606	-	-
Mutual Money Market Funds	1,892	14	1,878	-
Corporate Bonds	10,263	10,228	35	-
Mutual Bond funds				
Brandywine Global Fixed Income	5,988	5,036	952	-
Guggenheim TR Bond	4,601	369	4,157	75.00
iShares Barclays 3-7 Year Treasury	3,616	379	3,237	-
iShares Barclays 7-10 Year Treasury	2,190	132	2,058	-
Wells Fargo	5	5	-	-
Fixed Income Funds				
CF Multi-Strategy Bond Fund	5,652	-	5,652	-
CFI Multi-Strategy Bond Investors Fund	1,428	-	1,428	-
IR&M Core Bond	8,962	-	8,962	-
Other	4,570	4,570	-	-
Mutual Stock Funds				
Aberdeen Emerging Markets	1,478	349	1,129	-
Burgundy Emerging Markets	1,293	1,263	30	-
Dodge & Cox International Stock Fund	1,322	744	578	-
Dodge & Cox Stock Fund	5,614	5,491	123	-
Eaton Vance	839	839	-	-
Equity Mutual Funds	23,718	23,718	-	-
Maingate MLP Fund	880	880	-	-
MFS International Value Fund	8,455	6,326	2,129	-
MFS Investment Management	5,064	5,064	-	-
Oppenheimer International Growth Fund	7,220	1,860	5,360	-
Other	182	182	-	-
SPDR S&P Oil and Gas	482	482	-	-
Van Eck Global Hard Assets	1,026	990	34	2
Vanguard S&P 500ETF	9,488	9,485	3	-
Vanguard Total Stock Market	18,958	18,937	7	14
Wells Fargo	326	326	-	-
Limited Partnership Equity				
Frontier Small Cap	693	693	-	-
TI Platform Fund	138	-	-	138
Investments Held by Marshall University Foundation	45,831	-	45,831	-
Other	13,570	12,931	-	639
Total	<u>271,886</u>	<u>\$ 184,899</u>	<u>\$ 86,119</u>	<u>\$ 868</u>
<b>Investments Measured at Net Asset Value (NAV)</b>				
BHR Offshore Fund	1,685			
Mudrick Dist Opportunity Fund	2,507			
RBR European Fund	1,229			
Salzman Offshore Fund	2,353			
<b>Investments Measured at Cost</b>				
Progenesis Technologies	100			
Total Investments	<u>\$ 279,760</u>			

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**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, 2017 and 2016, WVU's investments held with the Foundation were \$101.4 million and \$91.4 million, respectively. WVU's investments held with the Foundation are governed by investment policies and an investment management agency agreement that determine the permissible investments by category. The holdings include mutual money market funds, U.S. debt and equity securities, foreign debt and equity securities, and alternative investments. The investment management agency agreement outlines the acceptable exposure to each category of investment and generally outlines a liquidity goal. The agreement also states that at no time will illiquid investment assets (defined as those assets that cannot be converted into cash within 90 days) exceed 10% of any portfolio.

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

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 4 - INVESTMENTS (CONTINUED)**

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following tables as of June 30, 2017 and 2016 (dollars in thousands):

	2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Jefferies & Company, Inc.:				
Salzman Offshore Fund (2)	2,578	None	Quarterly	30 Days
Mudrick Dist Opportunity Fund (3)	3,083	None	Quarterly	90 Days
Total Investments Measured at the NAV	<u>\$ 5,661</u>			
	2016			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Jefferies & Company, Inc.:				
BHR Offshore Fund (1)	1,685	None	Quarterly	30 days
Salzman Offshore Fund (2)	2,353	None	Quarterly	30 days
Mudrick Dist Opportunity Fund (3)	2,507	None	Quarterly	90 days
RBR European Fund (4)	1,229	None	Daily	35 days
Total Investments Measured at the NAV	<u>\$ 7,774</u>			

1. *BHR Offshore Fund*. The Fund seeks to protect against capital losses through rigorous research combined with active hedging techniques. The Fund invests primarily in U.S. publicly traded debt and equity securities and focuses on special situations where it identifies one or more catalysts providing paths to value.
2. *Salzman Offshore Fund*. The Fund's primary investment objective is to employ a value-oriented, event-driven approach to produce superior capital appreciation while minimizing the risk of permanent capital loss by investing and trading in a variety of investment securities.
3. *Mudrick Distressed Opportunity Fund*. The Fund's investment objective is to maximize total return through investment in a portfolio of distressed debt and equities, focused predominantly on event driven value investments such as debt that trades at a discount to par, distressed and turnaround equities, post-reorganized equities, spin-offs and other event driven investments such as broken merger or acquisition deals and activist situations, among other. The Fund will invest in securities that the Investment Manager believes are trading at a significant discount to their intrinsic value, thus providing a large margin of safety.
4. *RBR European Fund*. The objective of the Fund is to achieve an above average annual return by investing long/short in quoted equities.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**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, 2017 and 2016, Standard & Poor's (S&P) credit ratings were as follows:

<u>Investment Type</u>	<u>Standard &amp; Poor's Rating</u>	
	<u>2017</u>	<u>2016</u>
Brandywine Global Fixed Income	A1-Aa2	AA- to Aa3
Common Fund Multi-Strategy Bond Fund	-	Average A+
Common Fund Multi-Strategy Bond Investors Fund	-	Average A+
Corporate Bonds	A3-BAa3	A-Ba
IR&M Core Bond	Aa3	Aa3
Guggenheim TR Bond	A	A
iShares Barclays 3-7 Year Treasury	Aaa	Aaa
iShares Barclays 7-10 Year Treasury	Aaa	Aaa
Mutual Money Market Funds	Aaa	Aaa

Remaining investments have not been rated.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**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):

**2017**

Investment Type	Investment Maturities				
	Fair Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
U.S Treasury Notes and U.S Government					
Backed Money Market Funds	\$18,473	\$18,473	\$ -	\$ -	\$ -
Mutual Bond Funds	22,144	1,048	4,465	7,857	8,414
Cash/Mutual Money Market Funds	1,525	1,525	-	-	-
Fixed Income Funds	9,966	478	5,918	1,707	1,863
Other Investments	160	-	-	-	160
	<u>\$52,268</u>	<u>\$21,884</u>	<u>\$10,383</u>	<u>\$9,564</u>	<u>\$10,437</u>

**2016**

Investment Type	Investment Maturities				
	Fair Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
U.S Treasury Notes and U.S Government					
Backed Money Market Funds	\$67,367	\$40,768	\$26,599	\$ -	\$ -
Mutual Bond Funds	16,400	944	5,338	5,614	4,504
Cash/Mutual Money Market Funds	1,878	1,878	-	-	-
Fixed Income Funds	16,042	1,023	4,825	3,667	6,527
Other Investments	162	2	-	-	160
	<u>\$101,849</u>	<u>\$44,615</u>	<u>\$36,762</u>	<u>\$9,281</u>	<u>\$11,191</u>

For WVU, interest rate risk is managed by limiting the time period or duration of the specific investment. At June 30, 2017, the U.S. Treasury Notes have maturities through November 30, 2017 and interest rates which range from .63% to 1.0%. At June 30, 2016, the U.S. Treasury Notes have maturities through November 30, 2017 and interest rates which range from .5% to 1.1%.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 4 - INVESTMENTS (CONTINUED)**

**Interest Rate Risk (Continued)**

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

<b>2017</b>		
<b>Bond Maturity</b>	<b>Market Value</b>	<b>% of Bond Market Value</b>
Less than 1 year	\$ 2,212	12.4%
1 to 5 years	9,323	52.3%
6 to 10 years	4,039	22.7%
Over 10 years	2,244	12.6%
Total	\$ 17,818	100.00%

<b>2016</b>		
<b>Bond Maturity</b>	<b>Market Value</b>	<b>% of Bond Market Value</b>
Less than 1 year	\$ 727	5.0%
1 to 5 years	7,128	47.0%
6 to 10 years	5,357	35.0%
Over 10 years	1,902	13.0%
Total	\$ 15,144	100.00%

**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, 2017 and 2016, 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, 2017 and 2016, there was no custodial credit risk.



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 4 - INVESTMENTS (CONTINUED)**

**Foreign Currency Risk**

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

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

<u>Currency</u>		<u>2017</u>		<u>2016</u>
Australian Dollar	\$	551	\$	1,126
Brazilian Real		519		652
British Pence		2,749		3,246
British Pound Sterling		-		333
British Pound		398		-
Canadian Dollar		793		727
Czech Koruna		74		14
Chilean Peso		27		587
China Renminbi		142		-
Danish Krone		326		360
Euro		5,861		5,586
Hong Kong Dollar		350		349
Hungarian Forint		34		17
Indian Rupee		762		572
Indonesian Rupiah		140		66
Israeli Agorot		-		34
Israeli Shekel		2		-
Japanese Yen		2,613		2,577
Malaysian Ringgit		167		297
Mexican Peso		532		989
New Turkish Lira		135		82
New Zealand Dollar		-		227
Norwegian Krone		342		421
Philippine Peso		103		64
Polish Zloty		168		327
Russian Ruble		103		25
Singapore Dollar		-		114
South African Cent		454		199
South African Rand		137		193
South Korean Won		456		219
Swedish Krona		596		1,015
Swiss Franc		1,943		1,989
Taiwanese Dollar		132		66
Thai Baht		251		169
US Dollar		38,322		27,436
	\$	<u>59,182</u>	\$	<u>50,078</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2017 and 2016, were as follows (dollars in thousands):

	<u>2017</u>	<u>2016</u>
Students - net of allowance of \$25,393 and \$23,100 in 2017 and 2016, respectively	\$ 25,047	\$ 19,843
Grants and contracts - net of allowance of \$1,419 and \$1,546 in 2017 and 2016, respectively	44,643	43,465
Auxiliary services	1,879	1,760
Due from State and State agencies	6,097	4,403
Other - net of allowance of \$789 and \$888 in 2017 and 2016, respectively	<u>21,442</u>	<u>22,012</u>
	<u>\$ 99,108</u>	<u>\$ 91,483</u>

**NOTE 6 - CAPITAL ASSETS**

The following, for the years ended June 30, 2017 and 2016, is a summary of capital assets transactions for the Fund (dollars in thousands):

	<b>2017</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Capital assets not being depreciated or amortized:				
Land	\$ 164,656	\$ 2,026	\$ 3	\$ 166,679
Construction in progress	303,176	133,858	271,100	165,934
Other	<u>132</u>	<u>-</u>	<u>-</u>	<u>132</u>
<b>Total capital assets not being depreciated or amortized</b>	<u>\$ 467,964</u>	<u>\$ 135,884</u>	<u>\$ 271,103</u>	<u>\$ 332,745</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

	2017			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Other capital assets:				
Land improvements	\$ 88,413	\$ 6,285	\$ 14	\$ 94,684
Infrastructure	386,647	11,852	183	398,316
Buildings	3,243,944	263,940	11,524	3,496,360
Equipment	392,852	31,343	16,208	407,987
Software	63,639	1,729	140	65,228
Library books	190,640	6,221	2,096	194,765
Intangibles and other	<u>120,365</u>	<u>6,007</u>	<u>-</u>	<u>126,372</u>
Total other capital assets	<u>4,486,500</u>	<u>327,377</u>	<u>30,165</u>	<u>4,783,712</u>
Less accumulated depreciation or amortization for:				
Land improvements	45,338	5,504	5	50,837
Infrastructure	286,918	9,973	168	296,723
Buildings	869,561	71,870	6,717	934,714
Equipment	270,563	29,463	13,823	286,203
Software	59,044	2,040	140	60,944
Library books	164,588	7,240	2,069	164,759
Intangibles and other	<u>108,504</u>	<u>12,470</u>	<u>-</u>	<u>120,974</u>
Total accumulated depreciation and amortization	<u>1,804,516</u>	<u>138,560</u>	<u>22,922</u>	<u>1,920,154</u>
<b>Other capital assets - net</b>	<u><b>\$2,681,984</b></u>	<u><b>\$188,817</b></u>	<u><b>\$ 7,243</b></u>	<u><b>\$2,863,558</b></u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

	<u>2017</u>			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
Capital asset summary:				
Capital assets not being depreciated or amortized	\$ 467,964	\$ 135,884	\$ 271,103	\$ 332,745
Other capital assets	<u>4,486,500</u>	<u>327,377</u>	<u>30,165</u>	<u>4,783,712</u>
Total cost of capital assets	4,954,464	463,261	301,268	5,116,457
Less accumulated depreciation and amortization	<u>1,804,516</u>	<u>138,560</u>	<u>22,922</u>	<u>1,920,154</u>
<b>Capital assets - net</b>	<u><b>\$3,149,948</b></u>	<u><b>\$ 324,701</b></u>	<u><b>\$ 278,346</b></u>	<u><b>\$3,196,303</b></u>
	<u>2016</u>			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
Capital assets not being depreciated or amortized:				
Land	\$ 162,751	\$ 3,449	\$ 1,544	\$ 164,656
Construction in progress	317,885	198,875	213,584	303,176
Other	<u>132</u>	<u>-</u>	<u>-</u>	<u>132</u>
<b>Total capital assets not being depreciated     or amortized</b>	<u><b>\$ 480,768</b></u>	<u><b>\$ 206,324</b></u>	<u><b>\$ 215,128</b></u>	<u><b>\$ 467,964</b></u>
Other capital assets:				
Land improvements	\$ 85,449	\$ 2,969	\$ 5	\$ 88,413
Infrastructure	378,242	8,467	62	386,647
Buildings	2,892,116	355,778	3,950	3,243,944
Equipment	378,570	28,526	14,244	392,852
Software	63,719	258	338	63,639
Library books	184,539	6,850	749	190,640
Intangibles and other	<u>120,118</u>	<u>247</u>	<u>-</u>	<u>120,365</u>
Total other capital assets	<u>4,102,753</u>	<u>403,095</u>	<u>19,348</u>	<u>4,486,500</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

	2016			Ending Balance
	Beginning Balance	Additions	Reductions	
Less accumulated depreciation or amortization for:				
Land improvements	40,445	4,895	2	45,338
Infrastructure	277,394	9,573	49	286,918
Buildings	803,089	66,858	386	869,561
Equipment	254,165	29,282	12,884	270,563
Software	57,120	2,239	315	59,044
Library books	157,027	7,580	19	164,588
Intangibles and other	<u>89,808</u>	<u>18,696</u>	<u>-</u>	<u>108,504</u>
Total accumulated depreciation and amortization	<u>1,679,048</u>	<u>139,123</u>	<u>13,655</u>	<u>1,804,516</u>
<b>Other capital assets - net</b>	<b><u>\$2,423,705</u></b>	<b><u>\$263,972</u></b>	<b><u>\$ 5,693</u></b>	<b><u>\$2,681,984</u></b>
Capital asset summary:				
Capital assets not being depreciated or amortized	\$ 480,768	\$ 202,324	\$ 215,128	\$ 467,964
Other capital assets	<u>4,102,753</u>	<u>403,095</u>	<u>19,348</u>	<u>4,486,500</u>
Total cost of capital assets	4,583,521	605,419	234,476	4,954,464
Less accumulated depreciation and amortization	<u>1,679,048</u>	<u>139,123</u>	<u>13,655</u>	<u>1,804,516</u>
<b>Capital assets - net</b>	<b><u>\$2,904,473</u></b>	<b><u>\$ 466,296</u></b>	<b><u>\$ 220,821</u></b>	<b><u>\$3,149,948</u></b>

The Fund maintains certain collections of inexhaustible assets to which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art, historical treasures, and literature that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

The Fund has construction commitments at June 30, 2017, of approximately the following (dollars in thousands):

Concord	\$	2,000
Fairmont		1,624
Marshall		3,342
Eastern West Virginia Community and Technical College		142
Pierpont		5
Northern		114
West Virginia University at Parkersburg		81
Policy Commission		1,200
WVSOM		3
WVU		<u>21,700</u>
	<u>\$</u>	<u>30,211</u>

**NOTE 7 - LONG-TERM LIABILITIES**

The following, for the years ended June 30, 2017 and 2016, is a summary of long-term obligation transactions for the Fund (dollars in thousands):

	<u>2017</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds, capital leases, and notes payable:					
Notes payable	\$ 42,247	\$ 28,734	\$ (13,548)	\$ 57,433	\$2,482
Capital leases payable	52,147	6,343	(7,415)	51,075	4,588
Bonds payable	<u>1,256,618</u>	<u>55,045</u>	<u>(75,500)</u>	<u>1,236,163</u>	41,111
Total bonds, capital leases, and notes payable	1,351,012	90,122	(96,463)	1,344,671	48,181
Advances from federal sponsors	44,180	251	(792)	43,639	-
Real estate purchase agreements payable	15,283	-	(1,472)	13,811	600
Accrued compensated absences	48,108	2,423	(2,434)	48,097	44,066
Future interest payable	40,188	-	(260)	39,928	4,462*
OPEB liability	326,975	13,839	(4,533)	336,281	-
Net pension liability	23,450	5,261	(611)	28,100	-
Other noncurrent liabilities	<u>37,514</u>	<u>11,312</u>	<u>(11,669)</u>	<u>37,157</u>	735
<b>Total long-term liabilities</b>	<u>\$ 1,886,710</u>	<u>\$ 123,208</u>	<u>\$ (118,234)</u>	<u>\$ 1,891,684</u>	

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

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

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

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS**

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2017, 2016, and 2015, the noncurrent liability related to OPEB costs was \$336.3 million, \$327.0 million, and \$308.8 million, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees were \$32.0 million, and \$20.1 million, respectively, during 2017 or 62.8 percent, \$40.5 million and \$22.5 million, respectively, during 2016 or 55.6 percent, and \$39.1 million and \$20.2 million, respectively, during 2015 or 51.7 percent. As of June 30, 2017, 2016, and 2015, there were approximately 1,551, 1,500, and 1,400, retirees receiving these benefits, respectively.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 9 - LEASE OBLIGATIONS**

**Capital** - The Fund leases certain property, plant, and equipment through capital leases. At June 30, 2017 and 2016, leased equipment and buildings with a net book value of approximately \$56.8 million and \$39.0 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, 2017 (dollars in thousands):

Years Ending June 30:

2018	\$ 7,006
2019	6,926
2020	7,005
2021	6,841
2022	16,237
2023-2027	16,047
2028-2032	10,110
2033-2037	10,045
2038-2042	<u>5,815</u>
Future minimum lease payments	86,032
Less interest	<u>34,957</u>
<b>Total</b>	<b><u>\$ 51,075</u></b>

The following is a related-party capital lease:

Marshall has a capital lease agreement with the Marshall University Graduate College Foundation, Inc. (the MUGC Foundation) for the Marshall University Graduate College's administration facility (the Facility). The fair value of the Facility was estimated by independent appraisal during the year ended June 30, 1995, at \$5 million (building \$4.3 million and land \$700,000), and the 21-year lease term commenced with the Marshall University Graduate College's occupancy of the Facility in June 1995. Ownership of the Facility transfers to Marshall at the end of the lease term. Ownership of the Facility transferred to Marshall University at the end of the lease term in 2016.



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**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, 2017, are as follows (dollars in thousands):

Years Ending June 30:

2018	\$ 7,506
2019	6,217
2020	4,630
2021	4,183
2022	3,378
2023-2027	14,332
2028-2032	9,307
2033-2037	526
2038-2042	5
2043-2047	5
2048-2052	5
2053-2057	<u>6</u>
<b>Total</b>	<b><u>\$ 50,100</u></b>

Total rent expense for these operating leases for the years ended June 30, 2017 and 2016, was approximately \$10.4 million and \$11.2 million, respectively.

The following is a related-party operating lease:

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 10 - NOTES PAYABLE**

During February 2014, the WV State signed a promissory note with Capital One Equipment Finance Corp borrowing \$2,700,000 at an interest rate of 6.65% to be used to partially finance the construction of a new athletic complex. The note matures in 2033, with principal payments due annually on October 1 starting in 2014. Interest payments are due annually on April 1 and October 1 starting April 2014. In February 2016, the Board of WVSU Foundation voted to submit \$55,000 for an extra payment of principal annually. The note balance at June 30, 2017 and 2016 was approximately \$3,446,000 and \$2,500,000, respectively.

In December 2012, the West Virginia Housing Development Fund, West Virginia Economic Development Authority, and West Virginia Infrastructure and Jobs Development Council loans were refinanced with United Bank, Inc., in the principal amount of \$22.1 million at an interest rate, initially 1.90 percent, resetting every five years. Beginning August 2014, the loan agreement allows the West Virginia University Research Corporation (a blended component unit of WVU) to prepay the loan with 60 days' notice and without any penalty or premium, and it allows the bank to "put" all or part of the loan to the West Virginia University Research Corporation with 60 days' notice and without any penalty or premium. The refinanced loan is collateralized by the facilities and revenues as defined in the agreement. The note balance at June 30, 2017 and 2016 was approximately \$18,900,000 and \$19,600,000, respectively. During fiscal year 2016, the West Virginia University Research Corporation negotiated a 90-day note with United Bank in the amount of \$12,000,000 for reimbursement of the purchase and start-up costs related to the Beckley campus. The note would have ended on September 27, 2016 but was extended until December 27, 2016 for the same amount under the same terms. On December 15, 2016, the West Virginia University Research Corporation closed on a note with United Bank for \$36,090,000. The proceeds of the loan were used to pay the 90 day note in full and to reimburse WVU for the purchase of the Beckley campus as well as for capital improvements to the campus. The amortization term is 30 years and the interest rate is set for 5-year increments beginning with a rate of 3.11 percent fixed for the first five years and a spread to the 5-year constant U.S. Treasury Maturity rate thereafter. During fiscal year 2017, West Virginia University Innovation Corporation, a blended component unit of WVU) negotiated a loan with United Bank in the amount of \$3.0 million. This loan will bear interest at a rate of 3.50% until June 28, 2021, at which time the loan will bear interest at a fixed rate equal to the give 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 terms is ten years. The proceeds of this loan were used to pay WVUIC's equipment lease/purchase agreement with United Bank in full. This loan is secured by certain property of West Virginia University Innovation Corporation.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

During fiscal year 2008, Marshall University Research Corporation (MURC), (a blended component unit of Marshall), borrowed the proceeds of a bond issuance by the Cabell County Commission for the construction of an addition to the Marshall University Forensic Science Center. MURC's repayment terms are the same as the bond repayment term. MURC is obligated to make interest payments commencing on October 10, 2008, for the interest due on the loan semiannually and to make annual principal payments starting on April 1, 2009, based on a hypothetical amortization of the then-remaining principal balance at the then-applicable interest rate for the then-remaining years of the original 20-year amortization period ending April 10, 2028. However, any unspent mortgage proceeds would go to pay the first amounts due for interest and principal. Any remaining principal balance shall be payable in full on April 10, 2028. The interest rate on the bonds was 3.2 percent at April 10, 2008, and continued to and included year five, and changes for each subsequent five-year period to the rate per annum equal to 67 percent of the five-year Treasury Constant Maturity in effect on that date, plus 1.67 percent per annum. The rate for the period of April 10, 2013 through April 10, 2018 is 1.6415 percent. The principal balance at June 30, 2017 and 2016, was approximately \$1,771,000 and \$1,932,000, respectively.

During fiscal year 2013, Glenville entered into a \$3.1 million note collateralized by a first lien on equipment installed in various buildings on campus. Interest is 3.10% with semiannual principal payments of \$131,907. The note matures June 2028. The note balance at June 30, 2017 and 2016 was approximately \$2,443,000 and \$2,627,000, respectively.

During fiscal year 2012, Glenville entered into a \$2.5 million note collateralized by a first lien on various parcels of real estate and a motel building. Interest is 5.54 percent with monthly principal payments of \$17,542. The note matures in June 2031. The note balance at June 30, 2017 and 2016 was approximately \$2,007,000 and \$2,107,000, respectively.

On November 7, 2013, the Commission executed a note payable to the West Virginia Economic Development Authority to finance a new boiler system for the property in the amount of \$1,485,000. The note payable bears interest at 3.42% 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, 2017 and 2016 was approximately \$1,010,000 and \$1,282,000, respectively.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2018	\$ 2,482	\$ 1,626	\$ 4,108
2019	2,103	1,580	3,683
2020	2,108	1,528	3,636
2021	2,457	1,458	3,915
2022	4,103	1,756	5,859
2023-2027	13,593	5,737	19,330
2028-2032	9,410	3,600	13,010
2033-2037	9,786	2,396	12,182
2038-2042	5,854	1,312	7,166
2043-2047	<u>5,537</u>	<u>410</u>	<u>5,947</u>
<b>Total</b>	<u>\$ 57,433</u>	<u>\$ 21,403</u>	<u>\$79,836</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 11 - INSTITUTION BONDS PAYABLE**

The Institutions within the Fund, at June 30, 2017 and 2016, have the following outstanding bonds payable (dollars in thousands):

	<u>Maximum Interest Rate</u>	<u>Annual Installments</u>	<u>Principal Outstanding</u>	
			<u>2017</u>	<u>2016</u>
Concord University – Revenue Bonds, 2014 Series, due through 2044	5.00	320-950	\$ 16,140	\$ 16,460
Fairmont State University – Facilities Improvement Revenue Bonds, 2006 Series, due through 2026	(10-year reset)	343-611	4,641	5,113
Fairmont State University – Revenue Refunding Bonds, 2012, Series A, due through 2032	5.00	730-1,155	16,380	17,185
Fairmont State University – Revenue Refunding Bonds, 2012, Series B, due through 2032	5.00	1,080-1,720	24,495	25,710
Fairmont State University – Revenue Refunding Bonds, 2015, Series A, due through 2045	5.00	580-1,665	29,620	30,200
Glenville State University – Student Housing Bonds, Series 2011A, due 2030	5.25	180-325	3,410	3,590
Glenville State University – Campus Community Center Bonds, Series 2006, due 2026	4.30	84-107	862	944
Glenville State University – Science Building Bonds, Series 2007, due in 2037	4.68	125-237	2,801	2,919
Glenville State University – Goodwin Hall Bonds, Series 2009, due in 2040	Variable	619-1,517	23,078	23,582
Marshall University – University Refunding Revenue Bonds 2010, due through 2030	5.00	915-2,885	28,825	30,410
Marshall University – University Refunding Bonds 2011, due through 2041	5.00	1,190-3,375	50,720	51,910
Mountwest Community and Technical College – Revenue Bonds, 2012, due through 2021	4.125	163-446	1,910	2,289
Shepherd University – Refinance Revenue Bonds, due through 2033	4.375	390-460	5,455	5,835
Shepherd University – Residence Facilities Revenue Bonds, due through 2035	4.50	575-1,450	-	18,435
Shepherd University – Wellness Center Facilities Revenue Bonds, Series 2007, due through 2037	5.00	450-1,170	-	16,250
Shepherd University – General Obligation Revenue Bond, due through 2037	3.65	1,235-2,368	34,343	-
West Liberty University – Revenue Refunding Bonds 2013, due through 2028	2.68	580-765	7,430	8,040
West Liberty University – Revenue Bonds 2012, due through 2027	3.25	585-785	7,490	8,100
West Virginia State University – University Refunding and Improvement Series 2012, due through 2030	4.50	50-2,965	8,730	8,785
West Virginia State University – University Revenue Bonds Series 2013, due through 2021	3.00	300-340	1,625	1,925

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

	<u>Maximum Interest Rate</u>	<u>Annual Installments</u>	<u>Principal Outstanding</u>	
			<u>2017</u>	<u>2016</u>
West Virginia University – Revenue Improvement Bonds 2011, Series A, due through 2026	3.87	35-62	\$ 9,969	\$ 10,484
West Virginia University – Revenue Improvement Bonds 2011, Series B, due through 2037	4.14	0-21,800	161,815	167,240
West Virginia University – Revenue Bonds (Taxable) 2012, Series A, due through 2042	4.50	35-62	12,152	12,411
West Virginia University - Revenue Bonds (Taxable) 2012, Series B, due through 2032	Variable	0-50	3,919	4,123
West Virginia University – Revenue Refunding and Improvement Bonds 2013, Series A, due through 2043	3.55	0-13,715	137,030	137,475
West Virginia University – Revenue Refunding and Improvement Bonds (Taxable) 2013, Series B, due through 2043	3.00	995-7,440	57,440	63,950
West Virginia University –Improvement Revenue Bonds 2014 Series A, due through 2045	4.30	855-30,285	60,000	60,000
West Virginia University –Improvement Revenue Bonds (Taxable) 2014 Series B, due through 2043	4.50	10,075-24,105	79,050	79,050
West Virginia University –Improvement Revenue Bonds 2014 Series C, due through 2042	.58	9,730-10,705	50,190	50,190
West Virginia University–Improvement Revenue Bonds 2016 Series A, due through 2043	1.74	0-678	<u>19,605</u>	<u>327</u>
			859,125	862,932
Less unamortized bond discount			(120)	(209)
Add unamortized bond premium			<u>42,221</u>	<u>44,743</u>
			<u>\$ 901,226</u>	<u>\$ 907,466</u>

A summary of the annual aggregate principal payments for years subsequent to June 30, 2017, is as follows (dollars in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2018	\$ 27,223	\$ 34,884	\$ 62,107
2019	26,298	34,051	60,349
2020	27,232	33,144	60,376
2021	28,178	32,221	60,399
2022	35,782	34,521	70,303
2023-2027	172,857	141,302	314,159
2028-2032	158,793	99,516	258,309
2033-2037	154,160	64,129	218,288
2038-2042	137,476	33,822	176,298
2043-2046	<u>91,126</u>	<u>6,794</u>	<u>97,920</u>
<b>Total</b>	<u><b>\$859,125</b></u>	<u><b>\$514,384</b></u>	<u><b>\$1,373,509</b></u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

The Glenville State College Series 2009 Goodwin Hall Bonds (Glenville 2009 Bonds) are classified as a current liability as of June 30, 2016.

On September 28, 2017, proceeds from the Series 2017 Bonds were used to pay in full the outstanding principal of the series 2009 Bonds. Accordingly, the Series 2009 payable is classified as current and noncurrent on the June 30, 2017 Statement of Net Position according to scheduled maturity.

**NOTE 12 - SYSTEM BONDS PAYABLE**

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

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

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

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

On December 17, 2010, \$16,520,000 of Series A Bonds, \$50,265,000 of Series B Bonds, and \$10,080,000 of Series C Bonds were sold. The Bonds were issued to provide funds to (i) fund certain higher education facilities projects, (ii) fund an interest subsidy reserve fund for the benefit of the Series B Bonds, and (iii) pay the costs associated with the issuance of these Bonds.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

The Series A, Series B, and Series C Bonds outstanding at June 30, 2012, consist of \$3,770,000, \$0, and \$8,740,000 serial bonds, respectively, with varying interests rates from 2.14 percent to 5.28 percent and mature through April 1, 2020. Additionally, term bonds from the Series A Bonds of \$12,750,000 with an interest rate of 5.00 percent mature April 1, 2026. Term bonds from the Series B Bonds of \$10,800,000 with an interest rate of 7.45 percent mature April 1, 2030, and of \$39,465,000 with an interest rate of 7.65 percent mature April 1, 2040.

The Commission, at June 30, 2017 and 2016, has the following outstanding bonds payable (dollars in thousands):

	Maximum Interest Rate	Original Range of Annual Installments	Principal Outstanding	
			2017	2016
Series 2012A — Revenue Refunding Bonds, due through 2034	5.00%	\$1,425–\$42,100	\$ 110,975	\$ 115,100
Series 2012B — Revenue Bonds, due through 2034	5.00	200–2,400	6,700	6,985
Series 2010A — Revenue Bonds, due through 2026	5.00	235–12,750	16,520	16,520
Series 2010B — Revenue Bonds, due through 2040	7.65	10,800–39,465	50,265	50,265
Series 2010C — Revenue Bonds, due through 2018	5.28	1,340–1,580	1,420	3,000
Series 2009A — Community and Technical College Improvement Revenue Bonds, due through 2039	5.25	1,425–4,760	68,035	69,650
Series 2007A — Revenue Refunding Bonds, due through 2027	5.00	185–1,880	15,765	17,130
Series 2000A — University System Bonds, due through 2031	6.26	0–3,264	22,229	24,732
Series 1998 — University System Bonds, due through 2028	5.25	1,065–3,625	<u>31,260</u>	<u>33,305</u>
			323,169	336,687
Add bond premium			12,122	12,834
Less bond discount			<u>(354)</u>	<u>(369)</u>
<b>Total</b>			<u><u>\$334,937</u></u>	<u><u>\$ 349,152</u></u>



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2017, is as follows (dollars in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2018	\$ 13,888	\$ 20,165	\$ 34,053
2019	14,301	19,748	34,049
2020	14,736	19,311	34,047
2021	15,199	18,851	34,050
2022	15,737	18,319	34,056
2023-2027	86,553	82,370	168,923
2028-2032	78,329	58,269	136,598
2033-2037	56,040	17,438	73,478
2038-2040	<u>28,386</u>	<u>3,779</u>	<u>32,165</u>
<b>Total</b>	<b><u>\$323,169</u></b>	<b><u>\$258,250</u></b>	<b><u>\$ 581,419</u></b>

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

**NOTE 13 - UNRESTRICTED NET POSITION**

The Fund's unrestricted net position at June 30, 2017 and 2016, includes certain designated net position as follows (dollars in thousands):

	<u>2017</u>	<u>2016</u>
Designated for auxiliaries	\$ 12,914	\$ 11,720
Designated for repair, replacement, and new property	9,607	11,358
Other	13,238	11,629
Undesignated	<u>11,789</u>	<u>(31,780)</u>
Total unrestricted net assets before OPEB liability	47,548	2,927
Less OPEB liability	<u>336,281</u>	<u>326,975</u>
<b>Total unrestricted net position</b>	<b><u>\$ (288,733)</u></b>	<b><u>\$ (324,048)</u></b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 14 - RETIREMENT PLANS**

Substantially all full-time employees of the Fund participate in either the TRS or the Teachers' Insurance and Annuities Association — College Retirement Equities Fund (TIAA-CREF). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the TRS and TIAA-CREF. Effective July 1, 1991, the TRS was closed to new participants. Current participants in the TRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan (TDC). Contributions to and participation in the TDC by Fund employees have not been significant to date. Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the New Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan.

**Defined Contribution Benefit Plans**

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

Total contributions to Educators Money for the years ended June 30, 2017, 2016 and 2015, were approximately \$1,348,000, \$1,361,000 and \$1,365,000, respectively, which consisted of approximately \$671,000, \$681,000 and \$682,000, from the covered employees in 2017, 2016, and 2015, respectively.

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**Defined Contributions Benefit Plans (Continued)**

Total contributions to the TIAA-CREF for the years ended June 30, 2017, 2016, and 2015, were approximately \$90.3 million, \$88.2 million, and \$84.6 million, respectively, which consisted of approximately \$45.1 million, \$44.1 million, and \$43.1 million from the Fund in 2017, 2016, and 2015, respectively, and approximately \$45.2 million, \$44.1 million, and \$43.2 million, from the covered employees in 2017, 2016, and 2015, respectively.

The Fund's total payroll for the years ended June 30, 2017, 2016, and 2015, was approximately \$865.3 million, \$847.7 million, and \$831.5 million, respectively, and total covered employees' salaries in the TIAA-CREF and Educators Money were approximately \$748.5 million, and \$11.3 million for the year ended June 30, 2017; \$738.4 million, and \$11.3 million for the year ended June 30, 2016 and \$613.7 million and \$11.3 million for the year ended June 30, 2015.

**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, 2017 and 2016 (dollars in thousands):

	2017	2016
Net Pension Liability	\$28,100	\$23,450
Deferred Outflows of Resources	7,056	3,038
Deferred Inflows of Resources	4,140	5,829
Revenues	4,674	4,083
Pension Expense	5,949	4,179
Contributions Made by the Fund	2,255	2,496

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**Defined Benefit Plan (Continued)**

***Plan Description***

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

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

***Benefits Provided***

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

***Contributions***

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**Defined Benefit Plan (Continued)**

**Employer Contributions:** Employers make the following contributions:

The State (including institutions of higher education) contributes:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll of members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by State residents, and
5. under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2016 and 2015, respectively, the Fund's proportionate share attributable to this special funding subsidy was \$4,757 and \$3,764.

The Fund's contributions to TRS for the years ended June 30, 2017, 2016, and 2015 were approximately \$2.3 million, \$2.5 million, and \$3.0 million, respectively.

***Assumptions***

For the year ended June 30, 2017, the total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2015 and rolled forward to June 30, 2016. For the year ended June 30, 2016, total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2014 and rolled forward to June 30, 2015. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll
- Asset valuation method: Investments are reported at fair (market) value
- Amortization method and period for contributions: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses
- Projected salary increases: Teachers 3.00 – 6.00% and non-teachers 3.00 – 6.50%, based on age
- Inflation rate of 3.0%
- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables
- Withdrawal rates: Teachers 1.2 – 35% and non-teachers 1.4 – 24.7%

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**Defined Benefit Plan (Continued)**

***Assumptions (Continued)***

- Disability rates: 0 – 0.704%
- Retirement age: An age-related assumption is used for participants not yet receiving payments
- Retirement rates: 0 – 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.

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, 2017 and 2016 are summarized below.

<b>2017</b>	<b>Long-term Expected</b>	<b>Target</b>
<b>Asset Class</b>	<b>Real Rate of Return</b>	<b>Allocation</b>
Domestic Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High-yield Fixed Income	5.5%	7.5%
TIPS	2.7%	0.0%
Real Estate	7.0%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**Defined Benefit Plan (Continued)**

***Assumptions (Continued)***

2016 Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Domestic Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High-yield Fixed Income	5.5%	7.5%
Real Estate	7.0%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%
Cash	1.5%	0.0%

**Discount rate.** The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, TRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on TRS' investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the pension plan's fiduciary net position, a municipal bond rate of 2.71% is to be used to discount the benefit payments not covered by the plan's fiduciary net position. The rate equals the S&P Municipal Bond 20 Year High Grade Rate Index at June 30, 2016.

**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, 2017 and 2016 calculated using the discount rate of 7.50%, as well as what the Fund's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (dollars in thousands).

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability 2017	\$35,450	\$28,100	\$21,703
Net Pension Liability 2016	\$29,975	\$23,450	\$17,366

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

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

At June 30, 2017, the Fund's proportionate share of the TRS net pension liability was \$81.8 million. Of this amount, the Fund recognized approximately \$28.1 million as its proportionate share on the Statement of Net Position. The remainder of \$53.7 million denotes the Fund's proportionate share of net pension liability attributable to the special funding.

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

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to TRS for each of the fiscal years ended June 30, 2016 and 2015. Employer contributions are recognized when due. At June 30, 2016, the Fund's proportion was 0.6837270%, an increase of 0.0073680% from its proportion of 0.6763590% calculated as of June 30, 2015. At June 30, 2015, the Fund's proportion was 0.676359%, a decrease of 0.070129% from its proportion of 0.759412% calculated as of June 30, 2014.

For the years ended June 30, 2017 and 2016, the Fund recognized TRS pension expense of \$5.9 million and \$4.2 million respectively. Of this amount, \$1.4 and \$.6 million, respectively, was recognized as the Fund's proportionate share of the TRS expense, \$4.3 million and \$3.8 million, respectively, as the amount of pension expense attributable to special funding from a non-employer contributing entity and \$.2 and \$.2, respectively as the amount of pension expense from a non-employer contributing entity not attributable to a special funding situation. The Fund also recognized revenue of \$4,674 and \$4,083, respectively, for support provided by the State.



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**Defined Benefit Plan (Continued)**

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

At June 30, 2017, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows (dollars in thousands).

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	\$1,062	\$3,963
Net Difference between Projected and Actual Experience	253	163
Net Difference between Projected and Actual Investment Earnings	2,281	14
Change in Assumptions	1,096	-
Contributions After the Measurement Date	2,364	-
	<u>\$7,056</u>	<u>\$4,140</u>

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**Defined Benefit Plan (Continued)**

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

The Fund will recognize the \$2,364 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows (dollars in thousands).

<u>Fiscal Year Ended</u>	<u>Amortization</u>
June 30, 2018	\$471
June 30, 2019	471
June 30, 2020	(385)
June 30, 2021	(801)
June 30, 2022	(308)
	<u>(552)</u>

***Payables to the pension plan***

The Fund did not report any amounts payable for normal contributions to the TRS as of June 30, 2017 or 2016.

**NOTE 15 – FOUNDATIONS**

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**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 \$854.9 and \$774.8 million at June 30, 2017 and 2016, 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, 2017 and 2016 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, 2017 and 2016, because it was not significant to the Fund.

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

**NOTE 16 - OTHER DISCRETE COMPONENT UNITS**

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

**NOTE 17 - AFFILIATED ORGANIZATIONS**

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**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 \$34,952,000 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 \$123,000 and \$199,000 at June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016, the University recognized management fee revenue and its share of the net revenue of \$20,000 and \$346,000, respectively. This revenue is included in revenue from auxiliary enterprises on the statement of revenues, expense and changes in net position.

Marshall University (Marshall) has a contract with Sodexo to provide food services within Marshall's facilities on the Huntington campus. These services provide Marshall with the best, most accurate and appropriate campus dining program that enhances the student's quality of life and is supportive of the education experience. The current contract began on August 16, 2009, and allows for nine annual renewals. Sodexo provides meal plans to students through the University as well as offering cash sales to the University community. Marshall receives annual commission payments from Sodexo calculated as a contractually agreed percentage of cash sales and Marshall pays Sodexo for the meal plans from fees collected by Marshall from students. In 2017 and 2016, Marshall received \$663,005 and \$630,752 respectively, in commissions from Sodexo. No renovations to Marshall facilities were made by Sodexo in 2017 or 2016. Sodexo made renovations that were capitalized by Marshall totaling \$3,075,159 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, 2017 and 2016, Marshall has a deferred inflow of \$531,592 and \$781,753, respectively, for the unaccreted inflow for renovations, and an accrued service concession liability of \$117,027 and \$221,051, respectively, for estimated insurance and maintenance costs that Marshall will be required to pay through the end of the contract.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**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, 2017 or 2016.

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, 2017, WVU is committed to an additional \$1.5 million purchase to meet the minimum steam purchase requirement for the contract year ended September 30, 2017. WVU anticipates substantially meeting the minimum steam purchase requirement for the remaining term of its commitment; however, payments in future years will be dependent on actual operating costs and other cost indices in those years.

WVU has consented to the reduction of its distributions from future Big 12 revenues (of which \$2 million and \$3 million is recorded as an other noncurrent liability as of June 30, 2017 and 2016, respectively), if the West Virginia University Foundation, Inc. does not make required payments under its \$10 million promissory note with the Big 12.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 20 - COMPONENT UNITS' DISCLOSURES**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

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

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

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

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

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**Endowments** - See separately issued component unit financial statements for endowment related disclosures. For the years ended June 30, 2017 and 2016, there were no material reclasses among net asset classes no were there material changes in the endowments.

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

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

**Discontinued Operations** - Bluefield State College Research and Development Corporation's Mountain View dormitory has been accounted for as discontinued operations for the year ended June 30, 2016. As of June 30, 2016, the building and land associated with the Mountain View dormitory were being actively marketed for sale to a third party. All of the assets and related liabilities of the dormitory are considered to be held for sale in accordance with accounting principles generally accepted in the United States of America. Depreciation and amortization expense associated with discontinued operations was \$248,412 for the year ended June 30, 2016. As of June 30, 2017 the pending sale on the dormitory did not occur and the Mountain View Dormitory no longer meets the criteria to be classified as held for sale or discontinued operations. This change to the plan of sale results in a reclassification of the related assets, liabilities, income and expense to continuing operations as property held and used.

If the Mountain View dormitory had still met the criteria to be discontinued operations held for sale at June 30, 2017, the following is a summary of the change in net assets from discontinued operations for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Rental income	\$409,668	\$477,869
Contributions	728,318	410,489
Other income	21,288	43,923
Program services expense	(954,194)	(958,289)
Impairment loss	(820,090)	(1,959,865)
Change in net assets from discontinued operations	<u><u>\$(610,010)</u></u>	<u><u>\$(2,012,873)</u></u>



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

If the Mountain View dormitory had still met the criteria to be discontinued operations held for sale at June 30, 2017, the assets and liabilities of the discontinued operations are summarized below at June 30:

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$10,170	\$12,860
Receivables, net of allowance for doubtful		
Accounts of \$124,289 and \$35,033, respectively	39,230	66,043
Total current assets	<u>\$49,400</u>	<u>\$78,903</u>
Property and equipment, net	<u>393,802</u>	<u>1,284,000</u>
Total assets	<u>\$443,202</u>	<u>\$1,362,903</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$26,097	\$41,034
Current portion of long-term debt	85,257	80,705
Total current liabilities	<u>111,354</u>	<u>121,739</u>
Long-term debt, less current portion	<u>1,097,899</u>	<u>1,190,426</u>
Total liabilities	<u>\$1,209,253</u>	<u>\$1,312,165</u>

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

In recent years, the Bluefield State College Foundation (the Foundation) has contributed approximately \$1.0 million to help sustain the Corporation's operations, primarily to support operating costs of the Mountain View dormitory. In addition to these contributions, the Foundation has also forgiven the interest due on the \$2.0 million note payable. Future contributions from the Foundation or other organization are uncertain. A reduction or elimination of these contribution in the future, in addition to continuing decreases in occupancy at the Mountain View dormitory, would have a significant impact on the sustainability of the Corporation's operations and creates substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the Corporation's financial statements were issued.

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

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

Construction in progress reported on the component units – statements of net assets at June 30, 2017 and 2016 of \$18,927,071 and \$2,001,552, respectively, represent costs incurred related to the construction of the student housing facility project. No depreciation will be recognized on these costs until the construction is complete and the building is placed into service. The building was placed into service in August 2017.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**INVESTMENTS**

The component units' investment securities at June 30, 2017 and 2016, are composed of the following:

	2017														
	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glennville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc. *	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.
Cash and temporary investments	\$ 121,596	\$ 356,420	\$ 496,872	\$ 677,675	\$ 647,852	\$ -	\$ -	\$ 681,356	\$ 59,290	\$ 275,253	\$ 583,224	\$ 1,332,276	\$ 83,965	\$ -	\$ -
U.S. government securities	3,842	-	11,363,266	-	-	-	-	1,155,049	-	100,046	100,858	7,649,748	-	-	-
Corporate and municipal bonds and notes	-	1,246,534	-	7,149,237	2,227,163	-	-	1,079,045	-	355,688	280,651	12,541,954	2,263,314	774,588	50,213
Mutual funds	7,000,256	3,650,001	18,655,348	15,909,157	2,941,992	39,078,277	373,264	17,913,439	-	3,656,919	1,499,748	-	6,082,382	6,671,583	-
Equity investments	557,252	5,634,906	5,610,452	485,869	3,675,256	88,437,230	-	2,083,416	3,493,258	9,231,536	1,407,819	13,448,519	-	3,668,709	208,212
Other	14,537	407,133	981,120	58,895	-	74,615,426	-	112,759	-	1,019,442	224,406	7,004,256	2,982,460	-	-
	<u>\$ 7,697,483</u>	<u>\$ 11,294,994</u>	<u>\$ 37,107,058</u>	<u>\$ 24,280,833</u>	<u>\$ 9,492,263</u>	<u>\$ 202,130,933</u>	<u>\$ 373,264</u>	<u>\$ 23,025,064</u>	<u>\$ 3,552,548</u>	<u>\$ 14,638,884</u>	<u>\$ 4,096,706</u>	<u>\$ 41,976,753</u>	<u>\$ 11,412,121</u>	<u>\$ 11,114,880</u>	<u>\$ 258,425</u>
	2016														
	Big Green Scholarship Foundation Inc.	Bluefield State College Foundation Inc.	Concord University Foundation, Inc.	Fairmont State Foundation Inc.	The Glennville State College Foundation, Inc.	The Marshall University Foundation, Inc.	New River Community and Technical College Foundation, Inc.	The Shepherd University Foundation, Inc.	Southern West Virginia Community College Foundation, Inc. *	West Liberty University Foundation, Inc.	West Virginia Northern Community College Foundation, Inc.	West Virginia School of Osteopathic Medicine Foundation, Inc.	West Virginia State University Foundation, Inc.	WVU at Parkersburg Foundation, Inc.	Blue Ridge Community & Technical College Foundation, Inc.
Cash and temporary investments	\$ 579,210	\$ 510,978	\$ 1,111,707	\$ 656,780	\$ 1,378,558	\$ -	\$ -	\$ 778,988	\$ 59,116	\$ 315,107	\$ 501,243	\$ 1,166,284	\$ 188,292	\$ 50,000	\$ -
U.S. government securities	2,047,794	-	3,889,712	-	-	-	-	2,290,350	-	618,007	104,922	4,988,334	-	349,271	-
Corporate and municipal bonds and notes	-	1,111,893	-	6,109,850	1,475,313	-	-	1,837,558	-	415,338	284,859	11,879,328	2,856,521	439,128	-
Mutual funds	-	3,205,191	20,207,567	1,109,028	4,265,169	30,013,333	337,969	14,832,667	-	2,395,707	1,268,589	-	5,141,035	6,304,906	-
Equity investments	4,471,836	5,544,674	8,835,993	11,803,305	342,725	81,612,197	-	1,667,357	3,020,157	7,837,999	1,299,304	7,044,999	14,531	3,384,322	-
Other	-	411,891	805,530	-	-	51,707,132	-	116,764	-	879,052	150,979	8,240,629	2,839,382	-	-
	<u>\$ 7,098,840</u>	<u>\$ 10,784,627</u>	<u>\$ 34,850,509</u>	<u>\$ 19,678,963</u>	<u>\$ 7,461,765</u>	<u>\$ 163,332,662</u>	<u>\$ 337,969</u>	<u>\$ 21,523,684</u>	<u>\$ 3,079,273</u>	<u>\$ 12,461,210</u>	<u>\$ 3,609,896</u>	<u>\$ 33,319,574</u>	<u>\$ 11,039,761</u>	<u>\$ 10,527,627</u>	<u>\$ -</u>

\* December 31 year-end

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

**PROPERTY AND EQUIPMENT**

The component units' property and equipment at June 30, 2017 and 2016, consists of the following:

2017											
	Big Green Scholarship Foundation <u>Inc.</u>	Bluefield State College Research and Development <u>Corporation</u>	Concord University Foundation, <u>Inc.</u>	Fairmont State Foundation <u>Inc.</u>	The Glennville State College Foundation, <u>Inc.</u>	The Marshall University Foundation, <u>Inc.</u>	New River Community and Technical College Foundation, <u>Inc.</u>	Provident Group- Marshall Properties, <u>LLC</u>	The Shepherd University Foundation, <u>Inc.</u>	West Virginia State University Foundation, <u>Inc.</u>	WVU at Parkersburg Foundation, <u>Inc.</u>
Land and Land Improvements	\$ -	\$ 773,967	\$ -	\$ -	\$ 550,043	\$ 2,442,000	\$ -	\$ -	\$ -	\$ 166,000	\$ 24,592
Buildings	-	-	-	-	3,067,718	12,323,230	-	77,404,121	-	1,282,353	-
Equipment	-	-	74,965	21,062	54,627	1,086,151	-	7,617,631	18,669	63,463	3,900
Furniture	-	-	-	-	-	-	-	-	-	-	72,000
Other	142,481	-	-	-	75,169	-	-	66,688	18,927,071	-	980,581
Accumulated Depreciation	(127,714)	(7,076)	(73,105)	(14,434)	(377,989)	(3,080,119)	-	(23,478,910)	(13,614)	(812,370)	(17,310)
Property and Equipment, Net	<u>\$ 14,767</u>	<u>\$ 766,891</u>	<u>\$ 1,860</u>	<u>\$ 6,628</u>	<u>\$ 3,369,568</u>	<u>\$ 12,771,262</u>	<u>\$ -</u>	<u>\$ 61,609,530</u>	<u>\$ 18,932,126</u>	<u>\$ 699,446</u>	<u>\$ 1,063,763</u>
2016											
	Big Green Scholarship Foundation <u>Inc.</u>	Bluefield State College Research and Development <u>Corporation</u>	Concord University Foundation, <u>Inc.</u>	Fairmont State Foundation <u>Inc.</u>	The Glennville State College Foundation, <u>Inc.</u>	The Marshall University Foundation, <u>Inc.</u>	New River Community and Technical College Foundation, <u>Inc.</u>	Provident Group- Marshall Properties, <u>LLC</u>	The Shepherd University Foundation, <u>Inc.</u>	West Virginia State University Foundation, <u>Inc.</u>	WVU at Parkersburg Foundation, <u>Inc.</u>
Land and Land Improvements	\$ -	\$ 822,865	\$ -	\$ -	\$ 550,043	\$ 2,442,000	\$ 66,808	\$ -	\$ -	\$ 166,000	\$ -
Buildings	-	841,300	-	-	3,067,718	12,323,230	307,746	77,378,002	-	1,282,353	24,592
Equipment	-	-	72,746	21,062	50,387	1,095,672	-	7,528,178	18,970	-	-
Furniture	-	-	-	-	-	-	-	-	-	63,463	3,900
Other	262,741	-	-	-	69,048	-	-	-	2,001,552	-	390,511
Accumulated Depreciation	(186,159)	(7,076)	(70,760)	(11,516)	(302,573)	(2,684,950)	(51,291)	(20,542,019)	(12,838)	(773,933)	(130)
Property and Equipment, Net	<u>\$ 76,582</u>	<u>\$ 1,657,089</u>	<u>\$ 1,986</u>	<u>\$ 9,546</u>	<u>\$ 3,434,623</u>	<u>\$ 13,175,952</u>	<u>\$ 323,263</u>	<u>\$ 64,364,161</u>	<u>\$ 2,007,684</u>	<u>\$ 737,883</u>	<u>\$ 418,873</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**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 \$20,000,000 to finance Phase 1 of the Health Science Center infrastructure plan and to pay costs of issuance.

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

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

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

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

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

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

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**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 \$12,710,197. The bonds were issued as the First Supplemental Indenture, supplementing and amending the Bond Trust Indenture, dated November 1, 2004.

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 21 - SEGMENT INFORMATION (CONTINUED)**

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

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

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

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



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 21 - SEGMENT INFORMATION (CONTINUED)**

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

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

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

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 21 - SEGMENT INFORMATION (CONTINUED)**

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

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

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

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 21 - SEGMENT INFORMATION (CONTINUED)**

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

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

**State of West Virginia, 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 \$82,013. 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 \$2,815,000 of Revenue Bonds, 2013 Series A. These bonds are secured by and payable from fees assessed to the students of West Virginia State University held under the Indenture. The proceeds of these Bonds are being used to (1) refund 2002 Series A, (2) acquire equipment, and (3) pay costs of issuance of 2013 Bonds and related costs.

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 21 – SEGMENT INFORMATION (CONTINUED)**

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

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

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

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 21 - SEGMENT INFORMATION (CONTINUED)**

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 21 - SEGMENT INFORMATION (CONTINUED)**

Condensed financial information for the Fund's segments as of June 30, 2017 and 2016, is as follows (dollars in thousands):

	2017										
	WVU Auxiliaries	Marshall Revenue Series 2010 and 2011	Fairmont Improvement Series 2006	Fairmont Revenue Refunding Bonds 2012 and Housing Construction Series 2015	Shepherd Residence Facilities 2005	Shepherd Wellness Center 2007	Shepherd Revenue Refunding 2013	Shepherd Revenue Refunding 2017	WV State Capital, Housing, Student Union, 2013 Series A	West Liberty Revenue Refunding 2013	West Liberty Capital Improvement 2012
<b>CONDENSED STATEMENT OF NET POSITION</b>											
Assets:											
Current assets	\$ 72,028	\$ 15,368	\$ -	\$ 12,104	\$ -	\$ -	\$ 3,152	\$ 10,382	\$ 1,538	\$ 6,908	\$ 720
Noncurrent assets	1,129,968	144,884	6,257	79,130	-	-	7,190	36,431	13,121	9,985	9,743
Total assets	1,201,996	160,252	6,257	91,234	-	-	10,342	46,813	14,659	16,893	10,463
Deferred outflows of resources	13,164	921	-	1,052	-	-	-	-	-	73	-
<b>TOTAL</b>	<b>\$ 1,215,160</b>	<b>\$ 161,173</b>	<b>\$ 6,257</b>	<b>\$ 92,286</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,342</b>	<b>\$ 46,813</b>	<b>\$ 14,659</b>	<b>\$ 16,966</b>	<b>\$ 10,463</b>
Liabilities:											
Current liabilities	\$ 43,688	4,614	494	4,878	-	-	852	1,851	1,806	649	1,064
Noncurrent liabilities	657,308	80,768	4,160	69,926	-	-	5,101	33,108	9,995	6,810	6,870
Total liabilities	700,996	85,382	4,654	74,804	-	-	5,953	34,959	11,801	7,459	7,934
Deferred inflows of resources	37,201	423	-	-	-	-	-	-	-	-	-
Total	738,197	85,805	4,654	74,804	-	-	5,953	34,959	11,801	7,459	7,934
Net position:											
Net investment in capital assets	511,599	63,880	1,873	8,676	-	-	1,699	2,065	9,607	2,628	1,843
Restricted/designated	55,951	1	-	8,806	-	-	-	-	464	6,879	686
Unrestricted	(90,587)	11,487	-	-	-	-	2,690	9,789	(7,213)	-	-
Total net position	476,963	75,368	1,873	17,482	-	-	4,389	11,854	2,858	9,507	2,529
<b>TOTAL</b>	<b>\$ 1,215,160</b>	<b>\$ 161,173</b>	<b>\$ 6,527</b>	<b>\$ 92,286</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,342</b>	<b>\$ 46,813</b>	<b>\$ 14,659</b>	<b>\$ 16,966</b>	<b>\$ 10,463</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>											
Operating:											
Operating revenues	\$ 172,259	\$ 28,432	\$ 559	\$ 12,113	\$ 10,339	\$ 1,893	\$ 2,580	\$ 4,078	\$ 1,689	\$ 609	\$ 840
Operating expenses	(156,118)	(20,351)	-	(6,960)	(8,982)	(1,482)	(637)	(3,609)	(2,960)	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Net operating income	16,141	8,081	559	5,153	1,357	411	1,943	469	(1,271)	609	840
Nonoperating:											
Transfers from Institution	43,405	1,606	-	-	-	-	-	-	-	-	-
Nonoperating revenues	33,324	427	-	-	111	6	119	11,857	786	-	1
Nonoperating expenses	(28,046)	(5,071)	(348)	(8,449)	(11,395)	(1,761)	(215)	(472)	(700)	(1,300)	(413)
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>64,824</b>	<b>5,043</b>	<b>211</b>	<b>(3,296)</b>	<b>(9,927)</b>	<b>(1,344)</b>	<b>1,847</b>	<b>11,854</b>	<b>(1,185)</b>	<b>(691)</b>	<b>428</b>
<b>NET POSITION – Beginning of year</b>	<b>\$ 412,139</b>	<b>\$ 70,325</b>	<b>\$ 1,662</b>	<b>\$ 20,778</b>	<b>\$ 9,927</b>	<b>\$ 1,344</b>	<b>\$ 2,542</b>	<b>\$ -</b>	<b>\$ 4,043</b>	<b>\$ 10,198</b>	<b>\$ 2,101</b>
<b>NET POSITION – End of year</b>	<b>\$ 476,963</b>	<b>\$ 75,368</b>	<b>\$ 1,873</b>	<b>\$ 17,482</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,389</b>	<b>\$ 11,854</b>	<b>\$ 2,858</b>	<b>\$ 9,507</b>	<b>\$ 2,529</b>
<b>CONDENSED STATEMENT OF CASH FLOWS:</b>											
Net cash provided by (used in) operating activities	\$ (10,171)	\$ 7,303	\$ 559	\$ 2,759	\$ 1,437	\$ 870	\$ 2,338	\$ 769	\$ (281)	\$ 609	\$ 840
Net cash provided by (used in) capital financing activities	14,786	(5,153)	(559)	(11,673)	(10,145)	(1,309)	(1,356)	8,901	(699)	(798)	(856)
Net cash provided by investing activities	591	-	-	90	-	-	-	-	-	-	-
<b>INCREASE (DECREASE) IN CASH</b>	<b>5,206</b>	<b>2,150</b>	<b>-</b>	<b>(8,824)</b>	<b>(8,708)</b>	<b>(439)</b>	<b>982</b>	<b>9,670</b>	<b>(980)</b>	<b>(189)</b>	<b>(16)</b>
<b>CASH – Beginning of year</b>	<b>\$ 96,855</b>	<b>\$ 11,165</b>	<b>\$ -</b>	<b>\$ 19,351</b>	<b>\$ 8,708</b>	<b>\$ 439</b>	<b>\$ 1,899</b>	<b>\$ -</b>	<b>\$ 641</b>	<b>\$ 7,098</b>	<b>\$ 737</b>
<b>CASH – End of year</b>	<b>\$ 102,061</b>	<b>\$ 13,315</b>	<b>\$ -</b>	<b>\$ 10,527</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,881</b>	<b>\$ 9,670</b>	<b>\$ (339)</b>	<b>\$ 6,909</b>	<b>\$ 721</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 21 - SEGMENT INFORMATION (CONTINUED)**

Condensed financial information for the Fund's segments as of June 30, 2017 and 2016, is as follows (dollars in thousands)

	2016										
	WVU Auxiliaries	Marshall Revenue Series 2010 and 2011	Glennville Housing Series A	Fairmont Improvement Series 2006	Fairmont Revenue Refunding Bonds 2012 and Housing Construction Series 2015	Shepherd Residence Facilities 2005	Shepherd Wellness Center 2007	Shepherd Revenue Refunding 2013	WV State Capital, Housing, Student Union, 2013 Series A	West Liberty Revenue Refunding 2013	West Liberty Capital Improvement 2012
<b>CONDENSED STATEMENT OF NET POSITION</b>											
Assets:											
Current assets	\$ 59,391	\$ 11,235	\$ 203	\$ -	\$ 20,850	\$ 9,299	\$ 1,127	\$ 2,165	\$ 2,104	\$ 7,948	\$ 737
Noncurrent assets	1,100,770	146,951	3,530	6,790	79,989	20,598	16,527	6,480	13,567	10,241	9,533
Total assets	1,160,161	158,186	3,733	6,790	100,839	29,897	17,654	8,645	15,671	18,189	10,270
Deferred outflows of resources	13,534	1,049	-	-	1,122	-	-	-	-	80	-
<b>TOTAL</b>	<b>\$ 1,173,695</b>	<b>\$ 159,235</b>	<b>\$ 3,733</b>	<b>\$ 6,790</b>	<b>\$ 101,961</b>	<b>\$ 29,897</b>	<b>\$ 17,654</b>	<b>\$ 8,645</b>	<b>\$ 15,671</b>	<b>\$ 18,269</b>	<b>\$ 10,270</b>
Liabilities:											
Current liabilities	\$ 56,616	4,382	177	487	8,417	1,608	615	609	1,273	641	649
Noncurrent liabilities	666,872	83,855	3,328	4,641	72,766	18,362	15,695	5,494	10,355	7,430	7,520
Total liabilities	723,488	88,237	3,505	5,128	81,183	19,970	16,310	6,103	11,628	8,071	8,169
Deferred inflows of resources	38,068	673	-	-	-	-	-	-	-	-	-
Total	761,556	88,910	3,505	5,128	81,183	19,970	16,310	6,103	11,628	8,071	8,169
Net position:											
Net investment in capital assets	486,844	62,765	(147)	1,662	8,555	1,605	360	606	9,727	2,281	1,433
Restricted/designated	113,211	-	175	-	12,223	-	-	-	461	-	-
Unrestricted	(187,916)	7,560	200	-	-	8,322	984	1,936	(6,145)	7,917	668
Total net position	412,139	70,325	228	1,662	20,778	9,927	1,344	2,542	4,043	10,198	2,101
<b>TOTAL</b>	<b>\$ 1,173,695</b>	<b>\$ 159,235</b>	<b>\$ 3,733</b>	<b>\$ 6,790</b>	<b>\$ 101,961</b>	<b>\$ 29,897</b>	<b>\$ 17,654</b>	<b>\$ 8,645</b>	<b>\$ 15,671</b>	<b>\$ 18,269</b>	<b>\$ 10,270</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>											
Operating:											
Operating revenues	\$ 137,320	\$ 28,240	\$ 784	\$ 631	\$ 12,400	\$ 15,082	\$ 2,489	\$ 2,785	\$ 2,102	\$ 1,455	\$ 840
Operating expenses	(157,860)	(18,781)	(419)	-	(7,239)	(13,008)	(1,767)	(778)	(1,622)	-	-
Other	30,699	-	-	-	-	-	-	-	-	-	-
Net operating income	10,159	9,459	365	631	5,161	2,074	722	2,007	480	1,455	840
Nonoperating:											
Transfers from Institution	(2,016)	(8,487)	-	-	-	-	-	-	-	-	-
Nonoperating revenues	156,188	1,698	-	-	-	88	4	7	2	-	-
Nonoperating expenses	(25,805)	(6,047)	(169)	(465)	(4,143)	(960)	(769)	(233)	(58)	(462)	(418)
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>138,526</b>	<b>(3,377)</b>	<b>196</b>	<b>166</b>	<b>1,018</b>	<b>1,202</b>	<b>(43)</b>	<b>1,781</b>	<b>424</b>	<b>993</b>	<b>422</b>
<b>NET POSITION – Beginning of year</b>	<b>273,613</b>	<b>73,702</b>	<b>32</b>	<b>1,496</b>	<b>19,760</b>	<b>8,725</b>	<b>1,387</b>	<b>761</b>	<b>3,619</b>	<b>9,205</b>	<b>1,679</b>
<b>NET POSITION – End of year</b>	<b>\$ 412,139</b>	<b>\$ 70,325</b>	<b>\$ 228</b>	<b>\$ 1,662</b>	<b>\$ 20,778</b>	<b>\$ 9,927</b>	<b>\$ 1,344</b>	<b>\$ 2,542</b>	<b>\$ 4,043</b>	<b>\$ 10,198</b>	<b>\$ 2,101</b>
<b>CONDENSED STATEMENT OF CASH FLOWS:</b>											
Net cash provided by (used in) operating activities	\$ 27,008	\$ 6,063	\$ 320	\$ -	\$ 3,961	\$ 3,073	\$ 1,203	\$ 2,403	\$ 480	\$ 1,455	\$ 840
Net cash provided by (used in) capital financing activities	(40,930)	(10,321)	(342)	-	(25,731)	(2,882)	(1,159)	(1,857)	(700)	(803)	(793)
Net cash provided by investing activities	833	-	-	-	97	-	-	-	-	-	-
<b>INCREASE (DECREASE) IN CASH</b>	<b>(13,089)</b>	<b>(4,258)</b>	<b>(22)</b>	<b>-</b>	<b>(21,673)</b>	<b>191</b>	<b>44</b>	<b>546</b>	<b>(220)</b>	<b>652</b>	<b>47</b>
<b>CASH – Beginning of year</b>	<b>109,944</b>	<b>15,423</b>	<b>210</b>	<b>-</b>	<b>41,024</b>	<b>8,517</b>	<b>395</b>	<b>1,353</b>	<b>861</b>	<b>7,291</b>	<b>690</b>
<b>CASH – End of year</b>	<b>\$ 96,855</b>	<b>\$ 11,165</b>	<b>\$ 188</b>	<b>\$ -</b>	<b>\$ 19,351</b>	<b>\$ 8,708</b>	<b>\$ 439</b>	<b>\$ 1,899</b>	<b>\$ 641</b>	<b>\$ 7,943</b>	<b>\$ 737</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 22 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

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

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

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



**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 23 - SUBSEQUENT EVENTS**

On July 13, 2017, West Virginia University entered into a lease purchase agreement with KVC Health Systems, Inc. (“KVC”) for the lease of select parcels of real and personal property associated with the former WVU Tech campus located in the city of Montgomery, Fayette County, West Virginia. Following WVU Tech’s relocation to Beckley, West Virginia, KVC envisions repurposing the campus of WVU Tech into a specialized, accredited college with a focus on young adults emerging from foster care. The term of this agreement will be for a period of 25 years commencing on July 13, 2017 and expiring on June 30, 2042. On or before the expiration of the lease term, KVSC has the right to purchase the premises for a total purchase price of \$8,300,000 if purchased between July 1, 2017 and June 30, 2020; \$8,900,000 if purchased between July 1 2020 and June 30, 2027; and \$9,400,000 if purchased any time after July 1, 2027; rent payment will be credited towards the purchase price.

Shepherd University opened the doors to a new 300 bed residence hall at the start of the Fall 2017 semester. The new hall was funded with a public/private partnership with the Shepherd University Foundation Supporting Organization, a component unit of Shepherd University Foundation. The debt services for the construction cost will be repaid with rents from the students. The project was completed on-time and on-budget and was at nearly 100% occupancy as of the end of the September.

On September 26, 2017, the Glenville State College (Glenville) Board of Governors issued \$36,285,000 in Improvement and Refunding Revenue Bonds, Series 2017 as follows:

<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
\$ 2,135,000	3.25%	June 1, 2022
4,105,000	4.00%	June 1, 2027
5,040,000	4.50%	June 1, 2032
6,345,000	5.00%	June 1, 2037
18,660,000	5.25%	June 1, 2047
<u>\$ 36,285,000</u>		

The Series 2017 Bonds bear interest at rates shown above, payable until December 1, 2017 and semiannually thereafter on June 1 and December 1 of each year until paid.

The Series 2017 Bonds were issued for the purpose of refunding and redeeming the following debt issuances as listed in Note 11:

- Campus Community Center Bonds, Series 2016
- Science Center Bonds, Series 2007
- Goodwin Hall Bonds, Series 2009
- Student Housing Bonds, Series 2011A
- Note Payable, 2011

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 23 - SUBSEQUENT EVENTS (CONTINUED)**

The Series 2017 Bond proceeds were used to pay in full the Series 2006 Bonds, Series 2007 Bonds, Series 2009 Bonds and the 2011 Note Payable on September 28, 2017. Proceeds were escrowed in sufficient amount to pay in full the Series 2011A Bonds on October 10, 2017. Proceeds of \$2,000,000 were deposited in a project fund for future capital improvements.

In addition to the above refinancing agreement, in July 2017, the Glenville and its food service concessionaire, Aramark Educational Services, LLC, renegotiated the food services management contract. The new contract run through June 30, 2018 with four one-year renewals. In settlement of the amount due to Aramark on June 30, 2017, Aramark forgave approximately \$239,000 and agreed to apply \$214,000 of the contractual special funds to the payable.

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 24 - CONDENSED BLENDED COMPONENT UNIT INFORMATION**

Condensed combining information for the Fund's blended component units, for the years ended June 30, 2017 and 2016, is as follows:

**Condensed Combining Statements of Net Position**

**June 30, 2017**

(dollars in thousands)

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glenville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating/ Reclassification Entries	Total
<b>Assets</b>														
Inter Entity Receivables	\$ 5	\$ 4	\$ -	\$ 13	\$ -	\$ 3,153	\$ -	\$ 3,246	\$ -	\$ 19	\$ 72,828	\$ 551	\$ (79,819)	\$ -
Other Current Assets	2,021	12,041	10,403	16,155	2,744	30,696	5,475	246,902	95,875	60,983	48,492	91,107	(2,352)	620,542
Capital Assets, Net	16,055	63,345	72,514	122,707	77,445	135,723	79,351	1,823,491	417,808	78,794	59,889	249,181	-	3,196,303
Other Noncurrent Assets	667	5,342	1,633	608	2,439	519	518	131,955	115,910	5,904	18,455	6,048	-	289,998
<b>Total Assets</b>	<b>18,748</b>	<b>80,732</b>	<b>84,550</b>	<b>139,483</b>	<b>82,628</b>	<b>170,091</b>	<b>85,344</b>	<b>2,205,594</b>	<b>629,593</b>	<b>145,700</b>	<b>199,664</b>	<b>346,887</b>	<b>(82,171)</b>	<b>4,106,843</b>
<b>Deferred Outflows of Resources</b>	<b>283</b>	<b>384</b>	<b>305</b>	<b>88</b>	<b>432</b>	<b>1,271</b>	<b>328</b>	<b>16,376</b>	<b>1,965</b>	<b>-</b>	<b>13,501</b>	<b>822</b>	<b>-</b>	<b>35,755</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 19,031</b>	<b>\$ 81,116</b>	<b>\$ 84,855</b>	<b>\$ 139,571</b>	<b>\$ 83,060</b>	<b>\$ 171,362</b>	<b>\$ 85,672</b>	<b>\$ 2,221,970</b>	<b>\$ 631,558</b>	<b>\$ 145,700</b>	<b>\$ 213,165</b>	<b>\$ 347,709</b>	<b>\$ (82,171)</b>	<b>\$ 4,142,598</b>
<b>Liabilities</b>														
Inter Entity Payables	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ -	\$ 24	\$ 393	\$ 9	\$ 1,410	\$ 252	\$ (2,103)	\$ -
Other Current Liabilities	2,257	8,197	4,273	7,951	5,066	11,554	12,020	182,652	42,444	3,871	30,143	31,399	(8,276)	333,551
Other Long-Term Liabilities	7,258	29,785	25,395	51,484	42,262	87,798	48,636	996,505	162,941	9,264	361,275	42,829	(71,792)	1,793,640
<b>Total Liabilities</b>	<b>9,520</b>	<b>37,982</b>	<b>29,668</b>	<b>59,435</b>	<b>47,328</b>	<b>99,362</b>	<b>60,656</b>	<b>1,179,181</b>	<b>205,778</b>	<b>13,144</b>	<b>392,828</b>	<b>74,480</b>	<b>(82,171)</b>	<b>2,127,191</b>
<b>Deferred Inflows of Resources</b>	<b>116</b>	<b>783</b>	<b>148</b>	<b>195</b>	<b>342</b>	<b>499</b>	<b>163</b>	<b>39,787</b>	<b>882</b>	<b>-</b>	<b>34</b>	<b>873</b>	<b>-</b>	<b>43,822</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>9,636</b>	<b>38,765</b>	<b>29,816</b>	<b>59,630</b>	<b>47,670</b>	<b>99,861</b>	<b>60,819</b>	<b>1,218,968</b>	<b>206,660</b>	<b>13,144</b>	<b>392,862</b>	<b>75,353</b>	<b>(82,171)</b>	<b>2,171,013</b>
<b>Net Position</b>														
Net Investment in Capital Assets	15,912	45,712	56,151	81,731	41,330	60,919	44,263	1,091,815	317,840	78,794	58,880	235,969	-	2,129,316
Restricted														
Nonexpendable	528	2,425	-	-	-	-	-	17,803	15,176	-	-	49	-	35,981
Expendable	152	1,752	9	442	1,603	3,909	14	8,333	17,510	10,680	38,034	12,583	-	95,021
Unrestricted	(7,197)	(7,538)	(1,121)	(2,232)	(7,543)	6,673	(19,424)	(114,949)	74,372	43,082	(276,611)	23,755	-	(288,733)
<b>Total Net Position</b>	<b>\$ 9,395</b>	<b>\$ 42,351</b>	<b>\$ 55,039</b>	<b>\$ 79,941</b>	<b>\$ 35,390</b>	<b>\$ 71,501</b>	<b>\$ 24,853</b>	<b>\$ 1,003,002</b>	<b>\$ 424,898</b>	<b>\$ 132,556</b>	<b>\$ (179,697)</b>	<b>\$ 272,356</b>	<b>\$ -</b>	<b>\$ 1,971,585</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 24 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**  
**Condensed Combining Statements of Revenues, Expenses and Changes in Net Position**  
**June 30, 2017**  
(dollars in thousands)

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glenville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating/ Reclassification Entries	Total
<b>Operating Revenues</b>														
Student Tuition and Fees, Net	\$ 4,188	\$ 7,280	\$ 13,853	\$ 17,574	\$ 5,207	\$ 13,818	\$ 10,495	\$ 395,429	\$ 82,097	\$ 34,875	\$ -	\$ 29,537	\$ -	\$ 614,353
Federal, State, Local Contracts and Grants	5,416	8,042	4,601	5,685	4,780	11,024	11,932	183,754	63,643	1,774	6,855	29,361	(47,175)	289,692
Sales and Services of Educational Activity	77	11	-	50	315	69	2	21,700	224	-	3,200	1,945	-	27,593
Auxiliary Enterprise Revenue	717	8,284	7,748	15,211	4,248	13,223	4,377	157,957	36,253	554	5,435	1,474	-	255,481
Other Operating Revenues	45	1,075	535	672	768	5,033	1,457	24,379	10,246	413	7,642	2,473	(7,987)	46,751
<b>Total Operating Revenues</b>	<b>10,443</b>	<b>24,692</b>	<b>26,737</b>	<b>39,192</b>	<b>15,318</b>	<b>43,167</b>	<b>28,263</b>	<b>783,219</b>	<b>192,463</b>	<b>37,616</b>	<b>23,132</b>	<b>64,790</b>	<b>(55,162)</b>	<b>1,233,870</b>
<b>Operating Expenses</b>														
Operations	19,362	36,109	34,145	51,715	22,259	58,549	47,413	981,582	264,159	39,352	25,241	145,413	(7,640)	1,717,659
Depreciation	1,424	2,276	2,924	6,718	2,341	4,340	3,603	80,354	16,498	3,663	2,858	11,313	-	138,312
<b>Total Operating Expenses</b>	<b>20,786</b>	<b>38,385</b>	<b>37,069</b>	<b>58,433</b>	<b>24,600</b>	<b>62,889</b>	<b>51,016</b>	<b>1,061,936</b>	<b>280,657</b>	<b>43,015</b>	<b>28,099</b>	<b>156,726</b>	<b>(7,640)</b>	<b>1,855,971</b>
<b>Operating Loss</b>	<b>(10,343)</b>	<b>(13,693)</b>	<b>(10,332)</b>	<b>(19,241)</b>	<b>(9,282)</b>	<b>(19,722)</b>	<b>(22,753)</b>	<b>(278,717)</b>	<b>(88,194)</b>	<b>(5,399)</b>	<b>(4,967)</b>	<b>(91,936)</b>	<b>(47,522)</b>	<b>(622,101)</b>
<b>Nonoperating Revenues (Expenses)</b>														
State Appropriations	5,524	8,503	7,797	9,361	5,774	14,972	11,356	178,052	64,794	7,366	50,355	62,372	-	426,226
Federal Pell Grants	3,575	4,557	3,639	4,786	3,414	6,942	6,801	29,940	16,609	-	-	33,428	-	113,691
Other Nonoperating Revenues (Expenses)	180	246	(382)	(517)	(1,158)	(5,465)	(1,691)	36,848	9,212	2,871	(39,999)	993	47,098	48,236
<b>Total Nonoperating Revenues</b>	<b>9,279</b>	<b>13,306</b>	<b>11,054</b>	<b>13,630</b>	<b>8,030</b>	<b>16,449</b>	<b>16,466</b>	<b>244,840</b>	<b>90,615</b>	<b>10,237</b>	<b>10,356</b>	<b>96,793</b>	<b>47,098</b>	<b>588,153</b>
Capital Grants, Appropriations, and Gifts	-	353	-	-	23	-	3,916	42,260	4,936	132	-	287	-	51,907
Capital Transfers to Institutions and Outside Entities	-	-	-	-	-	413	-	-	-	-	(15,754)	15,041	424	124
<b>Increase (Decrease) in Net Position</b>	<b>(1,064)</b>	<b>(34)</b>	<b>722</b>	<b>(5,611)</b>	<b>(1,229)</b>	<b>(2,860)</b>	<b>(2,371)</b>	<b>8,383</b>	<b>7,357</b>	<b>4,970</b>	<b>(10,365)</b>	<b>20,185</b>	<b>-</b>	<b>18,083</b>
<b>Net Position - Beginning of Year</b>	<b>\$ 10,459</b>	<b>\$ 42,385</b>	<b>\$ 54,317</b>	<b>\$ 85,552</b>	<b>\$ 36,619</b>	<b>\$ 74,361</b>	<b>\$ 27,224</b>	<b>\$ 994,619</b>	<b>\$ 417,541</b>	<b>\$ 127,586</b>	<b>\$ (169,332)</b>	<b>\$ 252,171</b>	<b>\$ -</b>	<b>\$ 1,953,502</b>
<b>Net Position - End of Year</b>	<b>\$ 9,395</b>	<b>\$ 42,351</b>	<b>\$ 55,039</b>	<b>\$ 79,941</b>	<b>\$ 35,390</b>	<b>\$ 71,501</b>	<b>\$ 24,853</b>	<b>\$ 1,003,002</b>	<b>\$ 424,898</b>	<b>\$ 132,556</b>	<b>\$ (179,697)</b>	<b>\$ 272,356</b>	<b>\$ -</b>	<b>\$ 1,971,585</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 24 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statements of Cash Flows**

**June 30, 2017**

(dollars in thousands)

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glennville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating/ Reclassification Entries	Total
Net Cash Provided By (Used In):														
Operating Activities	\$ (8,845)	\$ (11,014)	\$ (6,660)	\$ (12,413)	\$ (6,055)	\$ (16,008)	\$ (17,511)	\$ (189,309)	\$ (66,186)	\$ (1,337)	\$ (5,239)	\$ (78,903)	\$ (46,790)	\$ (466,270)
Noncapital Financing Activities	9,099	12,687	11,436	15,610	9,187	22,177	18,142	265,800	81,163	7,377	25,173	95,453	42,509	615,813
Capital Financing Activities	(350)	12,908	2,424	(5,008)	(2,568)	(16,234)	(1,862)	(140,099)	(11,435)	(4,346)	(22,891)	(6,976)	(13,276)	(209,713)
Investing Activities	14	10,428	65	117	14	215	27	50,576	1,714	(4,025)	306	599	-	60,050
Increase (Decrease) in Current Cash and Cash Equivalents	(82)	25,009	7,265	(1,694)	578	(9,850)	(1,204)	(13,032)	5,256	(2,331)	(2,651)	10,173	(17,557)	(120)
Cash - Beginning of Year	1,076	6,844	6,699	16,259	1,322	38,965	2,848	146,765	72,624	25,656	39,392	79,720	(59,626)	378,544
Cash - End of Year	\$ 994	\$ 31,853	\$ 13,964	\$ 14,565	\$ 1,900	\$ 29,115	\$ 1,644	\$ 133,733	\$ 77,880	\$ 23,325	\$ 36,741	\$ 89,893	\$ (77,183)	\$ 378,424

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 24 - CONDENSED BLENDED COMPONENT UNIT INFORMATION**

Condensed combining information for the Fund's blended component units, for the years ended June 30, 2017 and 2016, is as follows:

**Condensed Combining Statements of Net Position**

**June 30, 2016**

(dollars in thousands)

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glennville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating/ Reclassification Entries	Total
<b>Assets</b>														
Inter Entity Receivables	\$ 10	\$ 20	\$ -	\$ 43	\$ -	\$ 3,444	\$ -	\$ 3,504	\$ -	\$ 15	\$ 76,971	\$ 802	\$ (84,809)	\$ -
Other Current Assets	1,943	19,556	8,321	18,155	1,847	37,015	4,831	258,706	101,402	56,060	51,945	82,259	(3,368)	638,672
Capital Assets, Net	17,177	54,466	74,461	126,716	79,701	136,823	78,379	1,760,116	426,848	79,572	76,225	239,464	-	3,149,948
Other Noncurrent Assets	631	8,012	1,753	709	2,064	4,520	536	170,530	93,726	5,894	22,023	5,215	-	315,613
<b>Total Assets</b>	<b>19,761</b>	<b>82,054</b>	<b>84,535</b>	<b>145,623</b>	<b>83,612</b>	<b>181,802</b>	<b>83,746</b>	<b>2,192,856</b>	<b>621,976</b>	<b>141,541</b>	<b>227,164</b>	<b>327,740</b>	<b>(88,177)</b>	<b>4,104,233</b>
<b>Deferred Outflows of Resources</b>	<b>121</b>	<b>198</b>	<b>204</b>	<b>54</b>	<b>575</b>	<b>1,215</b>	<b>122</b>	<b>14,645</b>	<b>1,496</b>	<b>-</b>	<b>14,240</b>	<b>329</b>	<b>-</b>	<b>33,199</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 19,882</b>	<b>\$ 82,252</b>	<b>\$ 84,739</b>	<b>\$ 145,677</b>	<b>\$ 84,187</b>	<b>\$ 183,017</b>	<b>\$ 83,868</b>	<b>\$ 2,207,501</b>	<b>\$ 623,472</b>	<b>\$ 141,541</b>	<b>\$ 241,404</b>	<b>\$ 328,069</b>	<b>\$ (88,177)</b>	<b>\$ 4,137,432</b>
<b>Liabilities</b>														
Inter Entity Payables	\$ 186	\$ 304	\$ 2,003	\$ -	\$ 823	\$ 1,761	\$ -	\$ 58,099	\$ 11,756	\$ 8	\$ 1,744	\$ 106	\$ (76,790)	\$ -
Other Current Liabilities	2,244	8,308	3,670	7,718	27,072	16,289	7,712	205,670	38,801	4,934	32,656	32,257	(2,639)	384,692
Other Long-Term Liabilities	6,815	30,179	24,549	52,120	19,300	90,248	48,678	908,278	153,966	9,013	376,296	42,455	(8,748)	1,753,149
<b>Total Liabilities</b>	<b>9,245</b>	<b>38,791</b>	<b>30,222</b>	<b>59,838</b>	<b>47,195</b>	<b>108,298</b>	<b>56,390</b>	<b>1,172,047</b>	<b>204,523</b>	<b>13,955</b>	<b>410,696</b>	<b>74,818</b>	<b>(88,177)</b>	<b>2,137,841</b>
<b>Deferred Inflows of Resources</b>	<b>178</b>	<b>1,076</b>	<b>200</b>	<b>287</b>	<b>374</b>	<b>358</b>	<b>254</b>	<b>40,835</b>	<b>1,408</b>	<b>-</b>	<b>40</b>	<b>1,080</b>	<b>-</b>	<b>46,090</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>9,423</b>	<b>39,867</b>	<b>30,422</b>	<b>60,125</b>	<b>47,569</b>	<b>108,656</b>	<b>56,644</b>	<b>1,212,882</b>	<b>205,931</b>	<b>13,955</b>	<b>410,736</b>	<b>75,898</b>	<b>(88,177)</b>	<b>2,183,931</b>
<b>Net Position</b>														
Net Investment in Capital Assets	16,992	45,087	57,133	85,101	42,190	62,084	44,727	1,085,219	323,000	79,572	75,076	225,543	-	2,141,724
Restricted														
Nonexpendable	492	2,664	-	-	-	-	-	16,836	15,176	-	-	51	-	35,219
Expendable	142	1,475	312	281	1,782	3,854	377	7,743	16,466	10,298	46,914	11,898	-	101,542
Unrestricted	(7,167)	(6,841)	(3,128)	170	(7,354)	8,423	(17,880)	(115,179)	62,899	37,716	(291,322)	14,679	-	(324,984)
<b>Total Net Position</b>	<b>\$ 10,459</b>	<b>\$ 42,385</b>	<b>\$ 54,317</b>	<b>\$ 85,552</b>	<b>\$ 36,618</b>	<b>\$ 74,361</b>	<b>\$ 27,224</b>	<b>\$ 994,619</b>	<b>\$ 417,541</b>	<b>\$ 127,586</b>	<b>\$ (169,332)</b>	<b>\$ 252,171</b>	<b>\$ -</b>	<b>\$ 1,953,501</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 24 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

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

**June 30, 2016**

(dollars in thousands)

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glennville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating/ Reclassification Entries	Total
<b>Operating Revenues</b>														
Student Tuition and Fees, Net	\$ 4,133	\$ 7,541	\$ 13,320	\$ 17,850	\$ 5,560	\$ 13,879	\$ 9,926	\$ 385,121	\$ 80,424	\$ 33,223	\$ -	\$ 29,871	\$ -	\$ 600,848
Federal, State, Local Contracts and Grants	4,890	7,771	4,463	5,554	5,663	9,351	13,748	174,174	63,637	1,457	7,715	33,612	(49,899)	282,136
Sales and Services of Educational Activity	107	10	-	46	286	57	4	18,701	167	-	5,747	1,228	-	26,353
Auxiliary Enterprise Revenue	735	8,651	8,018	16,820	4,237	12,863	5,112	154,607	36,222	405	5,432	1,534	-	254,636
Other Operating Revenues	70	1,052	258	538	875	4,598	1,420	19,908	9,128	316	7,975	2,699	(8,335)	40,502
<b>Total Operating Revenues</b>	<b>9,935</b>	<b>25,025</b>	<b>26,059</b>	<b>40,808</b>	<b>16,621</b>	<b>40,748</b>	<b>30,210</b>	<b>752,511</b>	<b>189,578</b>	<b>35,401</b>	<b>26,869</b>	<b>68,944</b>	<b>(58,234)</b>	<b>1,204,475</b>
<b>Operating Expenses</b>														
Operations	20,658	37,008	35,224	52,072	22,808	57,116	46,855	971,525	257,565	35,529	27,848	155,812	(7,946)	1,712,074
Depreciation	1,428	2,144	2,929	6,930	2,446	3,892	2,923	82,523	16,537	3,106	3,198	10,981	-	139,037
<b>Total Operating Expenses</b>	<b>22,086</b>	<b>39,152</b>	<b>38,153</b>	<b>59,002</b>	<b>25,254</b>	<b>61,008</b>	<b>49,778</b>	<b>1,054,048</b>	<b>274,102</b>	<b>38,635</b>	<b>31,046</b>	<b>166,793</b>	<b>(7,946)</b>	<b>1,851,111</b>
<b>Operating Loss</b>	<b>(12,151)</b>	<b>(14,127)</b>	<b>(12,094)</b>	<b>(18,194)</b>	<b>(8,633)</b>	<b>(20,260)</b>	<b>(19,568)</b>	<b>(301,537)</b>	<b>(84,524)</b>	<b>(3,234)</b>	<b>(4,177)</b>	<b>(97,849)</b>	<b>(50,288)</b>	<b>(646,636)</b>
<b>Nonoperating Revenues (Expenses)</b>														
State Appropriations	5,583	8,576	7,869	9,438	5,793	15,041	11,479	178,104	65,314	7,443	51,517	63,080	-	429,237
Federal Pell Grants	3,953	4,759	3,572	5,084	2,879	7,116	5,215	29,890	16,829	-	-	35,602	-	114,899
Other Nonoperating Revenues (Expenses)	102	(283)	(401)	(601)	(1,427)	(2,195)	(1,708)	33,056	(3,841)	(730)	(38,206)	(2,476)	50,288	31,578
<b>Total Nonoperating Revenues</b>	<b>9,638</b>	<b>13,052</b>	<b>11,040</b>	<b>13,921</b>	<b>7,245</b>	<b>19,962</b>	<b>14,986</b>	<b>241,050</b>	<b>78,302</b>	<b>6,713</b>	<b>13,311</b>	<b>96,206</b>	<b>50,288</b>	<b>575,714</b>
<b>Capital Grants, Appropriations, and Gifts</b>	<b>-</b>	<b>559</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>612</b>	<b>163,628</b>	<b>4,076</b>	<b>513</b>	<b>1,352</b>	<b>1,671</b>	<b>(495)</b>	<b>171,966</b>
<b>Capital Transfers to Institutions and Outside Entities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(495)</b>	<b>(120)</b>	<b>495</b>	<b>-</b>
<b>Increase (Decrease) in Net Position</b>	<b>(2,513)</b>	<b>(516)</b>	<b>(1,054)</b>	<b>(4,273)</b>	<b>(1,338)</b>	<b>(178)</b>	<b>(3,970)</b>	<b>103,141</b>	<b>(2,146)</b>	<b>3,992</b>	<b>9,991</b>	<b>(92)</b>	<b>-</b>	<b>101,044</b>
<b>Net Position - Beginning of Year</b>	<b>12,972</b>	<b>42,901</b>	<b>55,371</b>	<b>89,825</b>	<b>37,956</b>	<b>74,539</b>	<b>31,194</b>	<b>891,478</b>	<b>419,687</b>	<b>123,594</b>	<b>(179,323)</b>	<b>252,264</b>	<b>-</b>	<b>1,852,458</b>
<b>Net Position - End of Year</b>	<b>\$ 10,459</b>	<b>\$ 42,385</b>	<b>\$ 54,317</b>	<b>\$ 85,552</b>	<b>\$ 36,618</b>	<b>\$ 74,361</b>	<b>\$ 27,224</b>	<b>\$ 994,619</b>	<b>\$ 417,541</b>	<b>\$ 127,586</b>	<b>\$ (169,332)</b>	<b>\$ 252,172</b>	<b>\$ -</b>	<b>\$ 1,953,502</b>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**NOTE 24 - CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)**

**Condensed Combining Statements of Cash Flows**

**June 30, 2016**

(dollars in thousands)

	Bluefield State College	Concord University	West Liberty University	Shepherd University	Glenville State College	Fairmont State University	West Virginia State University	West Virginia University	Marshall University	West Virginia School of Osteopathic Medicine	Policy Commission	Council	Eliminating/ Reclassification Entries	Total
Net Cash Provided By (Used In):														
Operating Activities	\$ (10,129)	\$ (11,411)	\$ (9,194)	\$ (11,049)	\$ (5,676)	\$ (16,598)	\$ (14,948)	\$ (204,533)	\$ (74,483)	\$ 582	\$ 207	\$ (84,309)	\$ (46,351)	\$ (487,892)
Noncapital Financing Activities	9,535	13,413	11,456	15,688	8,672	21,948	16,674	261,455	85,241	7,698	27,283	99,825	43,551	622,439
Capital Financing Activities	(353)	(3,341)	(2,909)	(6,320)	(3,032)	(28,080)	(2,460)	(172,181)	(10,554)	(13,748)	(23,470)	(8,996)	33,803	(241,641)
Investing Activities	16	4,799	26	61	5	98	20	76,097	3,844	(9,318)	114	226	-	75,988
Increase (Decrease) in Current Cash and Cash Equivalents	(931)	3,460	(621)	(1,620)	(31)	(22,632)	(714)	(39,162)	4,048	(14,786)	4,134	6,746	31,003	(31,106)
Cash - Beginning of Year	2,007	3,384	7,320	17,879	1,353	61,597	3,562	185,927	68,576	40,442	35,258	72,974	(90,629)	409,650
Cash - End of Year	\$ 1,076	\$ 6,844	\$ 6,699	\$ 16,259	\$ 1,322	\$ 38,965	\$ 2,848	\$ 146,765	\$ 72,624	\$ 25,656	\$ 39,392	\$ 79,720	\$ (59,626)	\$ 378,544



**REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF PROPORTIONATE SHARE OF NET  
PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS (UNAUDITED)  
June 30, 2017 and 2016**

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

Measurement Date	Fund's Proportionate Share as a Percentage of Net Pension Liability	Fund's Proportionate Share	State's Proportionate Share	Total Proportionate Share	Fund's Covered Employee Payroll	Fund's Proportionate Share as a Percentage of Covered Payroll	Fund's Plan Fiduciary Net Position as a percentage of Total Pension Liability
June 30, 2016	0.6837370%	\$ 28,100	\$ 53,520	\$ 81,620	\$ 13,893	202%	66.25%
June 30, 2015	0.6763590%	\$ 23,450	\$ 53,422	\$ 76,872	\$ 15,069	156%	65.95%
June 30, 2014	0.7594120%	\$ 25,755	\$ 58,191	\$ 83,946	\$ 16,084	160%	65.95%

**TRS Schedule of Employer Contributions**

Measurement Date	Actuarily Determined Contributions	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 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, 2017**

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

## **SUPPLEMENTARY INFORMATION**

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING NET POSITION INFORMATION**  
**June 30, 2017**  
(Dollars in thousands)

	<u>Higher Education Fund</u>	<u>Aggregate Discretely Presented Component Units</u>	<u>Total</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 378,424	\$ 34,297	\$ 412,721
Short-term investments	110,706	34,450	145,156
Appropriations due from Primary Government	8,842	-	8,842
Accounts receivable-net	99,108	13,012	112,120
Loans receivable - current portion	8,052	-	8,052
Other current assets	11,079	647	11,726
Inventories	4,331	11	4,342
	<u>620,542</u>	<u>82,417</u>	<u>702,959</u>
Total current assets			
<b>NONCURRENT ASSETS</b>			
Cash and cash equivalents	67,987	374,008	441,995
Investments	150,644	41,043	191,687
Loans receivable - net of allowance of \$10,623	45,488	255	45,743
Other assets	25,879	22,935	48,814
Capital assets-net	3,196,303	99,236	3,295,539
	<u>3,486,301</u>	<u>537,477</u>	<u>4,023,778</u>
Total noncurrent assets			
Total assets	<u>4,106,843</u>	<u>619,894</u>	<u>4,726,737</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	28,301	-	28,301
Deferred outflows related to BRNI acquisition	398	-	398
Deferred outflows related to pensions	7,056	-	7,056
	<u>35,755</u>	<u>-</u>	<u>35,755</u>
Total deferred outflows of resources			
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 4,142,598</u>	<u>\$ 619,894</u>	<u>\$ 4,762,492</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING NET POSITION INFORMATION (CONTINUED)**  
**June 30, 2017**  
(Dollars in thousands)

	<u>Higher Education Fund</u>	<u>Aggregate Discretely Presented Component Units</u>	<u>Total</u>
<b>LIABILITIES, DEFERRED INFLOWS, OF RESOURCES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 60,997	\$ 2,422	\$ 63,419
Due to State of West Virginia	544	-	544
Accrued liabilities	80,979	1,811	82,790
Unearned revenue	78,851	280	79,131
Deposits/custodial/annuity liabilities	7,035	66,813	73,848
Real estate purchase agreements payable - current portion	600	-	600
Other liabilities - current portion	735	45,162	45,897
Compensated absences - current portion	44,066	-	44,066
Notes payable - current portion	2,482	618	3,100
Capital lease obligations - current portion	4,588	-	4,588
Interest payable	11,563	-	11,563
Bonds payable - current portion	41,111	709	41,820
Total current liabilities	333,551	117,815	451,366
<b>NONCURRENT LIABILITIES</b>			
Advances from federal sponsors	43,639	-	43,639
Real estate purchase agreement payable	13,211	-	13,211
Compensated absences	4,031	-	4,031
Notes payable	54,951	8,187	63,138
Capital lease obligations	46,487	-	46,487
Future interest payable	35,466	-	35,466
Bonds payable	1,195,052	118,354	1,313,406
Other post employment benefit liability	336,281	-	336,281
Net pension liability	28,100	38,374	66,474
Other noncurrent liabilities	36,422	-	36,422
Total noncurrent liabilities	1,793,640	164,915	1,958,555
Total liabilities	2,127,191	282,730	2,409,921

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING NET POSITION INFORMATION (CONTINUED)**  
**June 30, 2017**  
(Dollars in thousands)

	<u>Higher Education Fund</u>	<u>Aggregate Discretely Presented Component Units</u>	<u>Total</u>
<b>LIABILITIES, DEFERRED INFLOWS, OF RESOURCES AND NET POSITION (CONTINUED)</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Service concession arrangement	\$ 38,538	\$ -	\$ 38,538
Deferred inflows related to pensions	4,140	-	4,140
Other	<u>1,144</u>	<u>-</u>	<u>1,144</u>
Total deferred inflows of resources	<u>43,822</u>	<u>-</u>	<u>43,822</u>
Total liabilities, deferred inflows of resources	<u>2,171,013</u>	<u>282,730</u>	<u>2,453,743</u>
<b>NET POSITION</b>			
Net investment in capital assets	<u>2,129,316</u>	<u>7,695</u>	<u>2,137,011</u>
Restricted for:			
Expendable:			
Scholarships	12,818	34,127	46,945
Sponsored projects	24,729	447	25,176
Loans	13,618	-	13,618
Capital projects	27,146	71	27,217
Debt service	11,965	-	11,965
Other	<u>4,745</u>	<u>84,314</u>	<u>89,059</u>
Total restricted expendable	<u>95,021</u>	<u>118,959</u>	<u>213,980</u>
Nonexpendable	<u>35,981</u>	<u>226,195</u>	<u>262,176</u>
Unrestricted	<u>(288,733)</u>	<u>(15,685)</u>	<u>(304,418)</u>
Total net position	<u>1,971,585</u>	<u>337,164</u>	<u>2,308,749</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, OF RESOURCES AND NET POSITION</b>	<u>\$ 4,142,598</u>	<u>\$ 619,894</u>	<u>\$ 4,762,492</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION INFORMATION**  
**For the Year Ended June 30, 2017**  
(Dollars in thousands)

	<u>Higher Education Fund</u>	<u>Aggregate Discretely Presented Component Units</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Student tuition and fees - net of scholarship allowance of \$182,099	\$ 614,353	\$ -	\$ 614,353
Gift and contributions	-	35,980	35,980
Federal and local land grants	9,100	-	9,100
Contracts and grants:			
Federal	131,634	567	132,201
State	52,439	-	52,439
Local	1,910	-	1,910
Private	103,709	-	103,709
Interest on student loans receivable	1,235	-	1,235
Sales and services of educational activities	27,593	-	27,593
Auxiliary enterprise revenue - net of scholarship allowance of \$27,618	255,481	10,689	266,170
Other operating revenues	<u>36,416</u>	<u>2,777</u>	<u>39,193</u>
Total operating revenues	<u>1,233,870</u>	<u>50,013</u>	<u>1,283,883</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	866,409	4,888	871,297
Benefits	255,542	77	255,619
Supplies and other services	419,698	2,993	422,691
Utilities	62,755	539	63,294
Student financial aid - scholarships and fellowships	106,164	10,926	117,090
Depreciation and amortization	138,312	3,393	141,705
Other operating expenses	<u>7,091</u>	<u>24,746</u>	<u>31,837</u>
Total operating expenses	<u>1,855,971</u>	<u>47,562</u>	<u>1,903,533</u>
<b>OPERATING (LOSS) INCOME</b>	<u>(622,101)</u>	<u>2,451</u>	<u>(619,650)</u>

**WEST VIRGINIA HIGHER EDUCATION FUND**  
**(A Component Unit of the State of West Virginia)**  
**SCHEDULE OF COMBINING REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION INFORMATION**  
**For the Year Ended June 30, 2017**  
(Dollars in thousands)

	<b>Higher Education Fund</b>	<b>Aggregate Discretely Presented Component Units</b>	<b>Total</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	\$ 426,226	\$ -	\$ 426,226
State lottery appropriations	27,155	-	27,155
Federal Pell grants	113,691	-	113,691
Gifts	53,239	-	53,239
Investment income - net	29,254	31,521	60,775
Interest on indebtedness	(55,009)	(2,202)	(57,211)
Payments made on behalf of the Fund	6,409	-	6,409
Student financial aid and other payments to institutions	(5,592)	-	(5,592)
Other nonoperating expenses - net	<u>(7,220)</u>	<u>5,783</u>	<u>(1,437)</u>
Net nonoperating revenues (expenses)	<u>588,153</u>	<u>35,102</u>	<u>623,255</u>
<b>LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	(33,948)	37,553	3,605
<b>CAPITAL GRANTS, APPROPRIATIONS AND GIFTS</b>	51,907	-	51,907
<b>CAPITAL BOND PROCEEDS FROM THE STATE</b>	<u>124</u>	<u>-</u>	<u>124</u>
<b>INCREASE IN NET POSITION</b>	18,083	37,553	55,636
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>1,953,502</u>	<u>299,611</u>	<u>2,253,113</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,971,585</u>	<u>\$ 337,164</u>	<u>\$ 2,308,749</u>





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

West Virginia Higher Education  
Policy Commission  
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the West Virginia Higher Education Fund (the Fund), as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2017. Our report includes a reference to other auditors who audited the financial statements of Fairmont State University, Glenville State College, West Virginia Council for Community and Technical College Education, and the West Virginia School of Osteopathic Medicine as described in our report on the Fund's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by the auditors of the entities noted above. The financial statements of the Fund's discretely presented component units were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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 deficiencies described in the accompanying schedule of findings and management responses as items 2017-001 and 2017-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2017-003 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.

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 27, 2017

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED JUNE 30, 2017**

**2017-001: Lack of Segregation of Duties**

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

**Condition:** At West Liberty University, there was a lack of segregation of duties for a significant period of time during the year ended June 30, 2017. There was no written evidence of review and approval of journal entries or account reconciliations completed throughout the year. While there were discussions between the Vice President of Finance and Administration and the individual preparing and recording the journal entries and preparing the account reconciliations, there was no documented evidence of review or approval.

**Criteria:** Journal entries and account reconciliations should be reviewed by an individual other than the preparer so that adjustments, if any can be made on a timely basis.

**Cause:** The lack of segregation of duties existed during the year ended June 30, 2017, due to significant turnover of personnel during the current and prior years. Certain duties were temporarily assigned during periods of the year when key positions remained open. This also led to the review and approval process of journal entries and account reconciliations not being documented.

**Effect:** Management could improperly record, process, and summarize or report financial data and be unable to detect such errors or omissions. This could also result in misappropriation of assets being concealed.

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

**Management's Response:** Staffing in the department has stabilized over the past few months and duties have been distributed. Internal controls over journal entries have been addressed and a formal review has been implemented. Additionally, all procedures in place are currently being reviewed and changes in the control structure or a mitigating control will be implemented where necessary.

Management has already evaluated a few areas and has already implemented corrective action in a few areas. All areas will be reviewed and any changes to the internal control structure or mitigating control will be implemented by the third quarter of FY 2018.

Areas will be reviewed and monitored monthly to ensure that any new procedures in place are functioning properly and any remaining problem areas will be addressed.

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED JUNE 30, 2017**

**2017-002 – Net Position Classification**

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

**Condition:** During the performance of the audit of West Virginia Higher Education Policy Commission it was noted that various classifications of net position were not correct and management had to make material adjustments to net position classifications.

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

**Cause:** Certain internal funds were not properly classified to the proper designation of net position.

**Effect:** Balances reported in the financial statements may be incorrect.

**Recommendation:** We recommend management evaluate the reasons why the classification errors occurred and design policies and procedures to identify and prevent future classification errors in the financial statements that are required to be prepared under U.S. generally accepted accounting principles.

**Management Response:** Corrected. The previous audit firm recommended that funds held for capital projects be allocated to the unrestricted net position as a liability. To better reflect the net position classification amounts, this practice was discontinued in 2017.

**2017-003 – Federal Grant Receivables and Unearned Revenue**

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

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

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

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

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

**WEST VIRGINIA HIGHER EDUCATION FUND  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
YEAR ENDED JUNE 30, 2017**

**2017-003 – Federal Grant Receivables and Unearned Revenue (Continued)**

**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.

**Management's Response:** Bluefield State College considers any concern 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.

THIS PAGE LEFT BLANK INTENTIONALLY.



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