

Bluefield State College

Financial Statements

Years Ended June 30, 2007 and 2006

and

Independent Auditors' Reports

BLUEFIELD STATE COLLEGE
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	5-13
FINANCIAL STATEMENTS:	
Statements of Net Assets	14
Component Unit-Statements of Net Assets	15
Statements of Revenues, Expenses and Changes in Net Assets	16
Component Unit-Statements of Activities	17-18
Statements of Cash Flows	19
Notes to Financial Statements	20-51
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	52-53



INDEPENDENT AUDITORS' REPORT

To the Governing Board
Bluefield State College
Bluefield, West Virginia

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Bluefield State College (the "College") as of June 30, 2007 and 2006 and for the years then ended which collectively comprise the College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the discretely presented financial statements of The Bluefield State College Foundation, Incorporated (a component of the College). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of The Bluefield State College Foundation, Incorporated is based solely on the report of the other auditors.

We conducted our audits in accordance with accounting principles 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of The Bluefield State College Foundation, Incorporated, which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2007 and 2006, and the respective changes in net assets and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 13 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the College's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information, and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2007, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Suttle & Stalwater, PLLC".

Charleston, West Virginia
December 20, 2007

BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2007 and 2006

Our discussion and analysis of Bluefield State College's (the College) financial performance provides an overview of the College's financial activities during the years ended June 30, 2007 and 2006. As explained below, comparative analysis will be provided in future years when prior year information is available. Since this discussion and analysis is designed to focus on current activities, resulting changes, and currently known facts, please refer to the College's basic financial statements on pages 14 to 19 and the notes to financial statements on pages 20 to 51.

During the fiscal year 2003 the College adopted Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB Statement No. 14. As a result, the audited financial statements of the Bluefield State College Foundation, Incorporated (the "Foundation") are presented here with the College's financial statements for the fiscal years ended June 30, 2007 and 2006. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein.

Complete financial statements for the Foundation can be obtained from the Treasurer of the Bluefield State College Foundation at 44 College Drive, Bluefield, Virginia 24605.

Financial Highlights

With the passage of Senate Bill 448, the complete separation of Bluefield State College (BSC) and its community college has occurred, establishing New River Community and Technical College (NRCTC). Beginning with fiscal year 2006, the financial statements are reflective of Bluefield State College. The following are brief summaries for the College:

- The College's assets exceeded its liabilities at the end of fiscal year 2007 by \$15.0 million, compared to \$14.6 million in 2006.
- The College increased capital assets by \$2.9 million in 2007, to \$10.5 million.
- The College transferred \$5.5 million in 2006 fiscal year in net assets to New River Community and Technical College, as required by Senate Bill 401.

Overview of the Financial Statements

The College has implemented GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* beginning with fiscal year 2003. GASB No. 35 requires the College to present financial information as a whole rather than focusing on individual funds. Two major changes in the last four years are the recording of depreciation for capital assets and reclassifying certain loan program equity balances as liabilities. In addition, federal and state loan and grant programs are no longer reported as revenues and expenses in the financial statements since the transactions are directly with the student receiving the loan or grant.

This report consists of management's discussion and analysis, the basic financial statements, and the notes to the financial statements. The basic financial statements include the statement of net assets; statement of revenues, expenses, changes in net assets; and statement of cash flows.

The statement of net assets presents the College's assets and liabilities, with the difference reported as net assets. Increases or decreases in net assets can be an indicator of improvement or deterioration of the College's financial position.

Changes in net assets during the year are reported in the statement of revenues, expenses and changes in net assets. All revenues, expenses, and changes are reported as the underlying event occurs that results in the revenue, expense, or change. The statement of cash flows presents information on actual cash inflows or outflows as they occur.

Financial Analysis of the College

Of the College's net assets of \$15.0 million, \$10.5 million (70%) represents its investment in capital assets of land, land improvements, buildings, equipment, and library books. These capital assets are utilized to provide educational and related services to students and the communities and are not available for future spending. Unrestricted net assets are available to meet the College's obligations. The unrestricted net assets represented \$3.9 million (26%) of net assets. The unrestricted cash represents the amount not restricted via plant operations, auxiliaries, grant and loan funds, and state code restrictions.

The decrease in net assets from 2005 to 2006 is due to the split between BSC and NRCTC, as the net assets of both institutions are shown in the 2005 figures.

BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2007 and 2006

Net Assets
As of June 30, 2007, 2006 and 2005
(in millions)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash	\$ 6.4	\$ 9.1	\$ 10.3
Other current assets	<u>1.0</u>	<u>1.2</u>	<u>1.4</u>
Total current assets	<u>7.4</u>	<u>10.3</u>	<u>11.7</u>
Capital assets	10.5	7.5	13.4
Other noncurrent assets	<u>.9</u>	<u>1.2</u>	<u>.5</u>
Total noncurrent assets	<u>11.4</u>	<u>8.7</u>	<u>13.9</u>
Total assets	<u>18.8</u>	<u>19.0</u>	<u>25.6</u>
Current liabilities	1.8	2.1	2.0
Noncurrent liabilities	<u>2.0</u>	<u>2.3</u>	<u>2.3</u>
Total liabilities	<u>3.8</u>	<u>4.4</u>	<u>4.3</u>
Net assets			
Invested in capital assets	10.4	7.4	13.1
Restricted, expendable	.7	.6	1.3
Unrestricted	<u>3.9</u>	<u>6.6</u>	<u>6.9</u>
Total net assets	<u>\$ 15.0</u>	<u>\$ 14.6</u>	<u>\$ 21.3</u>

BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2007 and 2006

For the year ended June 30, 2007 the increase in net assets was \$.5 million. For 2006, the decrease in net assets before transfers was \$1.1 million which included \$0.4 million expended in fiscal year 2006 for the community college separation. The decrease in operating results from 2005 to 2006 is due to the split between BSC and NRCTC, as the operating results of both institutions are shown in the 2005 figures. The following chart summarizes the operating results and nonoperating revenue.

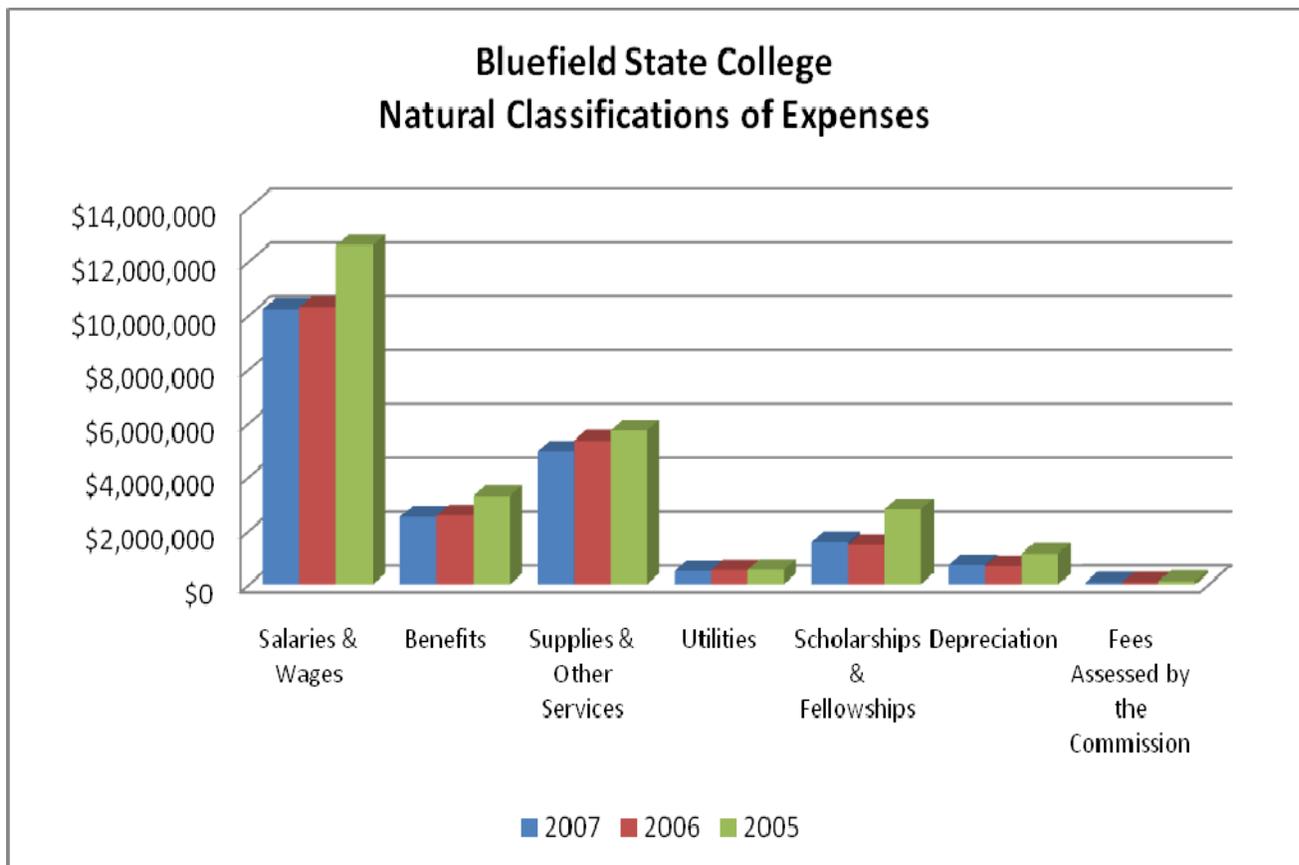
Operating Results
Years ended June 30, 2007, 2006 and 2005
(in millions)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenues			
Tuition and fees	\$ 2.8	\$ 2.2	\$ 3.8
Contracts and grants	7.9	8.4	12.1
Auxiliary	2.0	2.1	1.8
Other	<u>2.0</u>	<u>2.2</u>	<u>.4</u>
	14.7	14.9	18.1
Less: operating expenses	<u>20.5</u>	<u>20.9</u>	<u>26.2</u>
Operating loss	(5.8)	(6.0)	(8.1)
Nonoperating revenues and transfers			
State appropriation	5.1	4.6	8.6
Other	<u>.4</u>	<u>.3</u>	<u>2.4</u>
Net nonoperating revenue and transfers	<u>5.5</u>	<u>4.9</u>	<u>11.0</u>
Decrease in net assets before transfers	<u>(.3)</u>	<u>(1.1)</u>	<u>2.9</u>
Asset transfers			
Bond Proceeds from Policy Commission	.8	.0	.0
To NRCTC	<u>.0</u>	<u>5.5</u>	<u>.0</u>
Total transfers	<u>.8</u>	<u>5.5</u>	<u>.0</u>
Total change in net assets	<u>\$.5</u>	<u>\$ (6.6)</u>	<u>\$ 2.9</u>

BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2007 and 2006

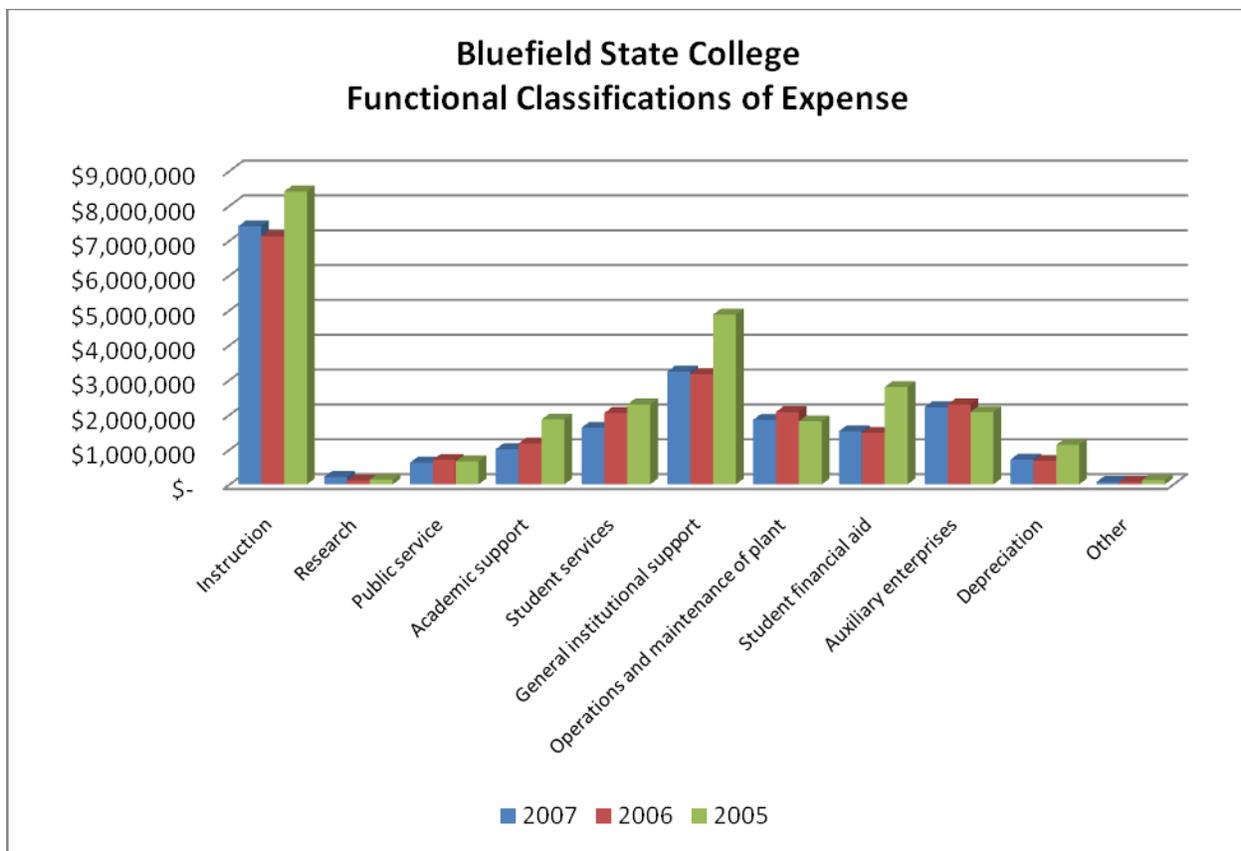
Operating Expenses
Years ended June 30, 2007, 2006 and 2005
(in millions)

NATURAL CLASSIFICATION	<u>2007</u>	<u>2006</u>	<u>2005</u>
Salaries and wages	\$ 10.2	\$ 10.3	\$ 12.6
Benefits	2.5	2.5	3.3
Supplies and other services	4.9	5.3	5.7
Utilities	.5	.5	.6
Scholarships and Fellowships	1.6	1.5	2.8
Depreciation	.7	.7	1.1
Fees assigned by Commission	<u>.1</u>	<u>.1</u>	<u>.1</u>
	<u>\$ 20.5</u>	<u>\$ 20.9</u>	<u>\$ 26.2</u>



BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2007 and 2006

FUNCTIONAL CLASSIFICATION	<u>2007</u>	<u>2006</u>	<u>2005</u>
Instruction	\$ 7.4	\$ 7.1	\$ 8.4
Research	.2	.1	.1
Public service	.6	.7	.7
Academic support	1.0	1.2	1.9
Student services	1.6	2.0	2.3
Operation and maintenance of plant	1.9	2.1	1.8
Institutional support	3.3	3.2	4.9
Student financial aid	1.5	1.5	2.8
Depreciation	.7	.7	1.1
Auxiliary enterprises and other	<u>2.3</u>	<u>2.3</u>	<u>2.2</u>
	<u>\$ 20.5</u>	<u>\$ 20.9</u>	<u>\$ 26.2</u>



Statement of Cash Flows
Years ended June 30, 2007 and 2006

The Statement of Cash Flows presents detailed information about the cash activities of Bluefield State College during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with the cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating loss reflected in the Statement of Revenues, Expenses and Changes in Net Assets. Cash and cash equivalents decreased by \$2.7 million for the year ended June 30, 2007 of which \$3.7 million of capital asset purchases occurred. Cash and cash equivalents decreased by \$1.2 million for the year ended June 30, 2006 of which \$1.1 million was transferred to the newly established community college as required by Senate Bill 401. The transfer of noncash net assets to New River Community and Technical College represent \$4.4 million of net assets. The total transfers from Bluefield State College to New River Community and Technical College of \$5.5 million was effective July 1, 2005.

The decrease in cash flows from 2005 to 2006 is due to the split between BSC and NRCTC, as the cash flows of both institutions are shown in the 2005 figures.

Cash Flows
Years ended June 30, 2007, 2006 and 2005
(in millions)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash provided by (used in)			
Operating activities	\$ (5.3)	\$ (4.2)	\$ (6.7)
Non capital financing activities	5.1	3.4	8.7
Capital and related financing activities	(2.9)	(.5)	.5
Investing activities	<u>.4</u>	<u>.1</u>	<u>.0</u>
Decrease in cash and cash equivalents	(2.7)	(1.2)	2.5
Cash and cash equivalents, beginning of year	<u>9.1</u>	<u>10.3</u>	<u>7.8</u>
Cash and cash equivalents, end of year	<u>\$ 6.4</u>	<u>\$ 9.1</u>	<u>\$ 10.3</u>

Capital Asset and Debt Administration

The debt service obligation payable to the Commission for Bluefield State College for the years ended June 30, 2007 and 2006 were \$97,398 and \$117,788.

There were major changes in capital assets for year ending June 30, 2007. The following is a brief summary of capital assets activity for the College as a whole:

- Construction in progress increased by \$2,248,544 indicating the continuation of the ADA project from the Hardway Library to Conley Hall to Hatter Hall and the re-roofing projects at the Ned Shott Physical Education and Brown-Gilbert Basic Science buildings.
- Land Improvements increased by \$711,244 for the new campus signage, entrance enhancements, electronic marquees, building signage, and safety issues at the Route 52 tunnel walkway.
- Buildings increased by \$557,658 which indicates the elevator upgrades in the Brown-Gilbert Basic Science Building of \$441,381, Hardway Library chiller replacement of \$43,573 and Dickason Hall transformer of \$72,704.
- Equipment purchases were \$121,935.
- Library book purchases were \$16,950.
- Depreciation expense was \$713,797.

Economic Outlook

The College's overall financial position is strong; however, the College must be more adaptive to change and have a strong strategic plan and implementation strategy in order to continue the success stories it has been proud of for well over 100 years.

Southern West Virginia and Southwest Virginia are showing signs of economic and employment growth. High school enrollment in surrounding counties continues to decline; yet, intensive recruitment efforts have enabled the College to achieve a record new freshman enrollment. Our new Border County tuition rate has increased our enrollment from the Virginia counties adjacent to the College, which has contributed to the record enrollments. Also, the percent of adults with a bachelor's degree (10.5% on the average for nine-county region) is below the state (14.8%) and the national (24.4%) percentages. This fact presents the major opportunity for new students. Increased efforts with this population, the College has reached a record enrollment in baccalaureate degree programs.

BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2007 and 2006

Contacting the College's Financial Management

This financial report is designed to provide a general overview of Bluefield State College's finances. Questions concerning any of the information provided in this report should be addressed to the Vice President of Financial and Administrative Affairs at Bluefield State College, 219 Rock Street, Bluefield, WV 24701.

BLUEFIELD STATE COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006

14

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,367,447	\$ 9,139,584
Accounts receivable, net of allowance of \$397,280	263,680	345,762
Loans receivable - current portion	35,783	42,955
Prepaid expenses	7,430	5,089
Due from the Commission	26,005	31,885
Due from New River Community & Technical College	180,992	203,237
Inventories	<u>560,914</u>	<u>509,925</u>
Total current assets	<u>7,442,251</u>	<u>10,278,437</u>
Noncurrent assets		
Cash and cash equivalents	67,735	69,635
Due from New River Community & Technical College	273,086	445,377
Investments	448,502	419,355
Loans receivable, net of allowance of \$465,842	143,738	191,283
Capital assets - net	<u>10,460,947</u>	<u>7,533,774</u>
Total noncurrent assets	<u>11,394,008</u>	<u>8,659,424</u>
Total assets	<u>18,836,259</u>	<u>18,937,861</u>
LIABILITIES		
Current liabilities		
Accounts payable	488,249	756,622
Due to the Commission	3,114	4,501
Due to New River Community & Technical College	112,505	209,188
Accrued liabilities	693,029	650,668
Deferred revenue	11,491	32,817
Compensated absences - current portion	436,621	461,407
Debt service obligation payable to the Commission - current portion	<u>20,561</u>	<u>20,390</u>
Total current liabilities	<u>1,765,570</u>	<u>2,135,593</u>
Noncurrent liabilities		
Advances from federal sponsors	157,099	207,975
Compensated absences	1,801,131	1,929,738
Debt service obligation payable to the Commission	<u>76,837</u>	<u>97,398</u>
Total noncurrent liabilities	<u>2,035,067</u>	<u>2,235,111</u>
Total liabilities	<u>3,800,637</u>	<u>4,370,704</u>
NET ASSETS		
Invested in capital assets - net of related debt	<u>10,363,549</u>	<u>7,415,986</u>
Restricted for:		
Nonexpendable:		
Endowment	490,002	460,855
Expendable:		
Loans	90,157	96,658
Other	<u>130,203</u>	<u>10,057</u>
Total restricted	<u>710,362</u>	<u>567,570</u>
Unrestricted	<u>3,961,711</u>	<u>6,583,601</u>
Total net assets	<u>\$ 15,035,622</u>	<u>\$ 14,567,157</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

BLUEFIELD STATE COLLEGE
THE BLUEFIELD STATE COLLEGE FOUNDATION, INCORPORATED,
A COMPONENT UNIT OF BLUEFIELD STATE COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
ASSETS		
Cash and short-term investments	\$ 273,753	\$ 307,310
Interest receivable	18,689	23,134
Contributions receivable	5,544	6,951
Cash restricted for long-term investment	352,147	69,333
Investments	8,380,268	7,538,799
Other assets	<u>7,286</u>	<u>9,464</u>
 Total assets	 <u>\$ 9,037,687</u>	 <u>\$ 7,954,991</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Amounts held on behalf of others	<u>\$ 45,106</u>	<u>\$ 72,408</u>
 Total liabilities	 <u>45,106</u>	 <u>72,408</u>
NET ASSETS		
Unrestricted	837,941	1,108,902
Temporarily restricted	7,343,962	6,405,565
Permanently restricted	<u>810,678</u>	<u>368,116</u>
Total net assets	<u>8,992,581</u>	<u>7,882,583</u>
 Total liabilities and net assets	 <u>\$ 9,037,687</u>	 <u>\$ 7,954,991</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

BLUEFIELD STATE COLLEGE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Operating revenues		
Student tuition and fees (net of scholarship allowance of \$3,736,716 and \$3,531,928)	\$ 2,821,781	\$ 2,222,654
Contracts and grants		
Federal	5,867,806	6,657,990
State	1,518,882	1,281,828
Private	462,823	499,731
Interest on student loans receivable	3,969	3,210
Sales and services of educational activities	1,921,269	2,067,833
Auxiliary enterprise revenue (net of scholarship allowance of \$253,797)	2,041,432	2,060,419
Miscellaneous - net	71,052	86,215
Total operating revenues	<u>14,709,014</u>	<u>14,879,880</u>
Operating expenses		
Salaries and wages	10,231,245	10,307,413
Benefits	2,502,997	2,553,709
Supplies and other services	4,942,669	5,344,280
Utilities	492,780	522,055
Student financial aid - scholarships and fellowships	1,561,620	1,459,761
Depreciation	713,797	675,822
Assessments by the Commission for operations	66,821	66,821
Total operating expenses	<u>20,511,929</u>	<u>20,929,861</u>
Operating loss	<u>(5,802,915)</u>	<u>(6,049,981)</u>
Nonoperating revenues (expenses)		
State appropriations	5,133,813	4,568,230
Investment income	363,993	321,777
Assessments by the Commission for debt service	(4,963)	(5,567)
Net nonoperating revenues	<u>5,492,843</u>	<u>4,884,440</u>
Increase (Decrease) in net assets before other revenue, expenses, gains or losses	(310,072)	(1,165,541)
Bond proceeds from the Policy Commission	778,537	-
Transfer of net assets to New River Community & Technical College	<u>-</u>	<u>(5,533,208)</u>
Increase (Decrease) in net assets	468,465	(6,698,749)
Net assets, beginning of year	<u>14,567,157</u>	<u>21,265,906</u>
Net assets, end of year	<u>\$ 15,035,622</u>	<u>\$ 14,567,157</u>

BLUEFIELD STATE COLLEGE
THE BLUEFIELD STATE COLLEGE FOUNDATION, INCORPORATED,
A COMPONENT UNIT OF BLUEFIELD STATE COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Revenues and other support				
Net gifts	\$ 1,333	\$ 101,095	\$ 147,860	\$ 250,288
Interest income	10,464	87,712	-	98,176
Dividend income	18,938	105,633	-	124,571
Net realized and unrealized gains (losses)	28,888	852,583	-	881,471
Net assets released from restrictions	<u>(86,076)</u>	<u>(208,626)</u>	<u>294,702</u>	<u>-</u>
	<u>(26,453)</u>	<u>938,397</u>	<u>442,562</u>	<u>1,354,506</u>
Expenses and support				
College support:				
Student support	187,954	-	-	187,954
Institutional support	14,264	-	-	14,264
Conferences, meetings and travel	2,367	-	-	2,367
Other expenses	<u>9,400</u>	<u>-</u>	<u>-</u>	<u>9,400</u>
	213,985	-	-	213,985
Foundation fund raising expenses	4,164	-	-	4,164
Financial management expenses	<u>26,359</u>	<u>-</u>	<u>-</u>	<u>26,359</u>
	<u>244,508</u>	<u>-</u>	<u>-</u>	<u>244,508</u>
Change in net assets	(270,961)	938,397	442,562	1,109,998
Net assets				
Beginning	<u>1,108,902</u>	<u>6,405,565</u>	<u>368,116</u>	<u>7,882,583</u>
Ending	<u>\$ 837,941</u>	<u>\$ 7,343,962</u>	<u>\$ 810,678</u>	<u>\$ 8,992,581</u>

BLUEFIELD STATE COLLEGE
 THE BLUEFIELD STATE COLLEGE FOUNDATION, INCORPORATED,
 A COMPONENT UNIT OF BLUEFIELD STATE COLLEGE
 STATEMENTS OF ACTIVITIES
 YEAR ENDED JUNE 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support				
Net gifts	\$ 5,298	\$ 170,855	\$ 24,036	\$ 200,189
Interest income	12,792	91,916	-	104,708
Dividend income	13,323	88,169	-	101,492
Net realized and unrealized gains (losses)	17,723	150,907	-	168,630
Net assets released from restrictions	<u>302,543</u>	<u>(302,543)</u>	<u>-</u>	<u>-</u>
	<u>351,679</u>	<u>199,304</u>	<u>24,036</u>	<u>575,019</u>
Expenses and support				
College support:				
Student support	284,769	-	-	284,769
Institutional support	18,889	-	-	18,889
Conferences, meetings and travel	135	-	-	135
Other expenses	<u>9,520</u>	<u>-</u>	<u>-</u>	<u>9,520</u>
	313,313	-	-	313,313
Financial management expenses	<u>18,195</u>	<u>-</u>	<u>-</u>	<u>18,195</u>
	<u>331,508</u>	<u>-</u>	<u>-</u>	<u>331,508</u>
Change in net assets	20,171	199,304	24,036	243,511
Net assets				
Beginning	<u>1,088,731</u>	<u>6,206,261</u>	<u>344,080</u>	<u>7,639,072</u>
Ending	<u>\$ 1,108,902</u>	<u>\$ 6,405,565</u>	<u>\$ 368,116</u>	<u>\$ 7,882,583</u>

The Accompanying Notes Are An Integral
 Part Of These Financial Statements

BLUEFIELD STATE COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AMD 2006

19

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Student tuition and fees	\$ 2,864,064	\$ 2,133,228
Contracts and grants	7,484,641	9,441,840
Payments to and on behalf of employees	(12,708,730)	(12,547,362)
Payments to suppliers	(5,085,530)	(5,290,991)
Payments to utilities	(479,820)	(530,275)
Payments for scholarships and fellowships	(1,559,622)	(1,459,761)
Loans issued to students	(35,850)	(45,100)
Collections of loans to students	90,567	20,202
Sales and service of educational activities	1,929,651	2,067,878
Auxiliary enterprise charges	2,147,000	1,980,862
Fees assessed by Commission	(66,821)	(66,821)
Other receipts - net	80,901	121,193
Net cash provided (used) in operating activities	<u>(5,339,549)</u>	<u>(4,175,107)</u>
Cash flows from noncapital financing activities		
State appropriations	5,133,813	4,568,230
William D. Ford direct lending receipts	5,534,904	5,297,558
William D. Ford direct lending payments	(5,534,904)	(5,297,558)
Transfer of cash to New River Community & Technical College	-	(1,101,296)
Net cash provided (used) in noncapital financing activities	<u>5,133,813</u>	<u>3,466,934</u>
Cash flows from capital financing activities		
Purchases of capital assets	(3,656,331)	(537,500)
Payments to Commission for debt service	(25,353)	(25,702)
Bond Funds transferred from Commission	778,537	-
Decrease (increase) in noncurrent cash and cash equivalents	1,900	21,985
Net cash provided (used) in capital financing activities	<u>(2,901,247)</u>	<u>(541,217)</u>
Cash flows from investing activities		
Interest on investments	363,993	321,777
Purchase of investments	(29,147)	(244,024)
Net cash provided (used) in investing activities	<u>334,846</u>	<u>77,753</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,772,137)	(1,171,637)
Cash and cash equivalents - beginning of year	<u>9,139,584</u>	<u>10,311,221</u>
Cash and cash equivalents - end of year	<u>\$ 6,367,447</u>	<u>\$ 9,139,584</u>
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	\$ (5,802,915)	\$ (6,049,981)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation expense	713,797	675,822
Loss on disposal of equipment	15,361	-
Changes in assets and liabilities:		
Accounts receivables - net	87,962	320,371
Loans to students - net	54,717	(24,898)
Prepaid expenses	(2,341)	19,438
Inventories	(50,989)	35,645
Accounts payable	(269,760)	433,082
Accrued liabilities	42,361	(57,033)
Compensated absences	(153,393)	353,745
Deferred revenue	(21,326)	5,610
Advances from federal sponsors	(50,876)	(43,816)
Due from New River Community & Technical College	194,536	141,345
Due to New River Community & Technical College	(96,683)	15,563
Net cash used in operating activities	<u>\$ (5,339,549)</u>	<u>\$ (4,175,107)</u>
Noncash transactions		
Transfer of net assets to New River Community & Technical College	<u>\$ -</u>	<u>\$ 4,431,912</u>

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 1 - ORGANIZATION

Bluefield State College (the “College”) is governed by the Bluefield State College Board of Governors (the “Board”). The Board was established by Senate Bill 653 (“S.B. 653”).

Powers and duties of the Board include, but are 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.

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.

During fiscal year 2005, Senate Bill 401 (“S.B. 401”) was passed requiring the transfer of certain net assets from the College to its separately governed community and technical college after that community and technical college receives independent accreditation. The New River Community and Technical College received its accreditation on February 8, 2005. Effective July 1, 2005, \$5,533,208 was transferred in accordance with S.B. 401.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (“GASB”), including Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities* (an Amendment of GASB State No. 34). The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College’s assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

The College 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 financial statements.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity - The College is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State of West Virginia (the "State") that are not included in the State's general fund. The College is a separate entity, which along with all State institutions of higher education, the Commission (which includes West Virginia Network for Educational Telecomputing), and West Virginia Council for Community and Technical Education 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 financial statements present all funds under the authority of the College. Bluefield State College Research and Development Corporation is a newly formed corporation and financial data is presently immaterial; therefore, its financial information is not included in the statements. The basic criteria for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities.

As of July 1, 2003, the College adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB Statement No. 14. As a result, the audited financial statements of The Bluefield State College Foundation, Incorporated (the "Foundation") are presented as a discrete component unit with the College's financial statements for the fiscal years ended June 30, 2007 and 2006. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein.

The Bluefield State College Research and Development Corporation, Center for Applied Research and Technology of Bluefield State College, and the Bluefield State College Alumni Association are not part of the College reporting entity and are not included in the accompanying financial statements as the College has no ability to designate management, cannot significantly influence operations of the entity and is not accountable for the fiscal matters of the entity under GASB Statement No. 14, *The Financial Reporting Entity* and/or because they are not significant under GASB Statement No. 39.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation - GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures* establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the College as a whole. Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

- **Invested in capital assets-net of related debt** - This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- **Restricted net assets, expendable** - This includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected as State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2004 simplified the tuition and fee structure and removed the restrictions but included designations associated with auxiliary and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the State Legislature.

- **Restricted net assets, nonexpendable** - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- **Unrestricted net assets** - Unrestricted net assets include resources that are not subject to externally imposed stipulations. Such resources are derived from tuition and fees (not restricted as to use), state appropriations, sales and services of educational activities and auxiliary enterprises. Unrestricted net assets are used for transactions related to the educational and general operations of the College and may be designated for specific purposes by action of the Board of Governors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (the "BTI"). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments for External Investment Pools*. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying combined financial statements.

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

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Noncurrent Cash and Cash Equivalents - Cash that is (1) externally restricted to make debt service payments, long-term loans to students or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets and (3) permanently restricted net assets, is classified as a noncurrent asset in the statements of net assets.

Investments - Investments are recorded at fair value. The College's investments were on deposit with First Community Bank, Inc. and First Century Bank, Inc. These funds represented the George M. Cruise Endowed Chair of Health Sciences/Nursing and the James H. Shott Endowed Chair of Business, respectively. Funds on deposit were invested in Federal Agency Bonds, money market funds, the underlying securities of which were securities of the U.S. Government, Federated Prime Value Obligation Funds, equity market funds, fixed income securities, and other mutual funds invested in high-quality fixed income securities. These funds were classified as long-term due to the restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Capital assets include property, plant and equipment, books and materials that are part of a catalogued library and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, 7 years for library books and 3 to 10 years for furniture and equipment. The College's capitalization threshold is \$5,000. There was no interest capitalized during 2006.

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 orientation fees and room and board. Financial aid and other deposits are separately classified as deposits.

Compensated Absences - The College 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 College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For certain employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Certain classes of employees hired July 1, 2001 or later will no longer receive sick leave credit toward insurance premiums when they retire; faculty will continue to receive credit toward insurance premiums upon retirement.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3 - 1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The estimated expense and expense incurred for the vacation leave, sick leave or extended health or life insurance benefits are recorded as a component of benefits expense on the statements of revenues, expenses and changes in net assets.

Risk Management - The State's Board of Risk and Insurance Management ("BRIM") provides general, property and casualty, and medical malpractice liability coverage to the College and its employees. Such coverage may be provided to the College 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 engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of premium adjustments to the College or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the College is currently charged by BRIM and the ultimate cost of that insurance based on the College's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the College and the College's ultimate actual loss experience, the difference will be recorded, as the change in estimate becomes known.

In addition, through its participation in the West Virginia Public Employees Insurance Agency (PEIA) and a third-party insurer, the College has obtained health, life, prescription drug coverage, and coverage for job related injuries for its employees. In exchange for payment of premiums PEIA and the third-party insurer, the College has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

West Virginia has a single private insurance company, BrickStreet Insurance, which provides workers' compensation coverage to all employers in the state. Other private insurance companies can begin to offer coverage to private-sector employers beginning July 1, 2008 and to government employers July 1, 2012. Nearly every employer in the State, who has a payroll must have coverage. The cost of all coverage is paid by the employers. BrickStreet retains the risk related to the compensation of injured employees under the program.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenues - The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.
- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations and investment income.
- **Other Revenue** - Other revenues consist primarily of capital grants and gifts.

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

Federal Financial Assistance Programs - The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through universities like the College. Direct student loan receivables are not included in the College's statement of net assets as the loans are repayable directly to the U.S. Department of Education. In 2007 and 2006 respectively, the College received and disbursed approximately \$5.6 million and \$5.3 million, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses and changes in net assets.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant and Federal Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2007 and 2006, the College received and disbursed approximately \$3.2 million each year under these federal student aid programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and College Business Officers ("NACUBO"). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a College basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

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

Income Taxes - The College is exempt from income taxes, except for unrelated business income, as a governmental instrumentality under federal income tax laws and regulations of the Internal Revenue Service as described in Section 115 of the Internal Revenue Code.

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

Use of Estimates - The preparation of financial statements in conformity with 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.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

29

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Recent Statements Issued By the GASB - The GASB has also issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, effective for fiscal years beginning after December 15, 2006. This statement provides standards for the measurement, recognition and display of other postemployment benefit expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. Effective July 1, 2007, the College is required to participate in the multiple employer cost sharing plan sponsored by the State of West Virginia. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, West Virginia, 25305-0710 or <http://www.wvpeia.com>. No liability related to this plan exists for the College at June 30, 2007. The College has not yet determined the effect that the adoption of GASB Statement No. 45 may have on the financial statements.

The GASB has issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, effective for fiscal years beginning after December 15, 2006. This statement addresses whether an exchange of an interest in expected cash flows for collecting specific receivables of specific future revenues for an immediate lump sum should be regarded as a sale or as a collateralized borrowing resulting in a liability. It establishes criteria to determine whether proceeds should be reported as revenue or a liability. The College has not yet determined the effect that the adoption of GASB Statement No. 48 may have on the financial statements.

The GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal years beginning after December 15, 2007. This statement addresses the obligations of existing pollution events. It provides guidance on whether any components of a remediation should be recognized as a liability. The College has not yet determined the effect that the adoption of GASB Statement No. 49 may have on the financial statements.

BLUEFIELD STATE COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB has issued Statement No. 50, *Pensions Disclosures* (an amendment of GASB Statements No. 25 and No. 27), effective for fiscal years beginning after June 15, 2007. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits, thus enhancing the information disclosed on the notes to the financial statements or presented as required supplementary information. The College has not yet determined the effect that the adoption of GASB Statement No. 50 may have on the financial statements.

The GASB has issued Statement No. 51, *Accounting and Financial Reporting*, effective for fiscal years beginning after June 15, 2009. This statement provides guidance regarding whether and when intangible assets should be considered capital assets for financial reporting purposes. The College has not yet determined the effect that the adoption of GASB Statement No. 51 may have on the financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30:

	2007		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer	\$ 6,170,064	\$ 39,399	\$ 6,209,463
Cash in bank	189,283	28,336	217,619
Cash on hand	8,100	-	8,100
	<u>\$ 6,367,447</u>	<u>\$ 67,735</u>	<u>\$ 6,435,182</u>
	2006		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer	\$ 8,929,826	\$ 38,678	\$ 8,968,504
Cash in bank	201,608	30,957	232,565
Cash on hand	8,150	-	8,150
	<u>\$ 9,139,584</u>	<u>\$ 69,635</u>	<u>\$ 9,209,219</u>

Cash held by the State Treasurer and cash in bank include for years ended June 30, 2007 and 2006 respectively, \$2,873,260 and \$5,053,549 of restricted cash for specific purposes by West Virginia State Code, grant resources and loan funds.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Bank balances are insured by federal deposit insurance up to \$100,000 per financial institution. Balances in these accounts sometimes exceed the federal deposit insurance limits; however, management believes the banks to be creditworthy and believes that credit risk associated with these deposits is minimal. At June 30, 2007 and 2006 respectively, total bank balances exceeded federal deposit insurance by approximately \$186,862 and \$176,069.

Cash on deposit with the State Treasurer is comprised of the following investment pools and are subject to the following BTI policies and limits.

The BTI has adopted an investment policy in accordance with the "Uniform Prudent Investor Act." The "prudent investor rule" guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The BTI's investment policy to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of BTI's Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the BTI's Consolidated Fund.

Cash Liquidity Pool

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither the BTI nor any of the BTI's Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the BTI's Consolidated Fund pools and accounts which the College may invest in, three are subject to credit risk: Cash Liquidity Pool, Government Money Market Pool, and Enhanced Yield Pool.

The BTI limits the exposure to credit risk in the Cash Liquidity Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the Cash Liquidity Pool's investments (in thousands):

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Credit Rating *		2007		2006	
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Investments:						
Commercial paper	P1	A-1	\$ 1,015,926	48.89%	\$ 943,057	54.14%
Corporate bonds and notes	Aaa	AAA	98,999	4.76	61,992	3.56
	Aa3	AA	20,001	0.96	-	0.00
	Aa3	A	23,002	1.11	-	0.00
	Aa2	AA	15,000	0.72	-	0.00
	Aa2	A	27,000	1.30	-	0.00
	Aa1	AA	77,023	3.71	-	0.00
	Aa	AA	-	0.00	55,063	3.16
	Aa	A	-	0.00	12,000	0.69
			<u>261,025</u>	12.56	<u>129,055</u>	7.41
U.S. agency bonds	Aaa	AAA	46,994	2.26	43,663	2.51
U.S. Treasury bills	Aaa	AAA	358,725	17.27	306,279	17.58
Negotiable certificates of deposit	P1	A-1	76,500	3.68	99,000	5.68
U.S. agency discount notes	P1	A-1	21,655	1.04	93,851	5.39
Money market funds	Aaa	AAA	185	0.01	758	0.04
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA	-	0.00	73,000	4.19
U.S. agency notes	Aaa	AAA	<u>246,821</u>	<u>11.88</u>	<u>29,339</u>	<u>1.69</u>
			<u>246,821</u>	<u>11.88</u>	<u>102,339</u>	<u>5.88</u>
Deposits:						
Nonnegotiable certificates of deposit	NR	NR	<u>50,000</u>	<u>2.41</u>	<u>23,800</u>	<u>1.37</u>
			<u>\$ 2,077,831</u>	<u>100.00%</u>	<u>\$ 1,741,802</u>	<u>100.00%</u>

At June 30, 2007 and 2006, the College's ownership represents .27% and .33%, respectively, of these amounts held by the BTI.

Government Money Market Pool

Credit Risk

The BTI limits the exposure to credit risk in the Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the Government Money Market Pool's investments (in thousands):

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Credit Rating		2007		2006	
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
U.S. agency bonds	Aaa	AAA	\$ 67,620	29.46%	\$ 21,420	11.76%
U.S. Treasury bills	Aaa	AAA	36,379	15.85	28,346	15.56
U.S. agency discount notes	P1	A-1	74,143	32.30	112,399	61.70
Money market funds	Aaa	AAA	9	0.00	109	0.06
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA	51,400	22.39	-	0.00
U.S. Treasury strips	Aaa	AAA	-	0.00	15,602	8.56
U.S. agency bonds	Aaa	AAA	-	0.00	4,298	2.36
			<u>51,400</u>	<u>22.39</u>	<u>19,900</u>	<u>10.92</u>
			<u>\$ 229,551</u>	<u>100.00%</u>	<u>\$ 182,174</u>	<u>100.00%</u>

At June 30, 2007 and 2006, the College's ownership represents .09% and .08%, respectively, of these amounts held by the BTI.

Enhanced Yield Pool

Credit Risk

The BTI limits the exposure to credit risk in the Enhanced Yield Pool by requiring all corporate bonds to be rated A- by Standards & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P1 by Moody's. The following table provides information on the credit ratings of the Enhanced Yield Pool's investments (in thousands):

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Credit Rating		2007		2006	
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	P1	A-1	\$ 42,122	18.40%	\$ 46,963	17.70%
Corporate bonds and notes	Aaa	AAA	1,667	0.73	2,448	0.92
	Aa3	AA	7,857	3.43	-	-
	Aa3	A	3,905	1.70	-	-
	Aa2	AA	950	0.41	-	-
	Aa2	A	2,177	0.95	-	-
	Aa1	AA	6,431	2.81	-	-
	A3	A	6,958	3.04	-	-
	A2	AA	747	0.33	-	-
	A2	A	8,188	3.58	-	-
	A1	AA	3,034	1.32	-	-
	A1	A	10,706	4.68	-	-
	Aa	AA	-	-	3,790	1.43
	Aa	A	-	-	15,660	5.90
	A	AA	-	-	3,048	1.15
	A	A	-	-	<u>46,847</u>	<u>17.65</u>
			52,620	22.98	71,793	27.05
U.S. agency bonds	Aaa	AAA	46,075	20.13	87,215	32.86
U.S. Treasury bills	Aaa	AAA	-	-	58,067	21.88
U.S. Treasury notes	Aaa	AAA	55,877	24.41	-	-
U.S. agency mortgage backed securities	Aaa	AAA	11,741	5.13	-	-
Repurchase agreements (underlying securities):						
U.S. agency mortgage backed securities	Aaa	AAA	-	-	1,346	0.51
U.S. agency notes	Aaa	AAA	<u>20,485</u>	<u>8.95</u>	<u>-</u>	<u>-</u>
			<u>20,485</u>	<u>8.95</u>	<u>1,346</u>	<u>0.51</u>
			<u>\$ 228,920</u>	<u>100.00%</u>	<u>\$ 265,384</u>	<u>100.00%</u>

At June 30, 2007 and 2006, the College's ownership represents .14% and 1.12%, respectively, of these amounts held by the BTI.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All the BTI's Consolidated Fund pools and accounts are subject to interest rate risk.

The overall weighted average maturity of the investments of the Cash Liquidity Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Cash Liquidity Pool:

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

<u>Security Type</u>	<u>2007</u>		<u>2006</u>	
	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 246,821	2	\$ 102,339	3
U.S. Treasury bills	358,725	30	306,279	32
Commercial paper	1,015,926	52	943,057	25
Certificates of deposit	126,500	76	122,800	105
U.S. agency discount notes	21,655	113	93,851	89
Corporate notes	261,025	58	129,055	77
U.S. agency bonds/notes	46,994	156	43,663	208
Money market funds	<u>185</u>	<u>1</u>	<u>758</u>	<u>1</u>
	<u>\$ 2,077,831</u>	<u>48</u>	<u>\$ 1,741,802</u>	<u>42</u>

The overall weighted average maturity of the investments of the Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Government Money Market Pool:

<u>Security Type</u>	<u>2007</u>		<u>2006</u>	
	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 51,400	2	\$ 19,900	3
U.S. Treasury bills	36,379	29	28,346	42
U.S. agency discount notes	74,143	106	112,399	39
U.S. agency bonds/notes	67,620	60	21,420	152
Money market funds	<u>9</u>	<u>1</u>	<u>109</u>	<u>1</u>
	<u>\$ 229,551</u>	<u>49</u>	<u>\$ 182,174</u>	<u>49</u>

The overall weighted average maturity of the investments of the Enhanced Yield Pool cannot exceed 731 days. Maximum maturity of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Enhanced Yield Pool:

<u>Security Type</u>	<u>2007</u>		<u>2006</u>	
	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 20,485	2	\$ 1,346	3
U.S. Treasury bonds/notes	55,877	1,092	58,067	894
Corporate notes	52,620	557	71,793	588
Corporate asset backed securities	42,122	421	46,963	688
U.S. agency bonds/notes	46,075	927	87,215	594
U.S. agency mortgage backed securities	<u>11,741</u>	<u>814</u>	<u>-</u>	<u>-</u>
	<u>\$ 228,920</u>	<u>700</u>	<u>\$ 265,384</u>	<u>672</u>

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Other Investment Risks

Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI's Consolidated Fund's investment pools or accounts is exposed to these risks as described below.

Concentration of credit risk is the risk of loss attributed to the magnitude of the BTI Consolidated Fund pool or account's investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name of one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the BTI's Statement of Fiduciary Net Assets is invested in the lending agent's money market fund in the BTI's name. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the BTI's Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

Deposits

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. The Cash Liquidity Pool contains nonnegotiable certificates of deposit valued at \$50,000,000, which represents 2.41% of the pool's assets. The BTI does not have a deposit policy for custodial credit risk.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Student tuition and fees, net of allowance for doubtful accounts of \$397,280 in 2007 and 2006	\$ 53,965	\$ 212,804
Grants and contracts receivable	14,846	14,156
Due from the Commission	26,005	31,885
Due from other State agencies	454,078	648,614
Other accounts receivable	<u>194,869</u>	<u>118,802</u>
	<u>\$ 743,763</u>	<u>\$ 1,026,261</u>

NOTE 5 - CAPITAL ASSETS

The following is a summary of capital asset transactions for the College for the year ended June 30:

	2007			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 257,242	\$ -	\$ -	\$ 257,242
Construction in progress	<u>270,637</u>	<u>2,399,406</u>	<u>150,862</u>	<u>2,519,181</u>
Total capital assets not being depreciated	<u>\$ 527,879</u>	<u>\$ 2,399,406</u>	<u>\$ 150,862</u>	<u>\$ 2,776,423</u>
Other capital assets:				
Land improvements	\$ 1,368,158	\$ 711,244	\$ -	\$ 2,079,402
Buildings	15,708,718	557,658	-	16,266,376
Equipment	5,331,446	121,935	390,938	5,062,443
Library books	<u>1,343,252</u>	<u>16,950</u>	<u>-</u>	<u>1,360,202</u>
Total other capital assets	<u>23,751,574</u>	<u>1,407,787</u>	<u>390,938</u>	<u>24,768,423</u>
Less accumulated depreciation for:				
Land improvements	577,062	103,064	-	680,126
Buildings	10,446,919	332,068	-	10,778,987
Equipment	4,479,784	245,447	375,577	4,349,654
Library books	<u>1,241,914</u>	<u>33,218</u>	<u>-</u>	<u>1,275,132</u>
Total accumulated depreciation	<u>16,745,679</u>	<u>713,797</u>	<u>375,577</u>	<u>17,083,899</u>
Other capital assets - net	<u>\$ 7,005,895</u>	<u>\$ 693,990</u>	<u>\$ 15,361</u>	<u>\$ 7,684,524</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 527,879	\$ 2,399,406	\$ 150,862	\$ 2,776,423
Other capital assets	<u>23,751,574</u>	<u>1,407,787</u>	<u>390,938</u>	<u>24,768,423</u>
Total cost of capital assets	24,279,453	3,807,193	541,800	27,544,846
Less accumulated depreciation	<u>16,745,679</u>	<u>713,797</u>	<u>375,577</u>	<u>17,083,899</u>
Capital assets - net	<u>\$ 7,533,774</u>	<u>\$ 3,093,396</u>	<u>\$ 166,223</u>	<u>\$ 10,460,947</u>

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 5 - CAPITAL ASSETS (Continued)

	2006			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 227,242	\$ 30,000	\$ -	\$ 257,242
Construction in progress	<u>62,027</u>	<u>208,610</u>	<u>-</u>	<u>270,637</u>
Total capital assets not being depreciated	<u>\$ 289,269</u>	<u>\$ 238,610</u>	<u>\$ -</u>	<u>\$ 527,879</u>
Other capital assets:				
Land improvements	\$ 1,391,095	\$ -	\$ 22,937	\$ 1,368,158
Buildings	21,592,579	31,320	5,915,181	15,708,718
Equipment	5,926,700	245,414	840,668	5,331,446
Library books	<u>1,612,487</u>	<u>22,156</u>	<u>291,391</u>	<u>1,343,252</u>
Total other capital assets	<u>30,522,861</u>	<u>298,890</u>	<u>7,070,177</u>	<u>23,751,574</u>
Less accumulated depreciation for:				
Land improvements	488,910	91,210	3,058	577,062
Buildings	10,564,249	324,752	442,082	10,446,919
Equipment	4,886,177	226,642	633,035	4,479,784
Library books	<u>1,465,883</u>	<u>33,218</u>	<u>257,187</u>	<u>1,241,914</u>
Total accumulated depreciation	<u>17,405,219</u>	<u>675,822</u>	<u>1,335,362</u>	<u>16,745,679</u>
Other capital assets - net	<u>\$13,117,642</u>	<u>\$ (376,932)</u>	<u>\$ 5,734,815</u>	<u>\$ 7,005,895</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 289,269	\$ 238,610	\$ -	\$ 527,879
Other capital assets	<u>30,522,861</u>	<u>298,890</u>	<u>7,070,177</u>	<u>23,751,574</u>
Total cost of capital assets	30,812,130	537,500	7,070,177	24,279,453
Less accumulated depreciation	<u>17,405,219</u>	<u>675,822</u>	<u>1,335,362</u>	<u>16,745,679</u>
Capital assets - net	<u>\$13,406,911</u>	<u>\$ (138,322)</u>	<u>\$ 5,734,815</u>	<u>\$ 7,533,774</u>

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

Title for certain real property is with the Commission.

At June 30, 2007, the College had outstanding contractual commitments of approximately \$403,548 for property, plant, and equipment expenditures.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 6 - INVESTMENTS

As of June 30, 2007 and 2006 respectively, investments had a combined carrying value of \$448,502 and \$419,355 of which \$185,733 and \$177,875 is invested with First Community Bank and \$262,769 and \$241,480 is invested with First Century Bank, respectively. Of the funds invested with First Community Bank, 85% is invested in Federal Government Bonds, 9% is invested in a money market fund, the underlying securities of which were securities of the U.S. Government, 6% is invested in U.S. Treasury Notes. Of the funds invested with First Century Bank, 69% is invested in equities, 17% is invested in fixed income securities, 11% is invested in a money market fund, the underlying securities of which were securities of the Federated Prime Value Obligation Fund, and 3% is invested in limited partnerships.

The investments are held with a third-party trustee. The money market funds invest in U.S. Government Securities and Federated Prime Value Obligation Funds. These funds are rated AAA by Standard and Poor's. The U.S. Government Securities are also rated Aaa by Moody's. The Federal Government Bonds are rated AAA by Standard and Poor's and Aaa by Moody's. The fixed income securities invest in Federal Home Loan Bank Bonds, Freddie Mac Notes and certificates of deposit under the CDARS program. The equity market securities, fixed income securities and limited partnerships are rated AAA by Standard and Poor's. Management believes that there is no significant custodial credit risk nor interest rate risk for any of the funds. Furthermore, the funds are not exposed to any significant concentration of credit risk nor any foreign currency risk.

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the year ended June 30:

	2007				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	\$ 207,975	\$ -	\$ 50,876	\$ 157,099	\$ -
Accrued compensated absences	2,391,145	46,409	199,802	2,237,752	436,621
Debt obligation due Commission	<u>117,788</u>	<u>-</u>	<u>20,390</u>	<u>97,398</u>	<u>20,561</u>
Total noncurrent liabilities	<u>\$ 2,716,908</u>	<u>\$ 46,409</u>	<u>\$ 271,068</u>	<u>\$ 2,492,249</u>	<u>\$ 457,182</u>

	2006				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	\$ 251,791	\$ -	\$ 43,816	\$ 207,975	\$ -
Accrued compensated absences	2,418,527	353,745	381,127	2,391,145	461,407
Debt obligation due Commission	<u>257,223</u>	<u>-</u>	<u>139,435</u>	<u>117,788</u>	<u>20,390</u>
Total noncurrent liabilities	<u>\$ 2,927,541</u>	<u>\$ 353,745</u>	<u>\$ 564,378</u>	<u>\$ 2,716,908</u>	<u>\$ 481,797</u>

BLUEFIELD STATE COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 8 - COMPENSATED ABSENCES

The composition of the compensated absence liability was as follows at June 30:

	<u>2007</u>	<u>2006</u>
Health or life insurance benefits	\$ 1,537,730	\$ 1,718,537
Accrued vacation leave	<u>700,022</u>	<u>672,608</u>
Total	<u>\$ 2,237,752</u>	<u>\$ 2,391,145</u>

The cost of health and life insurance benefits paid by the College is based on a combination of years of service and age. For the years ended June 30, 2007 and 2006, the amount paid by the College for extended health or life insurance coverage retirement benefits totaled approximately \$46,687 and \$40,355 respectively. For the years ended June 30, 2007 and 2006, there were 18 and 14 retirees, respectively, receiving these benefits.

NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The College is a State institution of higher education. It receives a State appropriation in partial support of its operations. In addition, the College is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of the College's operations, its tuition and fee structure, its personnel policies and its administrative practices.

The State has chartered the Commission 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 College. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the College and College Systems (the "Boards"). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Commission assesses each public institution of higher education for funds to meet the payment of debt service on these various bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. During 2007 and 2006, the College paid \$20,390 and \$20,135 to the Commission against the debt obligation. The amount due to Commission at June 30, 2007 is \$97,398.

BLUEFIELD STATE COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (Continued)

During the year ended June 30, 2005, the West Virginia Higher Education Policy Commission issued \$167 million of 2005 series B Revenue Bonds (Higher Education Facilities) bonds. The College has been approved for \$0.8 million of the bond proceeds for capital projects from this bond issuance. The planned capital project is Bluefield campus ADA project. As of June 30, 2007, the College has drawn approximately seven hundred eighty thousand dollars of these bonds to pay for capital projects. State lottery funds will be used to repay the debt, although College revenues are pledged if lottery funds prove insufficient.

NOTE 10 - UNRESTRICTED NET ASSETS

The College's unrestricted net assets include certain designated net assets as follows:

	<u>2007</u>	<u>2006</u>
Designated for repair and replacement of property	\$ 403,143	\$ 2,323,253
Undesignated	<u>3,558,568</u>	<u>4,260,348</u>
Total unrestricted net assets	<u>\$ 3,961,711</u>	<u>\$ 6,583,601</u>

NOTE 11 - RETIREMENT PLANS

Substantially all full-time employees of the College participate in either the West Virginia Teachers' Retirement System (the "STRS") or the Teachers' Insurance and Annuities Association - College Retirement Equities Fund (the "TIAA-CREF"). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants. Current participants in the STRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan. Contributions to and participation in the West Virginia Teachers' Defined Contribution Plan by College employees have not been significant to date.

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the new Educators Money 401(a) basic retirement plan. New hires have a choice of either plan. As of June 30, 2007, there were no employees enrolled in the new Educators Money 401(a) basic retirement plan.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 11 - RETIREMENT PLANS (Continued)

The STRS is a cost sharing, multiple employer defined benefit public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for the years ended June 30, 2007 and 2006. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2007 and 2006. Participants in the STRS may retire with full benefits upon reaching age 60 with five 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 five years' salaries out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2007, 2006 and 2005 were \$181,631, \$174,035 and \$212,372, which consisted of \$129,737, \$124,381 and \$151,695, from the College, and \$51,894, \$49,654, and \$60,677 from the covered employees in 2007, 2006 and 2005, respectively.

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 College. 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.

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

Total contributions to the TIAA-CREF for the years ended June 30, 2007, 2006 and 2005 were \$1,006,016, \$966,466, and \$1,182,832 which consisted of equal contributions of \$503,008, \$483,233, and \$591,416, respectively, from both the College and covered employees.

The Great West benefit program is also available to new employees. Total contributions to the Great West for year ended June 30, 2007 and 2006 were \$11,574 and \$0, which consisted of equal contributions \$5,787 from both College and employees.

BLUEFIELD STATE COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 11 - RETIREMENT PLANS (Continued)

The College's total payroll for the years ended June 30, 2007, 2006 and 2005 was \$10,363,968, \$10,052,078, and \$12,695,090. Total covered employees' salaries in the STRS and TIAA-CREF and Great West were \$864,906, \$8,383,466, and \$96,444 respectively, in 2007; \$827,570, \$8,053,880, and \$0 respectively in 2006; and \$1,011,297, \$9,856,933, and \$0, respectively in 2005.

NOTE 12 - LEASES

The College leases a branch campus facility in the State. Rental payments for this facility were \$128,869 for the year end June 30, 2007. Following is a schedule of future minimum lease payments for the term of this operating lease.

Year Ending <u>June 30</u>	Rental <u>Payments</u>
2008	\$135,238
2009	11,297

NOTE 13 - FOUNDATION

The Bluefield State College Foundation, Incorporated (the "Foundation") is a separate nonprofit organization incorporated in the State of West Virginia and has as its purpose "...to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations..." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is therefore discretely presented with the College's financial statements in accordance with GASB Statement No. 39. Based on the Foundation's audited financial statements as of June 30, 2007 and 2006, the Foundation's net assets (including unrealized gains) totaled \$8,992,581 and \$7,882,583, respectively. Complete financial statements for the Foundation can be obtained from the President of the Bluefield State College Foundation at College Avenue, Bluefield, Virginia 24605.

During the years ended June 30, 2007 and 2006, the Foundation contributed \$146,735, and \$147,949 to the College for scholarships and grants.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 14 - AFFILIATED ORGANIZATIONS (UNAUDITED)

The College has separately incorporated affiliated organizations including the Bluefield State College Research and Development Corporation, the Center for Applied Research and Technology of Bluefield State College, and the Bluefield State College Alumni Association. Oversight responsibility for these entities rests with independent boards and management not otherwise affiliated with the College. Accordingly, the financial statements of these organizations are not included in the College's accompanying financial statements under GASB Statement No. 14, and they are not included in the College's accompanying financial statements under GASB Statement No. 39 because they are not significant.

NOTE 15 - CONTINGENCIES

The nature of the educational industry is such that, from time to time, claims will be presented against colleges 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 College would not seriously impact the financial position of the College.

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 College's management believes disallowances, if any, will not have a significant financial impact on the College's financial position.

The College owns various buildings which are known to contain asbestos. The College is not required by Federal, state or local law to remove the asbestos from its buildings. The College is required under Federal Environmental, Health and Safety Regulations to manage the presence of asbestos in its buildings in a safe condition. The College 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 College 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.

NOTE 16 - COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the Foundation's financial statements starting on the following page:

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 1. **Significant Accounting Policies and Other Matters**

Nature of Foundation:

Bluefield State College (the "Foundation") is incorporated as a non-profit corporation under the laws of the State of West Virginia. The purpose of the Foundation is to provide for student scholarships and faculty and staff development at Bluefield State College (the "College").

The Foundation is managed by an independently elected Board of Directors not otherwise affiliated with the College. All contributions generally are for the benefit of the College and are administered by the Foundation.

Basis of accounting:

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

The accompanying financial statements present information regarding the Foundation's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions, as described below:

Unrestricted net assets are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Expenses, revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification.

Temporarily restricted net assets are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Foundation pursuant to those stipulations.

Permanently restricted net assets are amounts required by donors to be held in perpetuity; however, the income on these assets is available to meet various restricted and other operating needs. These net assets primarily include permanent endowment funds and funds held in trust by others.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions:

Contributions received, including unconditional promises to give, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions in the period received.

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 1. **Significant Accounting Policies and Other Matters** (continued)

Contributions: (continued)

Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

The Foundation occasionally utilizes office space located in a college owned building and receives assistance in development and administration of the Foundation by an employee of the College.

The value of these services as well as other donated volunteer services are not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services.

Cash and short-term investments:

The Foundation considers all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents.

The money market investment accounts are approximately \$421,597 and \$135,096 for June 30, 2007 and 2006, respectively, and the principal underlying assets are securities of the U.S. Government, its agencies, authorities and instrumentality's and obligations of U.S. banks. The estimated fair value of short-term investments approximates cost. Cash held for long-term investment is classified as investment.

Contributions receivable:

Unconditional promises are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises are recognized when the conditions on which they depend are substantially met.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Net unrealized and realized gains or losses are reflected in the Statements of Activities. Certain land and other investments, which are not readily marketable, are carried at cost.

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 1. **Significant Accounting Policies and Other Matters** (continued)

Investments: (continued)

Gifts of investments are recorded at their fair value (based on quotations or appraisals) at date of gift. Purchases and sales of investments are recorded on the trade date.

Income and realized and unrealized net gains on investments of endowment and similar net asset classes are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- As increases in unrestricted net assets in all other cases.

Amounts held on behalf of others:

Amounts held on behalf of others are used to account for assets held by the Foundation as an agent. These funds are custodial by nature (assets equal liabilities) and do not involve measurement of operations.

Income tax status:

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, when applicable, any income from certain activities not directly related to the Foundation's tax-exempt purpose would be subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Credit risk concentration:

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist principally of cash and cash equivalents and investments. The Foundation places its temporary cash investments with high credit quality financial institutions and does not believe it is exposed to any significant credit risk on cash and cash equivalents. Concentration of credit risk for investments is limited by the Foundation's policy of diversification of investments.

Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 2. **Contributions Receivable**

Contributions receivable and the related allowance at June 30 consist of:

	<u>2007</u>	<u>2006</u>
Cash pledges, less allowance for uncollectible promises 2007 and 2006, \$-0-	\$ <u>5,544</u>	\$ <u>6,951</u>
Expected to be collected in:	<u>2007</u>	<u>2006</u>
Less than one year	\$ <u>5,544</u>	\$ <u>6,951</u>

The ownership of pledges receivable for each class of net assets as of June 30 is as follows:

	<u>2007</u>	<u>2006</u>
Unrestricted	\$ <u>-</u>	\$ <u>-</u>
Temporarily restricted	\$ <u>5,544</u>	\$ <u>6,951</u>
Permanently restricted	\$ <u>-</u>	\$ <u>-</u>

Note 3. **Investments**

Investments are comprised of the following:

	<u>2007</u>	<u>2006</u>
Certificate of Deposits, 1 to 5 year maturity	\$ 86,000	\$ 74,000
Corporate and Municipal bonds and notes	496,815	485,956
United States Treasury, Government and other obligations	1,601,316	1,762,863
Equity investments	5,740,943	4,777,406
Mutual funds	112,689	99,524
Real estate	326,600	326,600
Limited partnership	<u>15,905</u>	<u>12,450</u>
	<u>\$8,380,268</u>	<u>\$7,538,799</u>

The ownership of investments for each class of net assets as of June 30 is as follows:

	<u>2007</u>	<u>2006</u>
Unrestricted	\$ 671,286	\$ 1,017,512
Temporarily restricted	6,898,304	6,153,171
Permanently restricted	<u>810,678</u>	<u>368,116</u>
	<u>\$ 8,380,268</u>	<u>\$ 7,538,799</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 4. **Unrestricted Net Assets**

Unrestricted net assets as of June 30 include the following:

	<u>2007</u>	<u>2006</u>
Designated:		
Investment in land, leased for charitable purposes	\$ 250,000	\$ 250,000
Undesignated:		
Other	511,341	782,302
Investment in land	<u>76,600</u>	<u>76,600</u>
	<u>\$ 837,941</u>	<u>\$ 1,108,902</u>

Land is leased to another non-profit entity for \$1 per year to assist in its charitable purpose. The lease renews in 10 year terms, but automatically terminates May 31, 2083 or if the land is not used for the stated purpose. The lease provides that the leasee must maintain liability coverage of one million dollars to protect the Foundation.

Note 5. **Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2007</u>	<u>2006</u>
Provide scholarship assistance and operations of the Foundation	\$ 7,260,140	\$ 6,348,658
Engineering technology department	<u>83,822</u>	<u>56,907</u>
	<u>\$ 7,343,962</u>	<u>\$ 6,405,565</u>

Note 6. **Permanently Restricted Net Assets**

Permanently restricted net assets as of June 30 are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2007</u>	<u>2006</u>
Engineering technology department	\$ 150,000	\$ 150,000
Financial aid	<u>660,678</u>	<u>218,116</u>
	<u>\$ 810,678</u>	<u>\$ 368,116</u>

Note 7. **Related Party Transactions**

Certain local financial institutions hold substantially all the Foundation's assets in their trust departments. Some of the Foundation's board members also serve as officers and directors of these institutions. The Foundation paid \$18,054 and \$16,924 in management fees to these related parties for the years ended June 30, 2007 and 2006, respectively.

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 8. **Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 17 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

This table represents operating expenses within both natural and functional classifications for the year ended June 30:

	2007							
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	Total
Instruction	\$ 5,092,853	\$ 1,211,450	\$ 1,067,635	\$ 674	\$ 40,033	\$ -	\$ -	\$ 7,412,645
Research	147,856	36,279	30,450	1	-	-	-	214,586
Public service	312,893	96,981	213,690	430	-	-	-	623,994
Academic support	527,417	128,850	354,899	741	-	-	-	1,011,907
Student services	1,053,470	265,857	308,597	633	-	-	-	1,628,557
General institutional support	1,961,170	469,650	807,507	2,746	-	-	-	3,241,073
Operations and maintenance of plant	723,499	198,430	495,785	435,150	-	-	-	1,852,864
Student financial aid	-	-	6,424	-	1,521,587	-	-	1,528,011
Auxiliary enterprises	412,087	95,500	1,657,682	52,405	-	-	-	2,217,674
Depreciation	-	-	-	-	-	713,797	-	713,797
Other	-	-	-	-	-	-	66,821	66,821
Total	\$ 10,231,245	\$ 2,502,997	\$ 4,942,669	\$ 492,780	\$ 1,561,620	\$ 713,797	\$ 66,821	\$ 20,511,929

	2006							
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	Total
Instruction	\$ 5,005,135	\$ 1,219,541	\$ 893,237	\$ 603	\$ -	\$ -	\$ -	\$ 7,118,516
Research	67,323	15,375	27,137	1	-	-	-	109,836
Public service	360,301	108,471	232,999	263	-	-	-	702,034
Academic support	543,678	129,949	502,345	492	-	-	-	1,176,464
Student services	1,202,805	315,326	532,844	740	-	-	-	2,051,715
General institutional support	2,005,778	463,037	694,445	2,544	-	-	-	3,165,804
Operations and maintenance of plant	688,949	201,488	731,889	458,639	-	-	-	2,080,965
Student financial aid	7,182	770	11,213	-	1,459,761	-	-	1,478,926
Auxiliary enterprises	426,262	99,752	1,712,991	58,773	-	-	-	2,297,778
Depreciation	-	-	-	-	-	675,822	-	675,822
Other	-	-	5,180	-	-	-	66,821	72,001
Total	\$ 10,307,413	\$ 2,553,709	\$ 5,344,280	\$ 522,055	\$ 1,459,761	\$ 675,822	\$ 66,821	\$ 20,929,861



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

To the Governing Board
Bluefield State College
Bluefield, West Virginia

We have audited the financial statements of Bluefield State College (the "College") as of and for the year ended June 30, 2007, and have issued our report thereon dated December 20, 2007, which states reliance on other auditors for the discretely presented component unit. 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. The financial statements of the Bluefield State College Foundation, Incorporated were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the College in a separate letter dated December 20, 2007.

This report is intended solely for the information and use of the College's management, the Members of the College's Governing Board, the West Virginia Higher Education Policy Commission, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Little & Stalraku, PLLC

Charleston, West Virginia
December 20, 2007