

WEST VIRGINIA UNIVERSITY

**Combined Financial Statements for the
Years Ended June 30, 2001 and 2000 and
Independent Auditors' Reports**

WEST VIRGINIA UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

To the West Virginia University Board of Governors:

We have audited the accompanying combined balance sheets of West Virginia University (the "University") as of June 30, 2001 and 2000, and the related combined statements of changes in fund balances and current funds revenues, expenditures and other changes for the years then ended. These combined financial statements are the responsibility of the management of the University. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the University at June 30, 2001 and 2000, and its changes in fund balances and its current funds' revenues, expenditures and other changes for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 12, 2001, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

October 12, 2001

WEST VIRGINIA UNIVERSITY

COMBINED BALANCE SHEET

JUNE 30, 2001

(Dollars in Thousands)

ASSETS	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds
	Unrestricted	Restricted			
CASH AND CASH EQUIVALENTS	\$ 62,898	\$ 1,130	\$ 4,473	\$ 80	\$ 9,684
INVESTMENTS	4,807	535	130	3,167	
ACCOUNTS RECEIVABLE - Net of allowances for doubtful accounts of \$2,157	2,819	3,083		1	40
GRANTS & CONTRACTS RECEIVABLE Net of allowances for doubtful accounts of \$2,075	568	14,483			
LOANS RECEIVABLE - Net of allowances for doubtful accounts of \$2,369			32,722		
DUE FROM THE COMMISSION	364				
DUE FROM OTHER FUNDS	11,669				1
INVENTORIES	1,379				
PREPAID EXPENSES	153				
DUE FROM THE STATE	95				
BOND ISSUANCE COST					798
INVESTMENT IN PLANT					809,814
	<u>\$ 84,752</u>	<u>\$ 19,231</u>	<u>\$ 37,325</u>	<u>\$ 3,248</u>	<u>\$ 820,337</u>
LIABILITIES AND FUND BALANCE					
ACCOUNTS PAYABLE	\$ 12,316	\$ 3,907	\$	\$ 79	\$ 14,566
ACCRUED LIABILITIES	4,842	427			892
DEPOSITS	1,056			1	
DEFERRED REVENUE	5,043				
DUE TO OTHER FUNDS		11,616		1	53
COMPENSATED ABSENCES	42,592	109			
DUE TO POLICY COMMISSION					2,766
LEASES PAYABLE					5,616
BONDS PAYABLE					68,201
FUND BALANCE:					
University funds	18,903	3,172		3,167	(7,754)
Loan funds			37,325		
Net investment in plant					735,997
	<u>\$ 84,752</u>	<u>\$ 19,231</u>	<u>\$ 37,325</u>	<u>\$ 3,248</u>	<u>\$ 820,337</u>

See notes to combined financial statements.

WEST VIRGINIA UNIVERSITY

COMBINED BALANCE SHEET JUNE 30, 2000 (Dollars in Thousands)

ASSETS	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds
	Unrestricted	Restricted			
CASH AND CASH EQUIVALENTS	\$ 62,734	\$ 786	\$ 3,796	\$ 82	\$ 28,671
INVESTMENTS	6,960	491	124	3,379	
ACCOUNTS RECEIVABLE - Net of allowances for doubtful accounts of \$1,627	2,425				
GRANTS & CONTRACTS RECEIVABLE Net of allowances for doubtful accounts of \$838	471	11,990			190
LOANS RECEIVABLE - Net of allowances for doubtful accounts of \$2,839			32,565		
DUE FROM THE BOARD	1,362				
DUE FROM OTHER FUNDS	13,661			7	
INVENTORIES	1,624				
PREPAID EXPENSES	91	7			
DUE FROM THE STATE	117				
BOND ISSUANCE COST					836
INVESTMENT IN PLANT					740,553
	<u>\$ 89,445</u>	<u>\$ 13,274</u>	<u>\$ 36,485</u>	<u>\$ 3,468</u>	<u>\$ 770,250</u>
LIABILITIES AND FUND BALANCE					
ACCOUNTS PAYABLE	\$ 15,619	\$ 3,586	\$ 2	\$ 82	\$ 3,775
ACCRUED LIABILITIES	5,304	774			884
DEPOSITS	1,113			8	
DEFERRED REVENUE	5,266	1,513			
DUE TO OTHER FUNDS		6,932	183		6,553
COMPENSATED ABSENCES	40,627	94			
DUE TO COLLEGE BOARD SYSTEM					2,928
LEASES PAYABLE					2,295
BONDS PAYABLE					68,981
FUND BALANCE:					
University funds	21,516	375		3,378	15,557
Loan funds			36,300		
Net investment in plant					669,277
	<u>\$ 89,445</u>	<u>\$ 13,274</u>	<u>\$ 36,485</u>	<u>\$ 3,468</u>	<u>\$ 770,250</u>

See notes to combined financial statements.

WEST VIRGINIA UNIVERSITY

COMBINED STATEMENT OF CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2001 (Dollars in Thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds
	Unrestricted	Restricted			
FUND BALANCE, BEGINNING OF YEAR	\$ 21,516	\$ 375	\$ 36,300	\$ 3,378	\$ 684,834
REVENUES AND OTHER ADDITIONS:					
Unrestricted current fund revenues	363,128				
Auxiliary enterprises revenues	60,471				893
Contracts and grants - restricted:					
Federal		137,915	170		
State		23,257			
Local		279			
Private		23,150	83		
Government appropriations - restricted:					
Federal		9,855			
Local		586			
U.S. government advances			492		
Investment income	165	227	221		1,229
Net gain on bond refunding					
Interest on loans receivable			701		
Expended for plant facilities - net of disposals					68,398
Retirement of indebtedness					2,552
Miscellaneous income		8	40		100
Total revenues and other additions	<u>423,764</u>	<u>195,277</u>	<u>1,707</u>		<u>73,172</u>
EXPENDITURES AND OTHER DEDUCTIONS:					
Educational and general expenditures	339,959	178,739	10		
Indirect costs recovered		11,401			
Auxiliary enterprises expenditures	61,158	293			18
Loan cancellations and write-offs			1,474		
Tuition and fees retained by Commission	13,006				
Allocations to the Policy Commission					161
Waivers in support of other State institutions	310				
Expended for plant facilities					35,614
Retirement of indebtedness					2,391
Interest on indebtedness					3,965
Administrative and collection fees			2		7
Loss on investments				211	
Refunds to grantors		794			
Total expenditures and other deductions	<u>414,433</u>	<u>191,227</u>	<u>1,486</u>	<u>211</u>	<u>42,156</u>
TRANSFERS AMONG FUNDS - Additions (deductions):					
Mandatory transfers - principal and interest	(2,755)				2,755
Mandatory transfers - other	(520)	436	84		
Nonmandatory transfers	(8,669)	(1,689)	720		9,638
Total transfers	<u>(11,944)</u>	<u>(1,253)</u>	<u>804</u>		<u>12,393</u>
NET INCREASE (DECREASE)	<u>(2,613)</u>	<u>2,797</u>	<u>1,025</u>	<u>(211)</u>	<u>43,409</u>
FUND BALANCE, END OF YEAR	\$ 18,903	\$ 3,172	\$ 37,325	\$ 3,167	\$ 728,243

See notes to combined financial statements.

WEST VIRGINIA UNIVERSITY

COMBINED STATEMENT OF CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2000 (Dollars in Thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds
	Unrestricted	Restricted			
FUND BALANCE, BEGINNING OF YEAR	\$ 27,918	\$ 4,717	\$ 34,971	\$ 3,508	\$ 626,987
REVENUES AND OTHER ADDITIONS:					
Unrestricted current fund revenues	345,840				
Auxiliary enterprises revenues	51,873				1,064
Contracts and grants - restricted:					
Federal		126,404	88		189
State		19,027			3,000
Local		314			
Private		22,274	5		
Government appropriations - restricted:					
Federal		6,589	92		
Local		565			
U.S. government advances			474		
Investment income		104	303		2,152
Net gain on bond refunding					
Interest on loans receivable			605		
Expended for plant facilities - net of disposals					80,640
Retirement of indebtedness					2,922
Miscellaneous income					
Total revenues and other additions	<u>397,713</u>	<u>175,277</u>	<u>1,567</u>		<u>89,967</u>
EXPENDITURES AND OTHER DEDUCTIONS:					
Educational and general expenditures	329,700	167,537			
Indirect costs recovered		11,418			
Auxiliary enterprises expenditures	55,589	216			
Loan cancellations and write-offs			434		
Tuition and fees retained by Board	8,570				
Allocations to the College System Board					151
Waivers in support of other State institutions	268				
Expended for plant facilities					35,019
Retirement of indebtedness					2,771
Interest on indebtedness					4,030
Administrative and collection fees			5		5
Loss on investments			2	130	
Refunds to grantors		354	23		
Total expenditures and other deductions	<u>394,127</u>	<u>179,525</u>	<u>464</u>	<u>130</u>	<u>41,976</u>
TRANSFERS AMONG FUNDS - Additions (deductions):					
Mandatory transfers - principal and interest	(2,762)				2,762
Mandatory transfers - other	(84)		84		
Nonmandatory transfers	<u>(7,142)</u>	<u>(94)</u>	<u>142</u>		<u>7,094</u>
Total transfers	<u>(9,988)</u>	<u>(94)</u>	<u>226</u>		<u>9,856</u>
NET INCREASE (DECREASE)	<u>(6,402)</u>	<u>(4,342)</u>	<u>1,329</u>	<u>(130)</u>	<u>57,847</u>
FUND BALANCE, END OF YEAR	\$ 21,516	\$ 375	\$ 36,300	\$ 3,378	\$ 684,834

See notes to combined financial statements.

WEST VIRGINIA UNIVERSITY

COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES YEAR ENDED JUNE 30, 2001 (Dollars in Thousands)

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 114,705	\$	\$ 114,705
Government appropriations:			
Federal		8,834	8,834
State	212,821		212,821
Local		503	503
Government contracts and grants:			
Federal	8,595	130,150	138,745
State	7,559	19,785	27,344
Local	73	243	316
Private gifts, grants and contracts	3,097	19,398	22,495
Investment income	3,383	111	3,494
Auxiliary enterprises revenues	60,471		60,471
Sales and services of educational activities	6,949		6,949
Other sources	<u>6,111</u>	<u>8</u>	<u>6,119</u>
Total revenues	<u>423,764</u>	<u>179,032</u>	<u>602,796</u>
EXPENDITURES, TRANSFERS AND OTHER CHANGES:			
Educational and general:			
Instruction	140,058	7,968	148,026
Research	28,112	44,513	72,625
Public service	21,386	27,859	49,245
Academic support	33,751	811	34,562
Student services	21,316	776	22,092
Operations and maintenance of plant	38,243	101	38,344
General institutional support	43,360	1,074	44,434
Scholarship and fellowship	<u>13,733</u>	<u>95,637</u>	<u>109,370</u>
Total educational and general	<u>339,959</u>	<u>178,739</u>	<u>518,698</u>
Transfers and other (additions) deductions:			
Tuition and fees retained by the Commission	13,006		13,006
Waivers in support of other State institutions	310		310
Refunds to grantors		794	794
Mandatory transfers - other	520	(436)	84
Nonmandatory transfers	<u>8,669</u>	<u>1,689</u>	<u>10,358</u>
Total transfers and other deductions	<u>22,505</u>	<u>2,047</u>	<u>24,552</u>
Total educational and general, transfers and other deductions	<u>362,464</u>	<u>180,786</u>	<u>543,250</u>
Auxiliary enterprises:			
Expenditures	61,158	293	61,451
Mandatory transfers - principal and interest	<u>2,755</u>		<u>2,755</u>
Total auxiliary enterprises	<u>63,913</u>	<u>293</u>	<u>64,206</u>
Total expenditures, transfers and other changes	<u>426,377</u>	<u>181,079</u>	<u>607,456</u>
OTHER RESTRICTED RECEIPTS - Less recognized revenue		<u>4,844</u>	<u>4,844</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (2,613)</u>	<u>\$ 2,797</u>	<u>\$ 184</u>

See notes to combined financial statements.

WEST VIRGINIA UNIVERSITY

COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES YEAR ENDED JUNE 30, 2000 (Dollars in Thousands)

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 111,523		\$ 111,523
Government appropriations:			
Federal		\$ 8,265	8,265
State	201,556		201,556
Local		603	603
Government contracts and grants:			
Federal	8,018	122,915	130,933
State	7,212	17,167	24,379
Local	23	965	988
Private gifts, grants and contracts	2,438	17,772	20,210
Investment income	3,728	66	3,794
Auxiliary enterprises revenues	51,873		51,873
Sales and services of educational activities	6,350		6,350
Other sources	4,992		4,992
	<u>397,713</u>	<u>167,753</u>	<u>565,466</u>
Total revenues			
EXPENDITURES, TRANSFERS AND OTHER CHANGES:			
Educational and general:			
Instruction	141,949	7,944	149,893
Research	23,049	42,186	65,235
Public service	19,422	25,549	44,971
Academic support	32,982	682	33,664
Student services	18,610	810	19,420
Operations and maintenance of plant	38,294	22	38,316
General institutional support	43,892	968	44,860
Scholarship and fellowship	11,502	89,376	100,878
	<u>329,700</u>	<u>167,537</u>	<u>497,237</u>
Total educational and general			
Transfers and other (additions) deductions:			
Tuition and fees retained by the Board	8,570		8,570
Waivers in support of other State institutions	268		268
Refunds to grantors		354	354
Mandatory transfers - other	84		84
Nonmandatory transfers	7,142	94	7,236
	<u>16,064</u>	<u>448</u>	<u>16,512</u>
Total transfers and other deductions			
Total educational and general, transfers and other deductions	<u>345,764</u>	<u>167,985</u>	<u>513,749</u>
Auxiliary enterprises:			
Expenditures	55,589	216	55,805
Mandatory transfers - principal and interest	2,762		2,762
	<u>58,351</u>	<u>216</u>	<u>58,567</u>
Total auxiliary enterprises			
Total expenditures, transfers and other changes	<u>404,115</u>	<u>168,201</u>	<u>572,316</u>
OTHER RESTRICTED RECEIPTS - Less recognized revenue		(3,894)	(3,894)
NET DECREASE IN FUND BALANCE	\$ (6,402)	\$ (4,342)	\$ (10,744)

See notes to combined financial statements.

WEST VIRGINIA UNIVERSITY

NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2001 AND 2000

1. ORGANIZATION

Through June 30, 2000 West Virginia University (the "University") was governed by the University of West Virginia Board of Trustees (the "Board"). The Board was an agency of the State of West Virginia (the "State") and was responsible for the general determination, control, supervision and management of the financial, business and educational policies and affairs of the State's higher education institutions within the State University System, of which the University is one. The University is comprised of West Virginia University - Main Campus and subsidiary and its three regional campuses, West Virginia University at Parkersburg, Potomac State College of West Virginia University, and West Virginia University Institute of Technology.

Effective July 1, 2000, the West Virginia Legislature made changes to the governance and structure of West Virginia higher education. On March 19, 2000, the West Virginia Legislature enacted Senate Bill No. 653 ("S.B. 653"), which restructures public higher education in West Virginia. S.B. 653 abolishes the University of West Virginia Board of Trustees effective June 30, 2000, and replaced it with a transition year board, the West Virginia Higher Education Interim Governing Board (the "Governing Board"). The Interim Governing Board is granted all powers, duties, and authorities of the Board and is transferred each valid agreement and obligation previously transferred to or vested in the Board. The Interim Governing Board is comprised of nine persons appointed by the Governor with the advice and consent of the Senate.

S.B. 653 also created the West Virginia Higher Education Policy Commission (the "Commission"), which is responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda. Effective July 1, 2001, certain powers transferred to the Interim Governing Board will be transferred to the newly created Governing Boards of each of the Institutions of Higher Education.

Each Governing Board shall have certain powers and duties including but not limited to, the power to determine, control, supervise and manage the financial, business and educational policies and affairs of the institution(s) under its jurisdiction, the duty to develop a master plan for the institution, the power to prescribe the specific functions and institution's budget request, the duty to review at least every five years all academic programs offered at the institution, and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements of the University have been prepared in accordance with the accounting guidance and reporting practices applicable to public colleges and universities, as outlined in the accounting pronouncements issued by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants Industry Audit Guide *Audits of Colleges and Universities* and *College and*

University Business Administration, published by the National Association of College and University Business Officers. All intercompany accounts and transactions have been eliminated. The University follows all GASB pronouncements as well as Financial Accounting Standards Board (“FASB”) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989 to its combined financial statements.

- a. *Reporting Entity* - The University is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State that are not included in the State’s general fund. The University is a separate entity, which, along with all State institutions of higher education, the Higher Education Central Office and the West Virginia Network for Educational Telecomputing (“WVNET”), form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State’s comprehensive annual financial report.

The accompanying combined financial statements present all funds under the authority of West Virginia University, including the regional campuses and the West Virginia University Research Corporation, a wholly-owned subsidiary of West Virginia University - Main Campus. The basic criteria for inclusion in the accompanying combined financial statements is the exercise of oversight responsibility derived from the ability of the University to significantly influence operations and accountability for fiscal matters of related entities. Related foundations and other affiliates of the University (see Notes 13 & 15) are not part of the University reporting entity and are not included in the accompanying combined financial statements as the University has no ability to designate management, cannot significantly influence operations of these entities and is not accountable for the fiscal matters of these other foundations and affiliates.

- b. *Basis of Accounting* - The combined financial statements of the University have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenditures when materials or services are received. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the year as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of library books and movable equipment; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a nonmandatory nature for all other cases.

- c. *Fund Accounting* - The accounts of the University are maintained in accordance with the principles of fund accounting for public educational organizations to reflect the limitations and restrictions on the use of available resources. The accounts relating to specified activities or objectives have been classified into separate funds. Similar funds have been combined for financial reporting purposes.

Within each fund group, resources restricted as to use by outside sources are distinguished from unrestricted resources allocated or designated to specific purposes by the University President or the Board of Governors. Restricted resources may only be used for the purposes established by the source of such funds. Restricted current funds are recorded in the restricted fund balance until they are reported as revenues and expenditures when expended for current operating purposes.

Loan funds are used to account for resources that may be lent to students and which are provided by various sources, including the U.S. government, private donors or by transfer of University funds. Generally, student loan funds are operated on a revolving fund basis with principal and interest payments remaining in the loan funds for future lending.

Endowment and similar funds are subject to the restrictions of gift instruments requiring that the principal be invested and the income only be expended.

Plant funds are used to account for unexpended plant funds, long-lived assets, related indebtedness and retirement of indebtedness. Maintenance and repairs are recorded as current funds expenditures.

- d. *Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 from those estimates.
- e. *Cash and Cash Equivalents* - Cash and cash equivalents balances on deposit with the West Virginia Treasurer's Office (the "Treasurer") are pooled by the Treasurer with other available funds of the State for investment by the West Virginia Investment Management Board (the "IMB"). These funds are transferred to the IMB and the IMB is directed by the Treasurer to invest these funds in specific external investment pools. Investment income from the investment pools is allocated by the Treasurer to the various participants in the investment pools based on the balances of the various participants and their deposits with the Treasurer in the month in which the income was earned. Balances in the investment pools are recorded at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The IMB was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment incomes are allocated to participants in the pool based upon the funds that have been invested. The amounts on deposit with the Treasurer are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying combined financial statements.
- f. *Investments* - The University's investments in the current funds and certain investments in the endowment funds are on deposit with the Treasurer. These investments are pooled with other State funds in a cash liquidity pool to maximize investment income. Income on these investments is allocated as described above. Regulatory oversight for investments on deposit with the Treasurer is provided by the State's Investment Management Board in accordance with statutory guidelines. Investments in the endowment funds also include mutual fund shares and common

stock held in trust at commercial financial institutions. Investments in the loan funds consist of certificates of deposit held at commercial financial institutions. Certain income earned on endowment fund investments is assigned to the restricted and loan funds for use as stipulated by the donors.

Effective July 1, 1997, the University adopted the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB Statement No. 31 requires the University to record certain investment balances at fair value. As provided in the Statement, the University's position in the cash liquidity pool is determined by the pool's share price, which approximates fair value. All other investments are reported at fair value except for certain short-term investments for which the difference between cost and fair value is immaterial.

- g. *Allowance for Doubtful Accounts* - It is the University's policy to provide for future losses on uncollectible accounts and loans receivable based on an evaluation of the underlying account and loan balances, the historical collectibility experienced by the University on such balances and such other factors which, in management's judgment, require consideration in estimating doubtful accounts.
- h. *Inventories* - Inventories are stated at the lower-of-cost or market, cost being determined on the first-in, first-out method.
- i. *Property, Plant and Equipment*- Property, plant and equipment and books and materials, which are part of a catalogued library, 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. Consistent with accounting principles generally accepted in the United States of America for public colleges and universities, depreciation on plant assets is not recorded. The University capitalizes items over \$1,000.
- j. *Student Aid* - The University makes loans to students under the Ford Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through universities like the University. The activity of this program is recorded in the accompanying combined financial statements as current restricted funds revenues and expenditures. Direct student loan receivables are not included in the University's balance sheet as the loans are repayable directly to the U.S. Department of Education. The University received and disbursed \$75 million in 2001 and \$71 million in 2000 under the Direct Loan Program on behalf of the U.S. Department of Education.

The University also distributes other student financial assistance funds on behalf of the federal government to students under the Pell Grant, Supplemental Educational Opportunity Grant and Federal Work-Study Programs. The activity of these programs is also recorded in the accompanying combined financial statements as current restricted funds revenues and expenditures. In 2001 and 2000, the University received and disbursed \$16.3 million and \$15.0 million, respectively, under these other federal student aid programs.

- k. *Deferred Revenue* - Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue, including items such as football ticket sales, orientation fees and room and board and financial aid deposits. Such deposits are separately classified.

- l. *Risk Management* - The State's Board of Risk and Insurance Management ("BRIM") provides general, property and casualty and medical malpractice liability coverage to the University and its employees, including those physicians employed by the University and related to the University's academic medical center hospital. Such coverage may be provided to the University by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience related premiums or adjustments to BRIM.

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

- m. *Compensated Absences* - The University accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." This statement 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 University'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. Certain faculty employees (generally those contracted with on a less than full-time basis) 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 5 years extend health insurance for one year of family coverage.

The estimate of the liability for the extended health or life insurance benefit has been made on the vesting method in accordance with the provisions of GASB Statement No. 16. Under that method, the University has identified the accrued sick leave benefit earned to date by each employee, has determined the cost of that benefit by reference to the benefit provisions and the current cost experienced by the University for such coverage and estimated the probability of the payment of that benefit to employees upon retirement.

The estimated liability and retirement payments for the vacation leave, sick leave or extended health or life insurance benefits are recorded within the University's current unrestricted fund.

- n. *Gifts and Pledges* - The University does not report pledges in the financial statements until the gifts are collected. The University gift records indicate that an immaterial amount of pledges are outstanding at June 30, 2001 and 2000 respectively.

- o. *Government Grants and Contracts* - Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The University 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 three years.
- p. *Income Taxes* - The University 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.
- q. *Reclassifications* – Certain reclassifications have been made to the 2000 financial statements to conform to the current year presentation.
- r. *Recent Statements Issued by the Government Accounting Standards Board* – The Colleges and Universities of the West Virginia Higher Education Fund adopted GASB Statement No. 33, “Accounting and Reporting for Nonexchange Transactions,” as amended by GASB No. 36 in the year ended June 30, 2001. The effect of the adoption of these statements did not have a material impact on the University’s combined financial statements. GASB has also issued Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments,” and Statement No. 35, “Basic Financial Statement – and Management’s Discussion and Analysis – for Public Colleges and Universities.” These statements are effective for periods beginning after June 15, 2001. The University has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 34 and No. 35. These statements, when adopted will substantially alter the appearance of the University’s financial statements.

3. CASH AND CASH EQUIVALENTS

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

	<u>Current Funds</u>				
	Unrestricted Fund	Restricted Fund	Loan Funds	Endowment Funds	Plant Funds
2001					
Cash on deposit with the Treasurer:					
West Virginia University -					
Nonauxiliaries	\$ 33,371	\$ 919	\$ 529	\$ 17	\$ (2,007)
West Virginia University -					
Auxiliaries	24,024				1,160
Board of Trustees					10,372
Municipal Bond Commission					159
Cash in Bank	4,520	209	3,944	63	
Cash on Hand		2			
Cash in Money Market	983				
	<u>\$ 62,898</u>	<u>\$ 1,130</u>	<u>\$ 4,473</u>	<u>\$ 80</u>	<u>\$ 9,684</u>

2000	Current Funds		Loan Funds	Endowment Funds	Plant Funds
	Unrestricted Fund	Restricted Fund			
Cash on deposit with the Treasurer:					
West Virginia University - Nonauxiliaries	\$ 42,308	\$ 721	\$ 3	\$ 82	\$ 323
West Virginia University - Auxiliaries	18,699				
Board of Trustees					4
Municipal Bond Commission					28,001
Cash in Bank	1,226	65	3,793		343
Cash in Money Market	501				
	<u>\$ 62,734</u>	<u>\$ 786</u>	<u>\$ 3,796</u>	<u>\$ 82</u>	<u>\$ 28,671</u>

Cash designated as Board of Trustees and Municipal Bond Commission represents various project revenue, repair and replacement and debt service accounts trustee with the Board of Trustees or the State's Municipal Bond Commission and related to various University specific bond issues (see Note 9).

The combined carrying amount of cash in bank at June 30, 2001 and 2000, was \$8.7 million and \$5.4 million, respectively, as compared with combined bank balances of \$11.4 million and \$9.6 million, respectively. The difference was primarily caused by items in transit. All bank balances were covered by federal depository insurance or were secured by securities held as collateral by the State's agent.

Cash on deposit with the Treasurer is a non-categorized deposit in accordance with GASB Statement No. 3.

4. ACCOUNTS RECEIVABLE

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

2001	Current Funds		Endowment and Similar Funds	Plant
	Unrestricted	Restricted		
Due from West Virginia Hospitals, Inc.		\$ 3,083		
Auxiliary services, net of an allowance for doubtful accounts of \$854	\$ 461			
Students - tuition and fees, net of an allowance for doubtful accounts of \$1,279	854		\$ 1	\$ 19
Other, net of an allowance for doubtful accounts of \$24 in the current unrestricted fund	<u>1,504</u>	<u> </u>	<u> </u>	<u>21</u>
	<u>\$ 2,819</u>	<u>\$ 3,083</u>	<u>\$ 1</u>	<u>\$ 40</u>

2000	<u>Current Funds</u> Unrestricted
Due from West Virginia Hospitals, Inc.	\$ 590
Auxiliary services, net of an allowance for doubtful accounts of \$717	688
Students - tuition and fees, net of an allowance for doubtful accounts of \$882	800
Other, net of an allowance for doubtful accounts of \$28 in the current unrestricted fund	<u>347</u>
	<u>\$ 2,425</u>

West Virginia Hospitals, Inc. receivables represent various administrative expenditures incurred by the University on behalf of West Virginia Hospitals, Inc., for which reimbursement has not yet been received.

5. INVESTMENT IN PLANT

The composition of investment in plant was as follows at June 30 (dollars in thousands):

	2001	2000
Land and land improvements	\$ 19,677	\$ 19,489
Buildings	462,359	458,176
Equipment	138,447	129,701
Library books	60,360	56,749
Software	33,335	32,945
Infrastructure	16	
Construction in progress	<u>95,620</u>	<u>43,493</u>
	<u>\$ 809,814</u>	<u>\$ 740,553</u>

6. COMPENSATED ABSENCES

The composition of the compensated absences liability was as follows at June 30 (dollars in thousands):

	2001	2000
Health or life insurance benefits	\$ 27,358	\$ 25,998
Vacation leave	<u>15,343</u>	<u>14,723</u>
	<u>\$ 42,701</u>	<u>\$ 40,721</u>

The cost of health and life insurance benefits paid by the University is based on a combination of years of service and age. For the years ended June 30, 2001 and 2000, the

amount paid by the University for extended health or life insurance coverage retirement benefits totaled \$837,000 and \$787,000, respectively. As of June 30, 2001 and 2000, there were 994 and 849 retirees currently eligible to receive these benefits, respectively.

7. NOTE PAYABLE

In 1996, the University issued a note payable to an unrelated party to finance certain equipment. Principal was due in varying amounts through June 30, 2000. The outstanding balance of this note payable was paid as of June 30, 2000.

8. LEASES PAYABLE

The University leases certain property, plant and equipment under capital leases. Leased assets totaling \$10.3 million and \$5.4 million in 2001 and 2000, respectively, are included in investment in plant.

Future annual minimum lease payments and the present value of minimum lease payments are as follows (dollars in thousands):

Fiscal Year Ending June 30,	Investment in Plant
2002	\$ 1,379
2003	1,190
2004	899
2005	876
2006	777
Later years	1,822
Minimum lease payments	6,943
Less amount representing interest	<u>1,327</u>
Present value of minimum lease payments	<u>\$ 5,616</u>

9. BONDS PAYABLE

Bonds payable consisted of the following at June 30 (dollars in thousands):

	Interest Rate	Annual Principal Installment Due	2001 Principal Amount Outstanding	2000 Principal Amount Outstanding
Dormitory Refunding Revenue		\$ 515		
Bonds 1997, Series A, due through 2017	3.95-5.30%	to \$ 1,070	\$ 11,835	\$ 12,370
Dormitory Revenue		\$ 1,480		
Bonds 1997, Series B, due through 2022	5.00%	to \$ 2,035	10,735	10,735
Athletic Facilities Refunding Revenue		\$ 130		
Bonds 1997, Series A, due through 2016	4.00-5.20%	to \$ 255	2,740	2,875
Athletic Facilities Revenue		\$ 265		
Bonds 1997, Series B, due through 2027	5.00%	to \$ 455	4,250	4,250
Student Union Refunding		\$ 175		
Bonds 1997, Series A, due through 2011	3.95-4.95%	to \$ 280	2,315	2,495
Student Union Revenue		\$ 220		
Bonds 1997, Series B, due through 2027	4.20-5.00%	to \$ 2,970	<u>38,000</u>	<u>38,000</u>
Bonds Payable			69,875	70,725
Unamortized Bond Discount			<u>(1,674)</u>	<u>(1,744)</u>
Bonds Payable Less Unamortized Discount			<u>\$ 68,201</u>	<u>\$ 68,981</u>

The 1997 Dormitory Series A Bonds were issued to advance refund the University's Dormitory Revenue Bonds (West Virginia University Project), 1992 Series A, dated May 1, 1992, and to pay a portion of the costs of issuance of the Bonds. The 1997 Dormitory Series B Bonds were issued to finance improvements to certain dormitories at West Virginia University and to reimburse the University for certain prior capital expenditures made for such purpose, and to pay a portion of the costs of issuance of the Bonds.

The 1997 Athletic Facilities Series A Bonds were issued to advance refund the 1985 Series A Annual Tender Revenue Bonds, and to pay a portion of the costs of issuance of the 1997 Athletic Facilities Series A Bonds. The 1997 Athletic Facilities Series B Bonds were issued to finance a portion of the costs of acquisition, construction and equipping of an indoor football practice facility at West Virginia University and to reimburse the University for certain prior capital expenditures made for such purpose, and to pay a portion of the costs of issuance of the 1997 Athletic facilities Series B Bonds.

The 1997 Student Union Series A Bonds were used to advance refund the 1986 Student Union Fee Revenue Bonds. The 1997 Student Union Series B Bonds were issued to finance a portion

of the costs of acquisition, construction and equipping of a new student union and related capital improvements, and to pay a portion of the costs of issuance and interest on the 1997 Series A Bonds.

In 1997, the University defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, neither the assets held in trust nor the refunded bonds appear in the accompanying financial statements. At June 30, 2001 bonds outstanding of \$13.0 million refunded by the above-mentioned issues are considered defeased.

Each of the above bond issues is specific to the University, although some of the bonds were also issued in the name of the State or the State's former Board of Regents, previously responsible for the governance of the State's higher education system. As debt service is required on these bond issues, the University remits the funds to either the Governing Board (as successor to the Board of Regents) or the State's Municipal Bond commission for payment to the trustee of the bond issue and the bond holders. The mandatory debt service transfers are recorded as the funds are so remitted. The Governing Board and the Municipal Bond Commission may hold certain cash and cash equivalents (see Note 3) for debt service or other bond issue purposes on behalf of the University.

A summary of the annual aggregate principal payments for years subsequent to June 30, 2001, is as follows (dollars in thousands):

Fiscal Year Ending June 30,		
2001	\$	1,105
2002		1,145
2003		1,195
2004		1,460
2005		1,525
Later Years		<u>63,445</u>
Bonds Payable		69,875
Unamortized Bond Discount		<u>(1,674)</u>
Bonds Payable Less Unamortized Discount	\$	<u><u>68,201</u></u>

10. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The University as a State institution of higher education receives a State appropriation to finance its operations. In addition, the University is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of the University's operations, its tuition and fees structure, its personnel policies and its administrative practices.

The State has chartered the University System of West Virginia and the State College System of West Virginia (collectively the "Systems") 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 of the University. Financing for these facilities was provided through revenue bonds issued by the former State Board of Regents

or the current Commission. These obligations are the direct and total responsibility of those Boards.

Students of the State's universities and colleges, including students of the University, are assessed certain tuition charges and fees which in past years were remitted by the universities and colleges to the Commission. The tuition charges and fees are used in repayment of the bonds so issued. Any shortfalls between such tuition and fees remitted and actual debt service obligations are the responsibility of the Commission. To the extent that tuition charges and fees so collected by the Commission exceeded debt service obligations, the Commission remitted funds back to the universities and colleges for renewal and replacement or maintenance and repair of the facilities so financed.

On October 29, 1999, the Board of Trustees' approved University System of West Virginia, Administrative Bulletin No. 37, which was retroactive to July 1, 1999. The purpose of the administrative bulletin is to provide a more efficient and manageable process for assignment of responsibility by institution for payment of capital fund obligations. In addition it is to simplify the process used for retention of the tuition and registration fee collections by the institutions. The institutions were instructed to retain tuition and registration fee revenue collections, remitting only the required amounts to the Commission as scheduled. The amount of tuition and fees remitted by the University to the Commission in fiscal year 2001 was \$13.0 million.

The Commission's debt information cannot be extracted so as to present the University's portions of the Commission's bond indebtedness outstanding. It cannot be assumed that the amount of the tuition and fees contractually assessed and collected from the University students, or the net amount retained by the Commission, bears any relationship to the University's portion of the Commission's debt service.

The University's tuition and fees generally are pledged as collateral for the Commission's bond indebtedness.

11. RETIREMENT PLANS

Substantially all eligible employees of the University participate in either the West Virginia State Teachers Retirement System ("STRS") 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 election between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants.

The STRS is a cost-sharing, defined benefit public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The University's contributions to the STRS were at the rate of 15% of each enrolled employee's total annual salaries in both 2001 and 2000. Required employee contributions were at the rate of 6% of total annual salaries in both 2001 and 2000. Participants in the STRS may retire with full benefits upon reaching age 60 with 5 years of service, age 55 with 30 years of service or any age with 35 years of service. Lump sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest 5 years of salary out of the last 15) multiplied by the number of years of service.

The TIAA-CREF is a defined-contribution benefit 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 their total annual compensation. The University matches the employees' 6% contributions. Contributions are immediately and fully vested.

Total contributions to the STRS for the year ended June 30, 2001, were \$3.7 million, which consisted of approximately \$2.6 million from the University and \$1.1 million from the covered employees. Total contributions to the STRS for the year ended June 30, 2000, were \$3.7 million, which consisted of approximately \$2.6 million from the University and \$1.1 million from the covered employees. Total contributions to the STRS for the year ended June 30, 1999, were \$3.4 million, which consisted of approximately \$2.4 million from the University and \$1.0 million from the covered employees.

The contribution rate is set by the State Legislature on an overall basis and the STRS does not perform a calculation of the contribution requirement for individual employers, such as the University. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of the report may be obtained by writing to the Consolidated Public Retirement Board, Building 5, Room 1000, Charleston, WV 25305.

Total contributions to the TIAA-CREF for the year end June 30, 2001 were \$28 million, which consisted of \$14 million from the University and \$14 million from covered employees. Total contributions to the TIAA-CREF for the year end June 30, 2000 were \$26 million, which consisted of \$13 million from the University and \$13 million from covered employees. Total contributions to the TIAA-CREF for the year ended June 30, 1999, were \$25.0 million, which consisted of \$12.5 million from the University and \$12.5 million from covered employees.

The University's total payroll for the years ended June 30, 2001 and 2000, was \$282.9 million and \$267.8 million, respectively; total covered employees' salaries in the STRS and TIAA-CREF were \$17.4 million and \$230.9 million in 2001 and \$17.1 million and \$217.7 million in 2000.

12. PURCHASE COMMITMENT

The University has signed an agreement providing for the purchase of steam for a remaining period of 30 years from a nearby facility that commenced operations in late 1992. Under the agreement, the University 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. The University's total payments for steam purchased under the agreement were \$7.1 million in 2001 and \$6.8 million in 2000, which included \$412,000 to meet the University's minimum purchase requirement in 2000, respectively. The University anticipates total payments for steam usage for the remaining term of its commitment similar to the total payments made in 2001. However, payments in future years will be dependent on actual operating costs and other cost indices in those years.

13. AFFILIATED ORGANIZATIONS

The University has separately incorporated affiliated organizations including West Virginia University Alumni Association, Inc., University Health Associates, the Center for Entrepreneurial Studies and Development, Inc., Potomac State College Alumni Association and the West Virginia Tech Athletic Scholarship Fund, Inc. Oversight responsibility for these entities rests with independent Boards and management not otherwise affiliated with the University. Accordingly, the financial statements of all such organizations are not included in the accompanying combined financial statements.

14. CONTINGENCIES AND COMMITMENTS

Legal

The nature of the educational industry is such that, from time to time, claims will be presented against 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 University would not have a material effect on the financial position of the institution.

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. The University management believes disallowances, if any, will not have a material financial impact on the University's financial position.

The University owns various buildings that are known to contain asbestos. The University is not required by Federal, State or Local law to remove the asbestos from its buildings. The University is required under Federal Environmental, Health and Safety regulations to manage the presence of asbestos in its buildings in a safe condition. The University addresses its responsibility to manage the presence of asbestos in its buildings on a case by case basis. Significant problems of dangerous asbestos conditions are abated, as the condition becomes known. The University 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

With the transfer of WVUIT from the State College System to the University System of West Virginia effective July 1, 1997, in accordance with the provisions of Senate Bill 591, WVUIT is required to make an annual payment of \$373,089 per year through 2012 to the Policy Commission for purposes of the State College System's debt service.

15. FOUNDATIONS (Unaudited)

The West Virginia University Foundation, Incorporated, the West Virginia University at Parkersburg Foundation, Incorporated, and the Tech Foundation, Incorporated (the

“Foundations”) are separate non-profit organizations incorporated in the State of West Virginia that have as their purpose “to aid, strengthen and further in every proper and useful way the work and services of West Virginia University . . . and its affiliated non-profit organizations . . .” Oversight of each Foundation is the responsibility of independently elected Boards of Directors. In carrying out their responsibilities, the Boards of Directors of the Foundations employ management, form policy and maintain fiscal accountability over funds administered by the Foundations. Accordingly, the financial statements of the Foundations are not included in the accompanying combined financial statements. Most of the University’s endowments, as such, are under the control and management of the Foundations.

The Foundations’ assets totaled \$428 million and \$400 million at June 30, 2001 and 2000, respectively, with fund balances of \$384 million (\$361 million restricted) and \$381 million (\$360 million restricted), respectively. The restricted fund balance includes amounts restricted by donors for specific projects or departments of the University and its affiliated organizations. The fund balances related to endowments totaled \$289 million and \$297 million at June 30, 2001 and 2000, respectively. Gifts, grants, pledges and bequests to the Foundation totaled \$49 million and \$44 million in 2001 and 2000, respectively, with endowments comprising \$24 million and \$24 million of such totals, respectively.

Total funds expended by the Foundations in support of University activities totaled \$31 million and \$28 million in 2001 and 2000, respectively. This support and the related expenditures are not recorded in the University’s financial statements.

16. WOOD TRUST ENDOWMENT FUND (Unaudited)

The University is one of many income beneficiaries of the Wood Trust Endowment. The income derived from the Wood Trust Endowment is used to provide financial aid and loans to students. The Wood Trust Endowment had a fair market value of approximately \$2.1 million and \$2.4 million as of June 30, 2001 and 2000, respectively, and is not included in the accompanying combined financial statements. The Wood Trust Endowment is under the control and management of an independent Board not affiliated with the University.

The University received approximately \$9,000 and \$14,000 in 2001 and 2000, respectively, from the Wood Trust Endowment to provide financial aid to students.

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

To the West Virginia University Board of Governors:

We have audited the combined financial statements of West Virginia University (the "University") as of and for the year ended June 30, 2001, and have issued our report thereon dated October 12, 2001. We conducted our audit 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.

Compliance

As part of obtaining reasonable assurance about whether the University's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the University's internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated October 12, 2001.

This report is intended solely for the information and use of the Board of Governors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 12, 2001

REGIONAL CAMPUS FINANCIAL INFORMATION

Following are the financial statements for the years ended June 30, 2001 and 2000, for the four campuses of West Virginia University: West Virginia University - Main Campus and subsidiary, West Virginia University at Parkersburg, West Virginia University Institute of Technology, and Potomac State College of West Virginia University. These financial statements, except for Potomac State College, have been excerpted from each of the campuses' audited financial statements and related footnotes and are not covered by the Independent Auditors' Reports found on pages 1 and 23.

WEST VIRGINIA UNIVERSITY - MAIN CAMPUS AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

JUNE 30, 2001

(Dollars in Thousands)

ASSETS	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds
	Unrestricted	Restricted			
CASH AND CASH EQUIVALENTS	\$ 54,057		\$ 4,140	\$ 80	\$ 9,541
INVESTMENTS	4,807	\$ 535	130	3,167	
ACCOUNTS RECEIVABLE - Net of allowances for doubtful accounts of \$1,812	2,265	3,083		1	19
GRANTS & CONTRACTS RECEIVABLE Net of allowances for doubtful accounts of \$2,075	568	14,263			
LOANS RECEIVABLE - Net of allowances for doubtful accounts of \$3,443			30,786		
DUE FROM THE COMMISSION	335				
DUE FROM OTHER FUNDS	11,443				1
INVENTORIES	820				
DUE FROM THE STATE	95				
NOTES RECEIVABLE	350				
BOND ISSUANCE COST					798
INVESTMENT IN PLANT					733,332
	\$ 74,740	\$ 17,881	\$ 35,056	\$ 3,248	\$ 743,691
LIABILITIES AND FUND BALANCE					
ACCOUNTS PAYABLE	\$ 11,427	\$ 3,679		\$ 79	\$ 14,460
ACCRUED LIABILITIES	3,609	369			892
DEPOSITS	1,028			1	
DEFERRED REVENUE	4,955				
DUE TO OTHER FUNDS		11,443		1	
COMPENSATED ABSENCES	38,292				
LEASES PAYABLE					5,099
BONDS PAYABLE					68,201
FUND BALANCE:					
Main Campus funds	15,429	2,390		3,167	(4,993)
Loan funds			\$ 35,056		
Net investment in plant					660,032
	\$ 74,740	\$ 17,881	\$ 35,056	\$ 3,248	\$ 743,691

See notes to consolidated financial statements.

WEST VIRGINIA UNIVERSITY - MAIN CAMPUS AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

JUNE 30, 2000

(Dollars in Thousands)

ASSETS	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds
	Unrestricted	Restricted			
CASH AND CASH EQUIVALENTS	\$ 54,794		\$ 3,501	\$ 82	\$ 28,510
INVESTMENTS	6,960	\$ 491	124	3,379	
ACCOUNTS RECEIVABLE - Net of allowances for doubtful accounts of \$1,287	2,077				
GRANTS & CONTRACTS RECEIVABLE Net of allowances for doubtful accounts of \$838	471	11,795			190
LOANS RECEIVABLE - Net of allowances for doubtful accounts of \$2,372			30,564		
DUE FROM THE BOARD	1,159				
DUE FROM OTHER FUNDS	13,560	1,520	29	7	
INVENTORIES	958				
DUE FROM THE STATE	117				
NOTES RECEIVABLE	500				52
BOND ISSUANCE COST					836
INVESTMENT IN PLANT					665,249
	\$ 80,596	\$ 13,806	\$ 34,218	\$ 3,468	\$ 694,837
LIABILITIES AND FUND BALANCE					
ACCOUNTS PAYABLE	\$ 14,911	\$ 3,436		\$ 82	\$ 3,754
ACCRUED LIABILITIES	4,186	723			884
DEPOSITS	1,094			8	
DEFERRED REVENUE	5,202	1,513			
DUE TO OTHER FUNDS		8,404	\$ 212		6,500
COMPENSATED ABSENCES	36,420				
LEASES PAYABLE					1,696
BONDS PAYABLE					68,981
FUND BALANCE:					
Main Campus funds	18,783	(270)		3,378	18,450
Loan funds			34,006		
Net investment in plant					594,572
	\$ 80,596	\$ 13,806	\$ 34,218	\$ 3,468	\$ 694,837

See notes to consolidated financial statements.

WEST VIRGINIA UNIVERSITY - MAIN CAMPUS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2001
(Dollars in Thousands)

	<u>Current Funds</u>		Loan Funds	Endowment and Similar Funds	Plant Funds
	Unrestricted	Restricted			
FUND BALANCE, BEGINNING OF YEAR	\$ 18,783	\$ (270)	\$ 34,006	\$ 3,378	\$ 613,022
REVENUES AND OTHER ADDITIONS:					
Unrestricted current fund revenues	326,762				
Auxiliary enterprises revenues	55,906				893
Contracts and grants - restricted:					
Federal		131,420	158		
State		21,061			
Local		279			
Private		22,078	79		
Government appropriations - restricted:					
Federal		9,855			
Local		586			
U.S. government advances			492		
Investment income		149	209		1,159
Net gain on bond refunding					
Interest on loans receivable			651		
Expended for plant facilities - net of disposals					66,866
Retirement of indebtedness					2,220
Miscellaneous income			40		
Total revenues and other additions	<u>382,668</u>	<u>185,428</u>	<u>1,629</u>		<u>71,138</u>
EXPENDITURES AND OTHER DEDUCTIONS:					
Educational and general expenditures	306,685	169,380			
Indirect costs recovered		11,360			
Auxiliary enterprises expenditures	55,448	194			
Loan cancellations and write-offs			1,375		
Tuition and fees retained by Commission	12,576				
Waivers in support of other State institutions	310				
Expended for plant facilities					34,425
Retirement of indebtedness					2,220
Interest on indebtedness					3,714
Administrative and collection fees			2		7
Loss on investments				211	
Refunds to grantors		794			
Total expenditures and other deductions	<u>375,019</u>	<u>181,728</u>	<u>1,377</u>	<u>211</u>	<u>40,366</u>
TRANSFERS AMONG FUNDS - Additions (deductions):					
Mandatory transfers - principal and interest	(2,755)				2,755
Mandatory transfers - other	(520)	436	84		
Nonmandatory transfers	(7,728)	(1,476)	714		8,490
Total transfers	<u>(11,003)</u>	<u>(1,040)</u>	<u>798</u>		<u>11,245</u>
NET INCREASE (DECREASE)	<u>(3,354)</u>	<u>2,660</u>	<u>1,050</u>	<u>(211)</u>	<u>42,017</u>
FUND BALANCE, END OF YEAR	<u>\$ 15,429</u>	<u>\$ 2,390</u>	<u>\$ 35,056</u>	<u>\$ 3,167</u>	<u>\$ 655,039</u>

See notes to consolidated financial statements.

WEST VIRGINIA UNIVERSITY - MAIN CAMPUS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2000
(Dollars in Thousands)

	<u>Current Funds</u>		Loan Funds	Endowment and Similar Funds	Plant Funds
	Unrestricted	Restricted			
FUND BALANCE, BEGINNING OF YEAR	\$ 24,896	\$ 4,097	\$ 32,638	\$ 3,508	\$ 555,780
REVENUES AND OTHER ADDITIONS:					
Unrestricted current fund revenues	310,684				
Auxiliary enterprises revenues	47,305				1,064
Contracts and grants - restricted:					
Federal		119,913	74		189
State		17,375			3,000
Local		314			
Private		21,491	92		
Government appropriations - restricted:					
Federal		6,589			
Local		565			
U.S. government advances			474		
Investment income		77	288		2,104
Net gain on bond refunding					
Interest on loans receivable			560		
Expended for plant facilities - net of disposals					79,861
Retirement of indebtedness					2,570
Miscellaneous income					
Total revenues and other additions	<u>357,989</u>	<u>166,324</u>	<u>1,488</u>		<u>88,788</u>
EXPENDITURES AND OTHER DEDUCTIONS:					
Educational and general expenditures	296,630	159,090			
Indirect costs recovered		11,398			
Auxiliary enterprises expenditures	50,333	136			
Loan cancellations and write-offs			341		
Tuition and fees retained by Board	8,321				
Waivers in support of other State institutions	268				
Expended for plant facilities					33,237
Retirement of indebtedness					2,570
Interest on indebtedness					3,771
Administrative and collection fees			5		5
Loss on investments				130	
Refunds to grantors		354			
Total expenditures and other deductions	<u>355,552</u>	<u>170,978</u>	<u>346</u>	<u>130</u>	<u>39,583</u>
TRANSFERS AMONG FUNDS - Additions (deductions):					
Mandatory transfers - principal and interest	(2,762)				2,762
Mandatory transfers - other	(495)	411	84		
Nonmandatory transfers	(5,293)	(124)	142		5,275
Total transfers	<u>(8,550)</u>	<u>287</u>	<u>226</u>		<u>8,037</u>
NET INCREASE (DECREASE)	<u>(6,113)</u>	<u>(4,367)</u>	<u>1,368</u>	<u>(130)</u>	<u>57,242</u>
FUND BALANCE, END OF YEAR	<u>\$ 18,783</u>	<u>\$ (270)</u>	<u>\$ 34,006</u>	<u>\$ 3,378</u>	<u>\$ 613,022</u>

See notes to consolidated financial statements.

WEST VIRGINIA UNIVERSITY - MAIN CAMPUS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES
AND OTHER CHANGES
YEAR ENDED JUNE 30, 2001
(Dollars in Thousands)

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 103,414		\$ 103,414
Government appropriations:			
Federal		\$ 8,834	8,834
State	190,104		190,104
Local		503	503
Government contracts and grants:			
Federal	8,553	123,840	132,393
State	6,841	17,668	24,509
Local	73	243	316
Private gifts, grants and contracts	3,097	18,377	21,474
Investment income	2,825	109	2,934
Auxiliary enterprises revenues	55,906		55,906
Sales and services of educational activities	6,483		6,483
Other sources	<u>5,372</u>		<u>5,372</u>
Total revenues	<u>382,668</u>	<u>169,574</u>	<u>552,242</u>
EXPENDITURES, TRANSFERS AND OTHER CHANGES:			
Educational and general:			
Instruction	123,237	6,541	129,778
Research	28,112	44,513	72,625
Public service	21,090	26,775	47,865
Academic support	30,499	761	31,260
Student services	18,241	590	18,831
Operations and maintenance of plant	34,252	8	34,260
General institutional support	38,700	937	39,637
Scholarship and fellowship	<u>12,554</u>	<u>89,255</u>	<u>101,809</u>
Total educational and general	<u>306,685</u>	<u>169,380</u>	<u>476,065</u>
Transfers and other (additions) deductions:			
Tuition and fees retained by the Commission	12,576		12,576
Waivers in support of other State institutions	310		310
Refunds to grantors		794	794
Mandatory transfers - other	520	(436)	84
Nonmandatory transfers	7,728	1,476	9,204
Total transfers and other deductions	<u>21,134</u>	<u>1,834</u>	<u>22,968</u>
Total educational and general, transfers and other deductions	<u>327,819</u>	<u>171,214</u>	<u>499,033</u>
Auxiliary enterprises:			
Expenditures	55,448	194	55,642
Mandatory transfers - principal and interest	<u>2,755</u>		<u>2,755</u>
Total auxiliary enterprises	<u>58,203</u>	<u>194</u>	<u>58,397</u>
Total expenditures, transfers and other changes	<u>386,022</u>	<u>171,408</u>	<u>557,430</u>
OTHER RESTRICTED RECEIPTS - Less recognized revenue		<u>4,494</u>	<u>4,494</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (3,354)</u>	<u>\$ 2,660</u>	<u>\$ (694)</u>

See notes to consolidated financial statements.

WEST VIRGINIA UNIVERSITY - MAIN CAMPUS AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

YEAR ENDED JUNE 30, 2000

(Dollars in Thousands)

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 99,685		\$ 99,685
Government appropriations:			
Federal		\$ 8,265	8,265
State	180,650		180,650
Local		603	603
Government contracts and grants:			
Federal	7,997	116,731	124,728
State	6,435	15,588	22,023
Local	23	311	334
Private gifts, grants and contracts	2,438	17,663	20,101
Investment income	3,338	65	3,403
Auxiliary enterprises revenues	47,305		47,305
Sales and services of educational activities	5,840		5,840
Other sources	4,278		4,278
Total revenues	<u>357,989</u>	<u>159,226</u>	<u>517,215</u>
EXPENDITURES, TRANSFERS AND OTHER CHANGES:			
Educational and general:			
Instruction	125,009	6,788	131,797
Research	23,049	42,186	65,235
Public service	19,199	24,425	43,624
Academic support	29,505	602	30,107
Student services	15,465	686	16,151
Operations and maintenance of plant	34,313		34,313
General institutional support	39,728	888	40,616
Scholarship and fellowship	10,362	83,515	93,877
Total educational and general	<u>296,630</u>	<u>159,090</u>	<u>455,720</u>
Transfers and other (additions) deductions:			
Tuition and fees retained by the Board	8,321		8,321
Waivers in support of other State institutions	268		268
Refunds to grantors		354	354
Mandatory transfers - other	495	(411)	84
Nonmandatory transfers	5,293	124	5,417
Total transfers and other deductions	<u>14,377</u>	<u>67</u>	<u>14,444</u>
Total educational and general, transfers and other deductions	<u>311,007</u>	<u>159,157</u>	<u>470,164</u>
Auxiliary enterprises:			
Expenditures	50,333	136	50,469
Mandatory transfers - principal and interest	2,762		2,762
Total auxiliary enterprises	<u>53,095</u>	<u>136</u>	<u>53,231</u>
Total expenditures, transfers and other changes	<u>364,102</u>	<u>159,293</u>	<u>523,395</u>
OTHER RESTRICTED RECEIPTS - Less recognized revenue		<u>(4,300)</u>	<u>(4,300)</u>
NET DECREASE IN FUND BALANCE	<u>\$ (6,113)</u>	<u>\$ (4,367)</u>	<u>\$ (10,480)</u>

See notes to consolidated financial statements.

WEST VIRGINIA UNIVERSITY AT PARKERSBURG

BALANCE SHEET

JUNE 30, 2001

(Dollars in Thousands)

ASSETS	Current Funds		Loan Funds	Plant Funds
	Unrestricted	Restricted		
CASH AND CASH EQUIVALENTS	\$ 2,020	\$ 184	\$ 5	\$ 9
ACCOUNTS RECEIVABLE - Net of allowances for doubtful accounts of \$3	205			21
GRANTS & CONTRACTS RECEIVABLE		118		
LOANS RECEIVABLE - Net of allowances for doubtful accounts of \$15			2	
DUE FROM THE COMMISSION	8			
DUE FROM OTHER FUNDS	173			
INVENTORIES	309			
PREPAID EXPENDITURES	12			
INVESTMENT IN PLANT				20,015
	<u>\$ 2,727</u>	<u>\$ 302</u>	<u>\$ 7</u>	<u>\$ 20,045</u>
LIABILITIES AND FUND BALANCE				
ACCOUNTS PAYABLE	\$ 139	\$ 60		\$ 21
ACCRUED LIABILITIES	540	1		
DUE TO OTHER FUNDS		173		
COMPENSATED ABSENCES	1,387			
LEASE PAYABLE				316
FUND BALANCE:				
Parkersburg funds	661	68		9
Loan funds			\$ 7	
Net investment in plant				19,699
	<u>\$ 2,727</u>	<u>\$ 302</u>	<u>\$ 7</u>	<u>\$ 20,045</u>

See notes to financial statements.

WEST VIRGINIA UNIVERSITY AT PARKERSBURG

BALANCE SHEET

JUNE 30, 2000

(Dollars in Thousands)

ASSETS	Current Funds		Loan Funds	Plant Funds
	Unrestricted	Restricted		
CASH AND CASH EQUIVALENTS	\$ 2,053	\$ 9	\$ 6	\$ 8
ACCOUNTS RECEIVABLE - Net of allowances for doubtful accounts of \$4	137			
GRANTS & CONTRACTS RECEIVABLE		48		
LOANS RECEIVABLE - Net of allowances for doubtful accounts of \$15			2	
DUE FROM THE BOARD	58			
DUE FROM OTHER FUNDS	48			
INVENTORIES	302			
PREPAID EXPENDITURES	8			
INVESTMENT IN PLANT				19,685
	<u>\$ 2,606</u>	<u>\$ 57</u>	<u>\$ 8</u>	<u>\$ 19,693</u>
LIABILITIES AND FUND BALANCE				
ACCOUNTS PAYABLE	\$ 175	\$ 8	\$ 2	
ACCRUED LIABILITIES	449	1		
DUE TO OTHER FUNDS		48		
COMPENSATED ABSENCES	1,333			
LEASE PAYABLE				\$ 353
FUND BALANCE:				
Parkersburg funds	649			8
Loan funds			6	
Net investment in plant				19,332
	<u>\$ 2,606</u>	<u>\$ 57</u>	<u>\$ 8</u>	<u>\$ 19,693</u>

See notes to financial statements.

WEST VIRGINIA UNIVERSITY AT PARKERSBURG

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2001

(Dollars in Thousands)

	Current Funds		Loan Funds	Plant Funds
	Unrestricted	Restricted		
FUND BALANCE, BEGINNING OF YEAR	\$ 649		\$ 6	\$ 19,340
REVENUES AND OTHER ADDITIONS:				
Unrestricted current fund revenues	12,411			
Auxiliary enterprises revenues	146			
Contracts and grants - restricted:				
Federal		\$ 2,705		
State		422		
Private		130		
Investment income				1
Interest on loans receivable			1	
Retirement of indebtedness				36
Expended for plant facilities - net of disposals				689
Miscellaneous income				
Total revenues and other additions	<u>12,557</u>	<u>3,257</u>	<u>1</u>	<u>726</u>
EXPENDITURES AND OTHER DEDUCTIONS:				
Educational and general expenditures	11,942	3,030		
Auxiliary enterprises expenditures	154	1		
Loan cancellations and write-offs				
Tuition and fees retained by Commission	206			
Retirement of indebtedness				36
Interest on indebtedness				22
Expended for plant facilities				701
Total expenditures and other deductions	<u>12,302</u>	<u>3,031</u>		<u>759</u>
TRANSFERS AMONG FUNDS - Nonmandatory transfers - Additions (deductions)	<u>(243)</u>	<u>(158)</u>		<u>401</u>
Total transfers	<u>(243)</u>	<u>(158)</u>		<u>401</u>
NET INCREASE	<u>12</u>	<u>68</u>	<u>1</u>	<u>368</u>
FUND BALANCE, END OF YEAR	<u>\$ 661</u>	<u>\$ 68</u>	<u>\$ 7</u>	<u>\$ 19,708</u>

See notes to financial statements.

WEST VIRGINIA UNIVERSITY AT PARKERSBURG

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2000

(Dollars in Thousands)

	Current Funds		Loan Funds	Plant Funds
	Unrestricted	Restricted		
FUND BALANCE, BEGINNING OF YEAR	\$ 1,320		\$ 6	\$ 18,369
REVENUES AND OTHER ADDITIONS:				
Unrestricted current fund revenues	11,565			
Auxiliary enterprises revenues	147			
Contracts and grants - restricted:				
Federal		\$ 2,727		
State		362		
Private		109		
Investment income				
Interest on loans receivable			1	
Retirement of indebtedness				33
Expended for plant facilities - net of disposals				937
Miscellaneous income				
Total revenues and other additions	<u>11,712</u>	<u>3,198</u>	<u>1</u>	<u>970</u>
EXPENDITURES AND OTHER DEDUCTIONS:				
Educational and general expenditures	11,405	2,824		
Auxiliary enterprises expenditures	151	1		
Loan cancellations and write-offs			1	
Tuition and fees retained by Board	199			
Retirement of indebtedness				33
Interest on indebtedness				24
Expended for plant facilities				943
Total expenditures and other deductions	<u>11,755</u>	<u>2,825</u>	<u>1</u>	<u>1,000</u>
TRANSFERS AMONG FUNDS - Nonmandatory transfers - Additions (deductions)	<u>(628)</u>	<u>(373)</u>		<u>1,001</u>
Total transfers	<u>(628)</u>	<u>(373)</u>		<u>1,001</u>
NET INCREASE (DECREASE)	<u>(671)</u>			<u>971</u>
FUND BALANCE, END OF YEAR	<u>\$ 649</u>	<u>\$</u>	<u>\$ 6</u>	<u>\$ 19,340</u>

See notes to financial statements.

WEST VIRGINIA UNIVERSITY AT PARKERSBURG

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES YEAR ENDED JUNE 30, 2001

(Dollars in Thousands)

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 3,492		\$ 3,492
Government appropriations - State	7,808		7,808
Government contracts and grants:			
Federal		\$ 2,546	2,546
State	380	357	737
Private gifts, grants and contracts		128	128
Investment income	165		165
Auxiliary enterprises revenues	146		146
Sales and services of educational activities	6		6
Other sources	560		560
	<u>12,557</u>	<u>3,031</u>	<u>15,588</u>
Total revenues			
EXPENDITURES, TRANSFERS AND OTHER CHANGES:			
Educational and general:			
Instruction	6,487	330	6,817
Public service	57	34	91
Academic support	665	11	676
Student services	1,027	26	1,053
Operations and maintenance of plant	1,451		1,451
General institutional support	1,625	64	1,689
Scholarship and fellowship	630	2,565	3,195
	<u>11,942</u>	<u>3,030</u>	<u>14,972</u>
Total educational and general			
Transfers and other deductions:			
Tuition and fees retained by the Commission	206		206
Nonmandatory transfers	243	158	401
	<u>449</u>	<u>158</u>	<u>607</u>
Total transfers and other deductions			
Total educational and general, transfers and other deductions	<u>12,391</u>	<u>3,188</u>	<u>15,579</u>
Auxiliary enterprises - expenditures	154	1	155
Total expenditures, transfers and other changes	<u>12,545</u>	<u>3,189</u>	<u>15,734</u>
OTHER RESTRICTED RECEIPTS - Less recognized revenues		226	226
NET INCREASE IN FUND BALANCE	<u>\$ 12</u>	<u>\$ 68</u>	<u>\$ 80</u>

See notes to financial statements.

WEST VIRGINIA UNIVERSITY AT PARKERSBURG

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES YEAR ENDED JUNE 30, 2000

(Dollars in Thousands)

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 3,544		\$ 3,544
Government appropriations - State	6,944		6,944
Government contracts and grants:			
Federal		\$ 2,443	2,443
State	346	273	619
Private gifts, grants and contracts		109	109
Investment income	146		146
Auxiliary enterprises revenues	147		147
Sales and services of educational activities	7		7
Other sources	578		578
	<u>11,712</u>	<u>2,825</u>	<u>14,537</u>
Total revenues			
EXPENDITURES, TRANSFERS AND OTHER CHANGES:			
Educational and general:			
Instruction	6,198	378	6,576
Public service	56	34	90
Academic support	709	23	732
Student services	994	36	1,030
Operations and maintenance of plant	1,439		1,439
General institutional support	1,453	33	1,486
Scholarship and fellowship	556	2,320	2,876
	<u>11,405</u>	<u>2,824</u>	<u>14,229</u>
Total educational and general			
Transfers and other deductions:			
Tuition and fees retained by the Board	199		199
Nonmandatory transfers	628	373	1,001
	<u>827</u>	<u>373</u>	<u>1,200</u>
Total transfers and other deductions			
Total educational and general, transfers and other deductions	<u>12,232</u>	<u>3,197</u>	<u>15,429</u>
Auxiliary enterprises - expenditures	151	1	152
Total expenditures, transfers and other changes	<u>12,383</u>	<u>3,198</u>	<u>15,581</u>
OTHER RESTRICTED RECEIPTS - Less recognized revenues		373	373
NET DECREASE IN FUND BALANCE	<u>\$ (671)</u>	<u>\$</u>	<u>\$ (671)</u>

See notes to financial statements.

WEST VIRGINIA UNIVERSITY INSTITUTE OF TECHNOLOGY

BALANCE SHEET

JUNE 30, 2001

(Dollars in Thousands)

ASSETS	Current Funds		Loan Funds	Plant Funds
	Unrestricted	Restricted		
CASH AND CASH EQUIVALENTS	\$ 4,049	\$ 939	\$ 293	\$ 479
ACCOUNTS RECEIVABLE - Net of allowances for doubtful accounts of \$284	280			
GRANTS & CONTRACTS RECEIVABLE		102		
LOANS RECEIVABLE - Net of allowances for doubtful accounts of \$544			1,931	
DUE FROM THE COMMISSION	13			
INVENTORIES				
PREPAID EXPENDITURES	122			
INVESTMENT IN PLANT				47,417
	<u>\$ 4,464</u>	<u>\$ 1,041</u>	<u>\$ 2,224</u>	<u>\$ 47,896</u>
LIABILITIES AND FUND BALANCE				
ACCOUNTS PAYABLE	\$ 321	\$ 129		\$ 63
ACCRUED LIABILITIES	647	54		
DEFERRED REVENUE	71			
COMPENSATED ABSENCES	2,177	109		
DUE TO THE COMMISSION				2,766
LEASES PAYABLE				128
NOTES PAYABLE				350
FUND BALANCE:				
WVUIT funds	1,248	749		(2,350)
Loan funds			\$ 2,224	
Net investment in plant				46,939
	<u>\$ 4,464</u>	<u>\$ 1,041</u>	<u>\$ 2,224</u>	<u>\$ 47,896</u>

See notes to financial statements.

WEST VIRGINIA UNIVERSITY INSTITUTE OF TECHNOLOGY

BALANCE SHEET

JUNE 30, 2000

(Dollars in Thousands)

ASSETS	Current Funds		Loan Funds	Plant Funds
	Unrestricted	Restricted		
CASH AND CASH EQUIVALENTS	\$ 2,906	\$ 739	\$ 268	\$ 644
ACCOUNTS RECEIVABLE - Net of allowances for doubtful accounts of \$286	155			
GRANTS & CONTRACTS RECEIVABLE		147		
LOANS RECEIVABLE - Net of allowances for doubtful accounts of \$446			1,978	
DUE FROM THE BOARD	122			
INVENTORIES	151			
PREPAID EXPENDITURES	83			
INVESTMENT IN PLANT				46,945
	<u>\$ 3,417</u>	<u>\$ 886</u>	<u>\$ 2,246</u>	<u>\$ 47,589</u>
LIABILITIES AND FUND BALANCE				
ACCOUNTS PAYABLE	\$ 281	\$ 121		\$ 4
ACCRUED LIABILITIES	617	38		
DEFERRED REVENUE	62			
COMPENSATED ABSENCES	2,104	94		
DUE TO THE BOARD				2,928
LEASES PAYABLE				169
NOTES PAYABLE				500
FUND BALANCE:				
WVUIT funds	353	633		(2,288)
Loan funds			\$ 2,246	
Net investment in plant				46,276
	<u>\$ 3,417</u>	<u>\$ 886</u>	<u>\$ 2,246</u>	<u>\$ 47,589</u>

See notes to financial statements.

WEST VIRGINIA UNIVERSITY INSTITUTE OF TECHNOLOGY

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2001

(Dollars in Thousands)

	Current Funds		Loan Funds	Plant Funds
	Unrestricted	Restricted		
FUND BALANCE, BEGINNING OF YEAR	\$ 353	\$ 633	\$ 2,246	\$ 43,988
REVENUES AND OTHER ADDITIONS:				
Unrestricted current fund revenues	16,766			
Auxiliary enterprises revenues	2,973			
Contracts and grants - restricted:				
Federal		2,587	12	
State		1,623		
Private		942	4	
Investment income		76	12	69
Interest on loans receivable			49	
Expended for plant facilities - net of disposals				471
Retirement of indebtedness				279
Miscellaneous income				100
Total revenues and other additions	19,739	5,228	77	919
EXPENDITURES AND OTHER DEDUCTIONS:				
Educational and general expenditures	14,521	4,986		
Indirect costs recovered		41		
Auxiliary enterprises expenditures	3,577	85		
Loan cancellations and write-offs			99	
Tuition and fees retained by the Commission	73			
Retirement of State College System indebtedness				161
Expended for plant facilities				488
Retirement of indebtedness				118
Interest on indebtedness				224
Total expenditures and other deductions	18,171	5,112	99	991
TRANSFERS AMONG FUNDS - Additions (deductions):				
Nonmandatory transfers	(673)			673
NET INCREASE (DECREASE)	895	116	(22)	601
FUND BALANCE, END OF YEAR	\$ 1,248	\$ 749	\$ 2,224	\$ 44,589

See notes to financial statements.

WEST VIRGINIA UNIVERSITY INSTITUTE OF TECHNOLOGY

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2000

(Dollars in Thousands)

	Current Funds		Loan Funds	Plant Funds
	Unrestricted	Restricted		
FUND BALANCE, BEGINNING OF YEAR	\$ 477	\$ 606	\$ 2,261	\$ 43,887
REVENUES AND OTHER ADDITIONS:				
Unrestricted current fund revenues	16,122			
Auxiliary enterprises revenues	2,901			
Contracts and grants - restricted:				
Federal		2,437	14	
State		1,240		
Private		674	5	
Investment income		26	15	47
Interest on loans receivable			43	
Expended for plant facilities - net of disposals				358
Retirement of indebtedness				249
Miscellaneous income				
Total revenues and other additions	<u>19,023</u>	<u>4,377</u>	<u>77</u>	<u>654</u>
EXPENDITURES AND OTHER DEDUCTIONS:				
Educational and general expenditures	14,857	4,268		
Indirect costs recovered		20		
Auxiliary enterprises expenditures	3,654	62		
Loan cancellations and write-offs			92	
Tuition and fees retained by the Board	(108)			
Retirement of State College System indebtedness				151
Expended for plant facilities				813
Retirement of indebtedness				98
Interest on indebtedness				235
Total expenditures and other deductions	<u>18,403</u>	<u>4,350</u>	<u>92</u>	<u>1,297</u>
TRANSFERS AMONG FUNDS - Additions (deductions):				
Nonmandatory transfers	(744)			744
NET INCREASE (DECREASE)	<u>(124)</u>	<u>27</u>	<u>(15)</u>	<u>101</u>
FUND BALANCE, END OF YEAR	<u>\$ 353</u>	<u>\$ 633</u>	<u>\$ 2,246</u>	<u>\$ 43,988</u>

See notes to financial statements.

WEST VIRGINIA UNIVERSITY INSTITUTE OF TECHNOLOGY

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES YEAR ENDED JUNE 30, 2001 (Dollars in Thousands)

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 5,728		\$ 5,728
Government appropriations - State	10,431		10,431
Government contracts and grants:			
Federal	41	\$ 2,570	2,611
State		1,608	1,608
Local			
Private gifts, grants and contracts		893	893
Investment income	228		228
Auxiliary enterprises revenues	2,973		2,973
Sales and services of educational activities	215		215
Other sources	123		123
	<u>19,739</u>	<u>5,071</u>	<u>24,810</u>
Total revenues			
EXPENDITURES, TRANSFERS AND OTHER CHANGES:			
Educational and general:			
Instruction	7,645	669	8,314
Public service	172	1,033	1,205
Academic support	1,706	33	1,739
Student services	1,159	69	1,228
Operations and maintenance of plant	1,717	93	1,810
General institutional support	2,066	69	2,135
Scholarship and fellowship	56	3,020	3,076
	<u>14,521</u>	<u>4,986</u>	<u>19,507</u>
Total educational and general expenditures			
Transfers and other deductions:			
Tuition and fees retained by the Commission	73		73
Allocations of State College System indebtedness			
Nonmandatory transfers	673		673
	<u>746</u>		<u>746</u>
Total transfers and other deductions			
	<u>15,267</u>	<u>4,986</u>	<u>20,253</u>
Total educational and general, transfers and other deductions			
Auxiliary enterprises - expenditures	<u>3,577</u>	<u>85</u>	<u>3,662</u>
	<u>18,844</u>	<u>5,071</u>	<u>23,915</u>
Total expenditures, transfers and other changes			
OTHER RESTRICTED RECEIPTS - Less recognized revenue		<u>116</u>	<u>116</u>
NET INCREASE IN FUND BALANCE	<u>\$ 895</u>	<u>\$ 116</u>	<u>\$ 1,011</u>

See notes to financial statements.

WEST VIRGINIA UNIVERSITY INSTITUTE OF TECHNOLOGY

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES YEAR ENDED JUNE 30, 2000 (Dollars in Thousands)

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 5,946		\$ 5,946
Government appropriations - State	9,729		9,729
Government contracts and grants:			
Federal	16	\$ 2,417	2,433
State		1,259	1,259
Local			
Private gifts, grants and contracts		654	654
Investment income	128		128
Auxiliary enterprises revenues	2,901		2,901
Sales and services of educational activities	201		201
Other sources	102		102
	<u>19,023</u>	<u>4,330</u>	<u>23,353</u>
Total revenues			
EXPENDITURES, TRANSFERS AND OTHER CHANGES:			
Educational and general:			
Instruction	8,149	371	8,520
Public service	167	1,090	1,257
Academic support	1,849	27	1,876
Student services	1,134	75	1,209
Operations and maintenance of plant	1,680	17	1,697
General institutional support	1,819	34	1,853
Scholarship and fellowship	59	2,654	2,713
	<u>14,857</u>	<u>4,268</u>	<u>19,125</u>
Total educational and general expenditures			
Transfers and other deductions:			
Tuition and fees retained by the Board	(108)		(108)
Allocations of State College System indebtedness			
Nonmandatory transfers	744		744
	<u>636</u>		<u>636</u>
Total transfers and other deductions			
Total educational and general, transfers and other deductions	<u>15,493</u>	<u>4,268</u>	<u>19,761</u>
Auxiliary enterprises - expenditures	<u>3,654</u>	<u>62</u>	<u>3,716</u>
Total expenditures, transfers and other changes	<u>19,147</u>	<u>4,330</u>	<u>23,477</u>
OTHER RESTRICTED RECEIPTS - Less recognized revenue		<u>27</u>	<u>27</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (124)</u>	<u>\$ 27</u>	<u>\$ (97)</u>

See notes to financial statements.

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY

BALANCE SHEET

JUNE 30, 2001

(Dollars in Thousands)

ASSETS	Current Funds		Loan Funds	Plant Funds
	Unrestricted	Restricted		
CASH AND CASH EQUIVALENTS	\$ 2,427	\$ 7	\$ 35	
ACCOUNTS RECEIVABLE- Net of allowances for doubtful accounts of \$58	69			
LOANS RECEIVABLE- Net of allowances for doubtful accounts of \$16			3	
DUE FROM THE COMMISSION	8			
DUE FROM OTHER FUNDS	53			
PREPAID EXPENDITURES	19			
INVENTORIES	250			
INVESTMENT IN PLANT				\$ 9,050
	<u>\$ 2,826</u>	<u>\$ 7</u>	<u>\$ 38</u>	<u>\$ 9,050</u>
LIABILITIES AND FUND BALANCE				
ACCOUNTS PAYABLE	\$ 429	\$ 39		\$ 22
ACCRUED LIABILITIES	46	3		
DEPOSITS	28			
DEFERRED REVENUE	17			
DUE TO OTHER FUNDS				53
COMPENSATED ABSENCES	736			
NOTES PAYABLE				
LEASES PAYABLE				73
FUND BALANCES:				
Potomac State funds	1,570	(35)		(75)
Loan funds			\$ 38	
Net investment in plant				8,977
	<u>\$ 2,826</u>	<u>\$ 7</u>	<u>\$ 38</u>	<u>\$ 9,050</u>

See notes to financial statements.

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY

BALANCE SHEET

JUNE 30, 2000

(Dollars in Thousands)

ASSETS	Current Funds		Loan Funds	Plant Funds
	Unrestricted	Restricted		
CASH AND CASH EQUIVALENTS	\$ 2,486	\$ 38	\$ 21	\$ 4
ACCOUNTS RECEIVABLE- Net of allowances for doubtful accounts of \$50	56			
LOANS RECEIVABLE- Net of allowances for doubtful accounts of \$6			21	
DUE FROM THE BOARD	23			
DUE FROM OTHER FUNDS	53			
PREPAID EXPENDITURES		7		
INVENTORIES	213			
INVESTMENT IN PLANT				8,674
	<u>\$ 2,831</u>	<u>\$ 45</u>	<u>\$ 42</u>	<u>\$ 8,678</u>
LIABILITIES AND FUND BALANCE				
ACCOUNTS PAYABLE	\$ 252	\$ 21		\$ 17
ACCRUED LIABILITIES	52	12		
DEPOSITS	19			
DEFERRED REVENUE	2			
DUE TO OTHER FUNDS				53
COMPENSATED ABSENCES	770			
NOTES PAYABLE				52
LEASES PAYABLE				77
FUND BALANCES:				
Potomac State funds	1,736	12		(66)
Loan funds			\$ 42	
Net investment in plant				8,545
	<u>\$ 2,831</u>	<u>\$ 45</u>	<u>\$ 42</u>	<u>\$ 8,678</u>

See notes to financial statements.

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY

STATEMENT OF CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2001 (Dollars in Thousands)

	Current Funds		Loan Funds	Plant Funds
	Unrestricted	Restricted		
FUND BALANCE, BEGINNING OF YEAR	\$ 1,736	\$ 12	\$ 42	\$ 8,479
REVENUES AND OTHER ADDITIONS:				
Unrestricted current fund revenues	7,189			
Auxiliary enterprises revenues	1,446			
Contracts and grants - restricted:				
Federal		1,203		
State		151		
Investment income	165	2		
Interest on loans receivable				
Expended for plant facilities- net of disposals				372
Retirement of indebtedness				17
Miscellaneous income		8		
Total revenues and other additions	<u>8,800</u>	<u>1,364</u>		<u>389</u>
EXPENDITURES AND OTHER DEDUCTIONS:				
Educational and general expenditures	6,811	1,343	10	
Auxiliary enterprises expenditures	1,979	13		18
Loan cancellations and write-offs				
Tuition and fees retained by the Commission	151			
Expended for plant facilities				
Retirement of indebtedness				17
Interest on indebtedness				5
Administrative and collection fees				
Loss on investments				
Refunds to grantors				
Total expenditures and other deductions	<u>8,941</u>	<u>1,356</u>	<u>10</u>	<u>40</u>
TRANSFERS AMONG FUNDS - Nonmandatory transfers - Additions (deductions)	<u>(25)</u>	<u>(55)</u>	<u>6</u>	<u>74</u>
NET INCREASE (DECREASE)	<u>(166)</u>	<u>(47)</u>	<u>(4)</u>	<u>423</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,570</u>	<u>\$ (35)</u>	<u>\$ 38</u>	<u>\$ 8,902</u>

See notes to financial statements

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY

STATEMENT OF CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2000 (Dollars in Thousands)

	Current Funds		Loan Funds	Plant Funds
	Unrestricted	Restricted		
FUND BALANCE, BEGINNING OF YEAR	\$ 1,225	\$ 14	\$ 66	\$ 8,951
REVENUES AND OTHER ADDITIONS:				
Unrestricted current fund revenues	7,474			
Auxiliary enterprises revenues	1,520			
Contracts and grants - restricted:				
Federal		1,327		
State		50		
Investment income		1		1
Interest on loans receivable			1	
Expended for plant facilities- net of disposals				(516)
Retirement of indebtedness				70
Miscellaneous income				
Total revenues and other additions	8,994	1,378	1	(445)
EXPENDITURES AND OTHER DEDUCTIONS:				
Educational and general expenditures	6,808	1,355		
Auxiliary enterprises expenditures	1,451	17		
Loan cancellations and write-offs				
Tuition and fees retained by the Board	158			
Expended for plant facilities				26
Retirement of indebtedness				70
Interest on indebtedness				5
Administrative and collection fees				
Loss on investments			2	
Refunds to grantors			23	
Total expenditures and other deductions	8,417	1,372	25	101
TRANSFERS AMONG FUNDS - Nonmandatory transfers - Additions (deductions)	(66)	(8)		74
NET INCREASE (DECREASE)	511	(2)	(24)	(472)
FUND BALANCE, END OF YEAR	\$ 1,736	\$ 12	\$ 42	\$ 8,479

See notes to financial statements

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES

YEAR ENDED JUNE 30, 2001

(Dollars in Thousands)

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 2,071	\$	\$ 2,071
Government appropriations - State	4,478		4,478
Government contracts and grants:			
Federal	1	1,194	1,195
State	338	152	490
Private gifts, grants and contracts			
Auxiliary enterprises revenues	1,446		1,446
Sales and services of educational activities	245		245
Investment income	165	2	167
Other sources	56	8	64
	<u>8,800</u>	<u>1,356</u>	<u>10,156</u>
Total revenues			
EXPENDITURES, TRANSFERS AND OTHER CHANGES:			
Educational and general:			
Instruction	2,689	428	3,117
Public service	67	17	84
Academic support	881	6	887
Student services	889	91	980
Operations and maintenance of plant	823		823
General institutional support	969	4	973
Scholarship and fellowship	493	797	1,290
	<u>6,811</u>	<u>1,343</u>	<u>8,154</u>
Total educational and general			
Transfers and other deductions (additions):			
Tuition and fees retained by the Commission	151		151
Nonmandatory transfers	25	55	80
	<u>176</u>	<u>55</u>	<u>231</u>
Total transfers and other deductions			
Total educational and general, transfers and other deductions	<u>6,987</u>	<u>1,398</u>	<u>8,385</u>
Auxiliary enterprises expenditures	<u>1,979</u>	<u>13</u>	<u>1,992</u>
Total expenditures, transfers and other changes	<u>8,966</u>	<u>1,411</u>	<u>10,377</u>
OTHER RESTRICTED RECEIPTS - Less			
recognized revenues	<u></u>	<u>8</u>	<u>8</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (166)</u>	<u>\$ (47)</u>	<u>\$ (213)</u>

See notes to financial statements.

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES

YEAR ENDED JUNE 30, 2000

(Dollars in Thousands)

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 2,348		\$ 2,348
Government appropriations - State	4,233		4,233
Government contracts and grants:			
Federal	5	\$ 1,324	1,329
State	431	47	478
Private gifts, grants and contracts			
Auxiliary enterprises revenues	1,520		1,520
Sales and services of educational activities	302		302
Investment income	116	1	117
Other sources	39		39
	<u>8,994</u>	<u>1,372</u>	<u>10,366</u>
Total revenues			
EXPENDITURES, TRANSFERS AND OTHER CHANGES:			
Educational and general:			
Instruction	2,593	407	3,000
Public service			
Academic support	919	30	949
Student services	1,017	13	1,030
Operations and maintenance of plant	862	5	867
General institutional support	892	13	905
Scholarship and fellowship	525	887	1,412
	<u>6,808</u>	<u>1,355</u>	<u>8,163</u>
Total educational and general			
Transfers and other deductions (additions):			
Tuition and fees retained by the Board	158		158
Nonmandatory transfers	66	8	74
	<u>224</u>	<u>8</u>	<u>232</u>
Total transfers and other deductions			
Total educational and general, transfers and other deductions	<u>7,032</u>	<u>1,363</u>	<u>8,395</u>
Auxiliary enterprises expenditures	<u>1,451</u>	<u>17</u>	<u>1,468</u>
Total expenditures, transfers and other changes	<u>8,483</u>	<u>1,380</u>	<u>9,863</u>
OTHER RESTRICTED RECEIPTS - Less			
recognized revenues		<u>6</u>	<u>6</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ 511</u>	<u>\$ (2)</u>	<u>\$ 509</u>

See notes to financial statements.