

West Liberty State College

Financial Statements as of and for the
Years Ended June 30, 2008 and 2007,
and Independent Auditors' Reports

WEST LIBERTY STATE COLLEGE

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)	3-12
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007:	
Statements of Net Assets	13-14
Component Unit — Statements of Financial Position	15
Statements of Revenues, Expenses, and Changes in Net Assets	16
Component Unit — Statements of Activities	17-18
Statements of Cash Flows	19-20
Notes to Financial Statements	21-50
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>	51-52

INDEPENDENT AUDITORS' REPORT

To the Governing Board of
West Liberty State College:

We have audited the statements of net assets of West Liberty State College (the "College") as of June 30, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of West Liberty State College Foundation, Incorporated (the "Foundation"), a discretely presented component unit 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 Foundation, is based solely on the report of such other auditors.

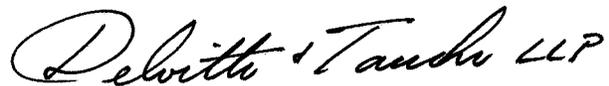
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Foundation's financial statements, which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 respective 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 report of the other auditors, such financial statements present fairly, in all material respects, the respective financial position and changes in net assets of the College and the discretely presented component unit of the College as of June 30, 2008 and 2007, and cash flows of the College for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, during the year ended June 30, 2008, the College adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*.

The Management Discussion and Analysis on pages 3 to 12 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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 supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2008, 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 considered in assessing the results of our audit.

The image shows a handwritten signature in cursive script that reads "Deloitte & Touche LLP". The signature is written in black ink and is positioned above the date.

October 7, 2008

West Liberty State College

State Route 88

P.O. Box 295

West Liberty, WV 26074-0295



Management Discussion and Analysis Fiscal Year 2008 (Unaudited) Financial Statements

Overview of the Financial Statements and Financial Analysis

West Liberty State College (WLSC) is proud to present its financial statements for fiscal years 2008 and 2007. The emphasis of discussions about these statements will be for the year ended June 30, 2008. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. This discussion and analysis of WLSC's financial statements provides an overview of its financial activities for the fiscal years 2008 and 2007 and is required supplemental information.

The Governmental Accounting Standards Board (GASB) has issued directives for presentation of governmental college and university financial statements. The previous reporting format presented financial balances and activities by fund groups. The current format places emphasis on the overall economic resources of WLSC. This is the fifth fiscal year for this format.

GASB Statement No. 39

The Government Accounting Standards Board (GASB) has revised the financial reporting guidelines for organizations that support government entities, effective for reporting periods beginning after June 15, 2003. Under GASB Statement No. 39, if a private foundation that provides financial support to a public college or university meets specified criteria, the college is required to include the foundation's financial activities in the college's financial statements.

The reader should understand that although WLSC is the beneficiary of the West Liberty State College Foundation, Incorporated (the "Foundation"), the Foundation is independent of WLSC in all respects. It is not a subsidiary or affiliate of WLSC and is not directly or indirectly controlled by WLSC. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to WLSC.

WLSC is neither accountable for, nor has ownership of, any of the financial and capital resources of the Foundation. WLSC does not have the power or authority to mortgage, pledge or encumber the assets of the Foundation. The members of the Foundation's board of directors are entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to WLSC, in accordance with donor designations, if any. Third parties dealing with WLSC, the Higher Education Policy Commission and the state of West Virginia (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of WLSC as of June 30, 2008 and 2007. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of WLSC. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (assets minus liabilities). The difference between current and noncurrent assets and liabilities is discussed in the Notes to the financial statements.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of WLSC. They are also able to determine how much is owed to vendors, employees, and lending institutions.

Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by WLSC.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides equity in the property, plant, and equipment owned by WLSC. The next asset category is restricted net assets, which is divided into two categories, nonexpendable (permanently restricted) and expendable. Expendable restricted net assets are available for expenditure but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Within expendable net assets are balances that have been restricted by the West Virginia Legislature ("Legislature"). These restricted activities are fundamental to the normal ongoing operations of WLSC and are subject to change by future actions of the Legislature. The final category is unrestricted net assets, which are available for expenditure for any lawful purpose of WLSC.

Condensed Statements of Net Assets
(In Thousands)

	2008	2007	2006
ASSETS:			
Current assets	\$ 7,233	\$ 7,257	\$ 7,797
Other noncurrent assets	2,105	2,363	3,850
Capital assets—net	<u>44,661</u>	<u>43,565</u>	<u>40,573</u>
TOTAL ASSETS	<u>\$ 53,999</u>	<u>\$ 53,185</u>	<u>\$ 52,220</u>
LIABILITIES:			
Current liabilities	\$ 4,114	\$ 4,294	\$ 3,856
Noncurrent liabilities	<u>16,889</u>	<u>19,513</u>	<u>20,220</u>
Total liabilities	<u>21,003</u>	<u>23,807</u>	<u>24,076</u>
NET ASSETS:			
Invested in capital assets, net of related debt	26,907	25,865	23,882
Restricted expendable	2,113	1,583	1,292
Unrestricted	<u>3,976</u>	<u>1,930</u>	<u>2,970</u>
Total net assets	<u>32,996</u>	<u>29,378</u>	<u>28,144</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 53,999</u>	<u>\$ 53,185</u>	<u>\$ 52,220</u>

A review of the individual asset and liabilities categories that contributed to the overall increase in net assets indicates the following:

2008:

- Cash and cash equivalents remained stable at \$6.3 million, while accounts payable were reduced by \$176,782.
- Noncurrent liabilities were reduced by \$2.6 million in 2008 with the largest part of the reduction being \$1.5 million in compensated absences, of which \$1,566,615 was the cumulative effect of the adoption of the GASB Statement No. 45. Other factors in this reduction include payments of \$354,145 on debt obligations to the Commission, \$392,642 in bonds payable, and \$214,786 in capital leases.
- Unrestricted net assets increased by \$2.0 million, the majority being \$1,566,615 from the cumulative effect of the adoption of the GASB Statement No. 45 on compensated absences.

2007:

- Cash and cash equivalents has decreased by \$1.9 million. This decrease is largely due to the use of bonds proceeds by the WLSC, which in turn has caused an increase in noncurrent assets. The non bond related cash decreased by \$427,000. WLSC has spent all but \$367,000 of the bond proceeds as of June 30, 2007. The remaining balance will be used before December 2007 on the Beta Hall renovations.
- Capital leases payable consist of copiers, heating, ventilation, and air conditioning system changes to the Main Hall, and improvements to the Marketplace for Sodexo. All capital leases payable are expected to be repaid by June 30, 2009.
- Current liabilities include an accrual and accounts payable of approximately \$770,000 related to projects under construction which is relatively a comparable amount in FY 2006.
- Noncurrent liabilities have a decrease of \$365,000 in bonds payable that were issued on September 3, 2003, which mature over the next 25 years. In addition, WLSC debt obligation to West Virginia Higher Education Policy Commission (HEPC) increased by approximately \$200,000 due to additional noninterest-bearing loan of \$500,000 to fund the capital improvements. This was partially offset by total repayments of \$300,000 during FY 2007.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets, as presented on the Statement of Net Assets, are based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA). The purpose of the SRECNA is to present the revenues earned, both operating and nonoperating, and the expenses incurred, operating and nonoperating, and any other revenues, expenses, gains and losses earned or incurred by WLSC.

Generally speaking, operating revenues are earned for providing goods and services to the various customers and constituencies of WLSC. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the WLSC mission. Revenues for which goods and services are not provided are reported as nonoperating revenues. For example, state appropriations are nonoperating revenues because they are provided by the Legislature to WLSC without the Legislature directly receiving commensurate goods and services for those revenues.

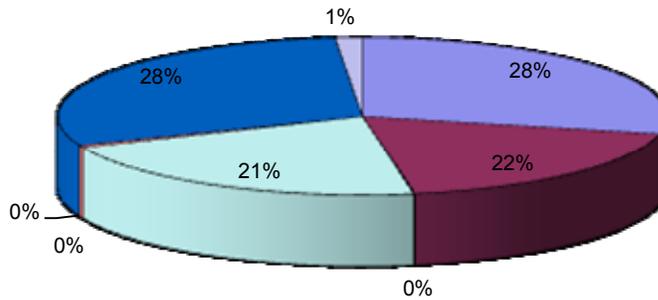
Condensed Statements of Revenues, Expenses and Changes in Net Assets

(In Thousands)

	2008	2007	2006
OPERATING REVENUES	\$ 22,229	\$ 19,902	\$ 19,111
OPERATING EXPENSES	<u>28,584</u>	<u>26,452</u>	<u>24,185</u>
OPERATING LOSS	(6,355)	(6,550)	(5,074)
NONOPERATING REVENUES	<u>8,405</u>	<u>7,765</u>	<u>7,631</u>
INCREASE IN NET ASSETS BEFORE TRANSFER	2,051	1,215	2,557
CAPITAL PROCEEDS FROM POLICY COMMISSION	-	117	2,000
TRANSFER OF LIABILITY FROM POLICY COMMISSION	-	(98)	-
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE	<u>1,567</u>	<u>-</u>	<u>-</u>
INCREASE IN NET ASSETS	3,618	1,234	4,557
NET ASSETS—Beginning of year	<u>29,378</u>	<u>28,144</u>	<u>23,587</u>
NET ASSETS—End of year	<u>\$ 32,996</u>	<u>\$ 29,378</u>	<u>\$ 28,144</u>

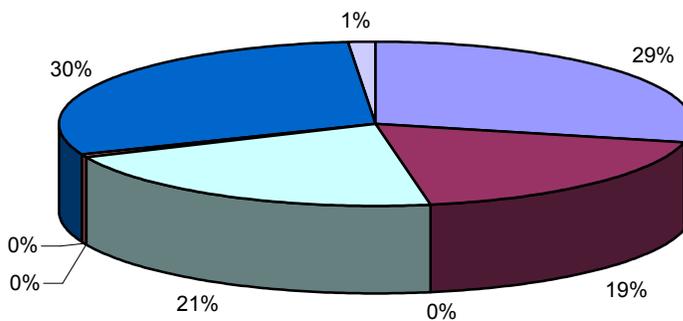
A review of the individual revenue and expense categories that contributed to the overall increase in net assets reveals the following:

FY 2008 Total Revenues Operating, Nonoperating, and Capital



■ Student tuition and fees	■ Contracts and grants	■ Interest on loans receivables	■ Auxiliary enterprise revenue
■ Miscellaneous - net	■ State appropriations	■ Investment income	

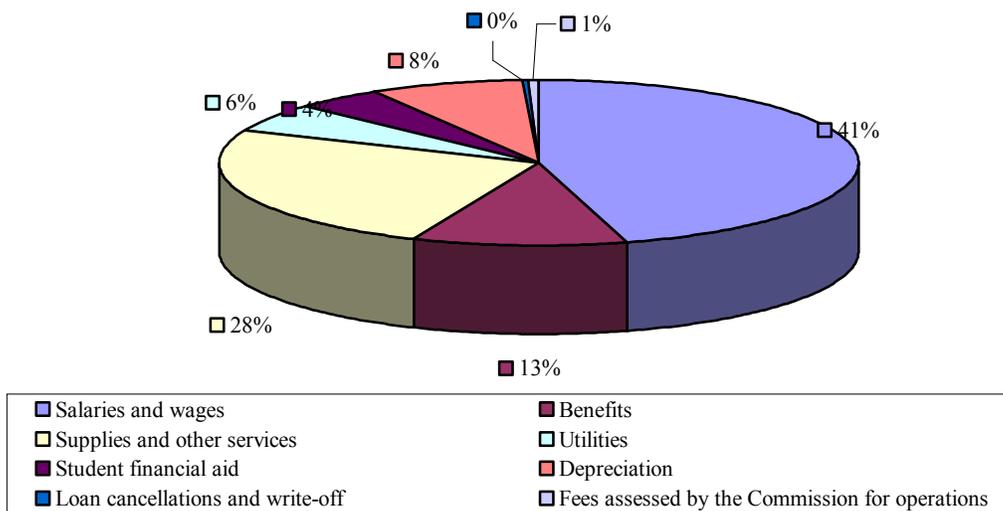
FY 2007 Total Revenues Operating, Nonoperating, and Capital



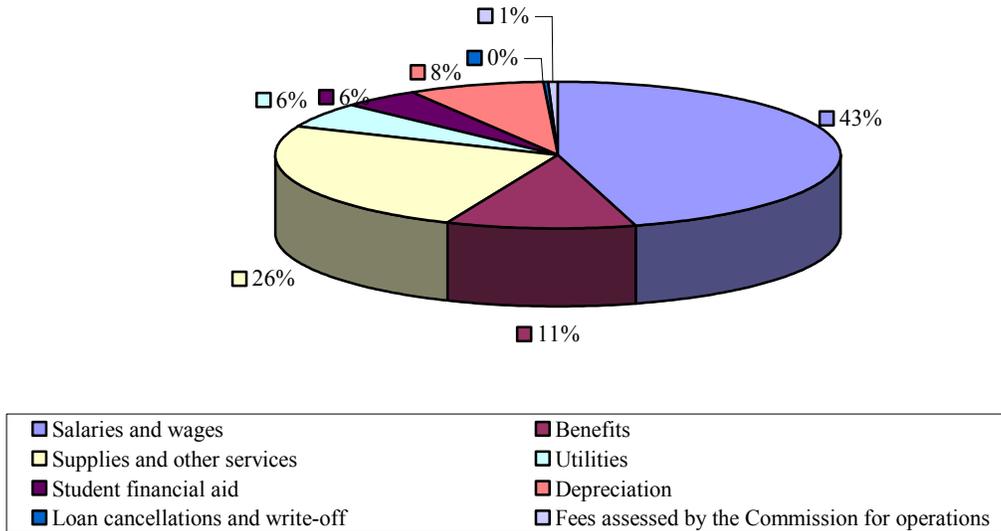
■ Student tuition and fees	■ Contracts and grants	■ Interest on loans receivables	■ Auxiliary enterprise revenue
■ Miscellaneous - net	■ State appropriations	■ Investment income	

- Student tuition and fees (net of scholarship allowance) made up 39.5% of WLSC’s operating revenues and, as the pie chart shows, 27.6% of total operating, nonoperating, and capital revenues. Tuition and fee revenues increased over FY 2007 for both resident and non-resident. The tuition and fees were increased in FY 2008 by 6.9% for both resident and non-resident students. FY 2007 had an increase of 5.9% for both resident and non-resident students. WLSC implemented a new metro rate for FY 2008, which gives a \$1,000 reduction per semester for students residing in select counties in Ohio and Pennsylvania.
- Other operating revenues such as noncapital grants and contracts, revenues from auxiliary enterprises and other operating revenues comprised 60.5% of WLSC’s operating revenues and, as the pie chart shows, 42.3% of total revenues.
- Nonoperating revenues from the State consisted mainly of appropriated State funds. These State appropriations accounted for 28.0% of total operating, nonoperating, and capital revenues in FY 2008. These funds are used to support the operations (salary and fringe benefits) of WLSC. State appropriations increased by \$324,752 in FY 2008, which compares to an increase of \$122,375 in FY 2007.
- Investment income made up 0.9% of total operating, nonoperating, and capital revenues in FY 2008 as compared to 1.4% in FY 2007. WLSC participates in the investment pools managed by the State.

FY 2008 Operating Expenses



FY 2007 Operating Expenses



- The salaries and wages, and employee benefits categories made up approximately 54% of the operating expenses of WLSC for both FY 2008 and FY 2007. The annual raise of 2% was given to employees in July based on the respective employee pooling classification and was the same as the 2007 raise of 2%. Benefit costs increased because of employer matching for Public Employees Insurance Agency premiums as well as other matching costs for social security, worker’s compensation, etc., associated with raises granted and the adoption of GASB No. 45.
- The increase in utilities in FY 2008 and FY 2007 was caused primarily by rate increases for natural gas.
- Supplies and other services made up approximately 28% and 26% of the operating expenses of the budget for FY 2008 and FY 2007, respectively. The primary reason for the increase in FY 2008 is increased repairs and maintenance on the President’s house. Part of the increase in FY 2007 from 25% in FY 2006 is due to a change in capitalization policy from \$1,000 to the State policy of \$5,000 per transaction.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activities of WLSC 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 of WLSC. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital 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 SRECNA.

Condensed Statements of Cash Flows
(In Thousands)

	2008	2007	2006
Cash Provided by (Used in)			
OPERATING ACTIVITIES	\$(3,623)	\$(4,013)	\$(3,886)
NONCAPITAL FINANCING ACTIVITIES	8,886	8,561	8,440
CAPITAL FINANCING ACTIVITIES	(5,577)	(5,390)	(4,029)
INVESTING ACTIVITIES	<u>290</u>	<u>415</u>	<u>402</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(24)	(427)	927
CASH AND CASH EQUIVALENTS—Beginning of year	<u>6,288</u>	<u>6,715</u>	<u>5,788</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 6,264</u>	<u>\$ 6,288</u>	<u>\$ 6,715</u>

Capital Asset and Debt Administration

WLSC had many renovations completed during FY 2008 and 2007 that were added to capital assets. These projects were funded from a variety of sources including Federal and private grants, and use of WLSC funds.



2008:

- Capital assets had building additions of approximately \$3.3 million in FY 2008 with the major components being a new roof on the Fine Arts Center for \$623,606, HVAC system for Main Hall for \$611,099, and renovations to Beta Hall for \$974,998.
- Capital projects in progress at the end of FY 2008 amounted to \$964,516, down by \$631,243 from the end of 2007. Projects included \$747,622 for the new playing surface on the football field and \$97,239 for wiring in Beta Hall. The new surface on the football field is being primarily funded by a \$900,000 donation through the West Liberty State College Foundation.
- The State Legislature approved \$800,000 for the WLSC Highlands Project. The Highlands is a commercial project located next to I-70 that is being developed by the

Ohio County Development Authority. WLSC will have a new educational center at the Highlands and begin offering classes in May 2009.

2007:

- Several land improvements were completed or started in FY 2007. Our campus lighting system is continually being upgraded in the Quad area. Sidewalks and road paving has continued in phase II of our Campus Master Plan.
- The WLSC was awarded \$2 million dollars from the sale of capital bonds from HEPC. The proceeds were used to help construct the new Media Arts Center. The WLSC drew the money down during FY 2006. The Media Arts Center was completed in November 2006. The WLSC received an additional \$116,954 in FY 2007 from interest on the \$2 million dollars.
- The WLSC received an emergency interest free loan of \$500,000 from HEPC to complete the roof of the Fine Arts Building. The WLSC made its first of five annual repayment installments in June 2007.



Economic Outlook

At the State level, West Virginia collected more than \$3.9 billion in tax revenue during fiscal year 2008 and the future forecast for the fiscal year beginning July 1 remains the same. West Virginia's recent growth is largely driven by increasing the revenues from the State's extraction taxes on coal and other natural resources.

In WLSC's local recruiting area of Marshall, Ohio, Brooke, and Hancock Counties the population has decreased by 5.3% between the 2000 census and the 2006 estimated census. This situation has resulted in increased effort by WLSC's Admissions Department to expand recruiting to adjacent states of Ohio and Pennsylvania while expanding recruitment areas down the Ohio River and the eastern panhandle of West Virginia.

The metro rate, established for FY 2008, gives students in adjacent states of Ohio and Pennsylvania \$1,000 per semester reduction in tuition. Students from these areas increased by 32.2% in 2008. WLSC enrollment was up 3.8% in 2008 and 5.9% in 2007.

Occupancy in the residence halls was up 6.4% in 2008 and will continue to improve with completed renovations in Beta Hall adding an additional 116 beds for fiscal year 2009.

State appropriations were up 3.7% in 2008 and an increase of 2.7% has been indicated for 2009. Resident and non-resident tuition and fees were increased by 5.9% in 2008 and an increase of 6.9% was approved for 2009, both staying within competitive ranges with peer institutions.

With an affordable tuition, room, and board costs, continued improvement in the Physical Plant, and an aggressive admissions policy, WLSC is in a strong position to continue the positive trend in future years.

WEST LIBERTY STATE COLLEGE

STATEMENTS OF NET ASSETS AS OF JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,264,652	\$ 6,288,287
Accounts receivable — net	571,828	535,640
Loans to students — current portion	320,821	300,158
Prepaid expenses	3,255	49,976
Inventories	<u>72,120</u>	<u>82,649</u>
 Total current assets	 <u>7,232,676</u>	 <u>7,256,710</u>
NONCURRENT ASSETS:		
Cash and cash equivalents	1,162,400	1,481,406
Loans to students — net of allowance of \$671,948 and \$629,472 in 2008 and 2007, respectively	943,250	882,497
Capital assets — net	<u>44,660,718</u>	<u>43,564,597</u>
 Total noncurrent assets	 <u>46,766,368</u>	 <u>45,928,500</u>
 TOTAL	 <u>\$ 53,999,044</u>	 <u>\$ 53,185,210</u>

(Continued)

WEST LIBERTY STATE COLLEGE

STATEMENTS OF NET ASSETS AS OF JUNE 30, 2008 AND 2007

	2008	2007
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 752,249	\$ 929,031
Due to Commission	5,386	34,350
Accrued liabilities	1,410,419	1,519,767
Deferred revenue	217,535	166,432
Compensated absences — current portion	759,803	553,311
Debt obligation to Commission — current portion	354,145	348,878
Capital leases — current portion	214,786	362,060
Bonds payable — current portion	<u>400,000</u>	<u>380,000</u>
Total current liabilities	<u>4,114,323</u>	<u>4,293,829</u>
NONCURRENT LIABILITIES:		
Advances from federal sponsors	1,539,798	1,594,452
Other postretirement employment benefits liability	107,299	
Compensated absences		1,715,288
Debt obligation to Commission	3,466,717	3,820,862
Capital leases	54,265	269,051
Bonds payable	<u>11,720,656</u>	<u>12,113,298</u>
Total noncurrent liabilities	<u>16,888,735</u>	<u>19,512,951</u>
Total liabilities	<u>21,003,058</u>	<u>23,806,780</u>
NET ASSETS:		
Invested in capital assets — net of related debt	<u>26,906,867</u>	<u>25,864,748</u>
Restricted for — expendable:		
Scholarships	12,451	16,371
Debt service	1,111,112	1,113,266
Capital projects	<u>989,965</u>	<u>453,562</u>
Total restricted expendable	<u>2,113,528</u>	<u>1,583,199</u>
Unrestricted	<u>3,975,591</u>	<u>1,930,483</u>
Total net assets	<u>32,995,986</u>	<u>29,378,430</u>
TOTAL	<u>\$ 53,999,044</u>	<u>\$ 53,185,210</u>

See notes to financial statements.

(Concluded)

WEST LIBERTY STATE COLLEGE

WEST LIBERTY STATE COLLEGE FOUNDATION, INCORPORATED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 382,830	\$ 1,479,627
UNCONDITIONAL PROMISES TO GIVE	315,060	232,950
OTHER RECEIVABLES	19,609	29,245
INVESTMENTS AT ESTIMATED FAIR VALUE	10,501,085	10,692,720
BENEFICIAL INTEREST IN PERPETUAL TRUST	2,127,240	2,362,336
FIXED ASSETS — NET		4,867
OTHER ASSETS	<u>41,349</u>	<u>20,041</u>
TOTAL	<u>\$ 13,387,173</u>	<u>\$ 14,821,786</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 45,196	\$ 3,703
Liability for charitable gift annuities	<u>61,495</u>	<u>65,427</u>
Total liabilities	<u>106,691</u>	<u>69,130</u>
NET ASSETS:		
Unrestricted	2,407,164	1,487,527
Temporarily restricted	2,338,287	4,699,933
Permanently restricted	<u>8,535,031</u>	<u>8,565,196</u>
Total net assets	<u>13,280,482</u>	<u>14,752,656</u>
TOTAL	<u>\$ 13,387,173</u>	<u>\$ 14,821,786</u>

See notes to financial statements.

WEST LIBERTY STATE COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of \$2,741,353 and \$2,325,151 in 2008 and 2007, respectively	\$ 8,777,654	\$ 8,252,666
Contracts and grants:		
Federal	3,250,333	2,670,166
State	2,513,094	2,107,447
Private	975,908	614,439
Interest on student loans receivable	14,869	18,393
Auxiliary enterprise revenue — net of scholarship allowance of \$2,047,096 and \$1,826,904 in 2008 and 2007, respectively	6,554,684	6,103,270
Miscellaneous — net	<u>142,441</u>	<u>135,660</u>
Total operating revenues	<u>22,228,983</u>	<u>19,902,041</u>
OPERATING EXPENSES:		
Salaries and wages	11,813,409	11,406,938
Benefits	3,779,840	2,897,755
Supplies and other services	8,000,339	6,922,656
Utilities	1,549,635	1,422,774
Student financial aid — scholarships and fellowships	1,122,474	1,458,632
Depreciation	2,142,068	2,171,482
Loan cancelations and write-offs	15,525	17,808
Fees assessed by the Commission for operations	<u>160,276</u>	<u>153,574</u>
Total operating expenses	<u>28,583,566</u>	<u>26,451,619</u>
OPERATING LOSS	<u>(6,354,583)</u>	<u>(6,549,578)</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	8,886,241	8,561,489
Payments on behalf of the College	393,809	
Loss on disposal		(1,045)
Investment income	276,953	415,781
Interest on indebtedness	(709,467)	(732,131)
Fees assessed by the Commission for debt service	<u>(442,012)</u>	<u>(478,620)</u>
Net nonoperating revenues	<u>8,405,524</u>	<u>7,765,474</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	2,050,941	1,215,896
CAPITAL AND BOND PROCEEDS FROM COMMISSION		116,954
TRANSFER OF LIABILITY FROM POLICY COMMISSION		<u>(98,274)</u>
INCREASE IN NET ASSETS BEFORE CUMULATIVE EFFECT	2,050,941	1,234,576
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE	<u>1,566,615</u>	
INCREASE IN NET ASSETS	3,617,556	1,234,576
NET ASSETS — Beginning of year	<u>29,378,430</u>	<u>28,143,854</u>
NET ASSETS — End of year	<u>\$ 32,995,986</u>	<u>\$ 29,378,430</u>

See notes to financial statements.

WEST LIBERTY STATE COLLEGE

WEST LIBERTY STATE COLLEGE FOUNDATION, INCORPORATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Contributions	\$ 143,446	\$ 694,887	\$ 267,592	\$ 1,105,925
Interest and dividend income	103,472	272,486	97,520	473,478
Gain (loss) on investments	134,228	(1,132,446)		(998,218)
Change in value of split interest agreements		(3,221)	(235,096)	(238,317)
Other income		129,077		129,077
Net assets released from restrictions and other	<u>2,482,610</u>	<u>(2,322,429)</u>	<u>(160,181)</u>	<u>-</u>
Total support and revenues	<u>2,863,756</u>	<u>(2,361,646)</u>	<u>(30,165)</u>	<u>471,945</u>
EXPENSES AND LOSSES:				
West Liberty State College Support:				
Scholarships	510,656			510,656
Athletic programs	664,867			664,867
Academic programs	196,943			196,943
Capital improvements	38,197			38,197
Other programs	348,902			348,902
Fundraising	28,062			28,062
General and administrative expenses	<u>156,492</u>			<u>156,492</u>
Total expenses and losses	<u>1,944,119</u>			<u>1,944,119</u>
CHANGES IN NET ASSETS	919,637	(2,361,646)	(30,165)	(1,472,174)
NET ASSETS — Beginning of year	<u>1,487,527</u>	<u>4,699,933</u>	<u>8,565,196</u>	<u>14,752,656</u>
NET ASSETS — End of year	<u>\$ 2,407,164</u>	<u>\$ 2,338,287</u>	<u>\$ 8,535,031</u>	<u>\$ 13,280,482</u>

See notes to financial statements.

WEST LIBERTY STATE COLLEGE

WEST LIBERTY STATE COLLEGE FOUNDATION, INCORPORATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Contributions	\$ 1,118,892	\$ 635,589	\$ 1,451,469	\$ 3,205,950
Interest and dividend income	105,828	168,409	96,052	370,289
Gain on investments	199,068	797,221		996,289
Change in value of split interest agreements		2,596	159,281	161,877
Other income		130,223		130,223
Net assets released from restrictions and other	<u>474,043</u>	<u>(825,954)</u>	<u>351,911</u>	<u>-</u>
Total support and revenues	<u>1,897,831</u>	<u>908,084</u>	<u>2,058,713</u>	<u>4,864,628</u>
EXPENSES AND LOSSES:				
West Liberty State College Support:				
Scholarships	399,337			399,337
Athletic programs	118,114			118,114
Academic programs	202,971			202,971
Capital improvements	47,939			47,939
Other programs	302,023			302,023
Fundraising	60,251			60,251
General and administrative expenses	<u>165,908</u>			<u>165,908</u>
Total expenses and losses	<u>1,296,543</u>	<u>-</u>	<u>-</u>	<u>1,296,543</u>
CHANGES IN NET ASSETS	601,288	908,084	2,058,713	3,568,085
NET ASSETS — Beginning of year	<u>886,239</u>	<u>3,791,849</u>	<u>6,506,483</u>	<u>11,184,571</u>
NET ASSETS — End of year	<u>\$ 1,487,527</u>	<u>\$ 4,699,933</u>	<u>\$ 8,565,196</u>	<u>\$ 14,752,656</u>

See notes to financial statements.

WEST LIBERTY STATE COLLEGE

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 8,947,816	\$ 7,809,561
Contracts and grants	6,788,505	5,409,506
Payments to and on behalf of employees	(14,784,026)	(14,247,253)
Payments to suppliers	(8,137,825)	(6,758,495)
Payments to utilities	(1,536,283)	(1,523,889)
Payments for scholarships and fellowships	(1,122,474)	(1,458,632)
Loans issued to students	(338,725)	(335,806)
Collection of loans to students	214,833	455,806
Auxiliary enterprise charges	6,361,509	6,663,679
Fees assessed by Commission	(160,276)	(153,574)
Other receipts — net	<u>144,160</u>	<u>126,096</u>
Net cash used in operating activities	<u>(3,622,786)</u>	<u>(4,013,001)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	8,886,241	8,561,489
William D. Ford direct lending receipts	8,837,217	7,465,851
William D. Ford direct lending payments	<u>(8,837,205)</u>	<u>(7,465,851)</u>
Net cash provided by noncapital financing activities	<u>8,886,253</u>	<u>8,561,489</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(3,629,618)	(5,147,796)
Capital and bond proceeds from Commission		116,954
Borrowing from Commission		500,000
Proceeds from sale of assets	916	
Principal paid on long term liabilities	(710,938)	(678,888)
Principal paid on bonds	(380,000)	(365,000)
Interest paid on bonds	(711,812)	(725,498)
Interest paid on long term liabilities	(22,974)	(42,268)
Withdrawals from noncurrent cash and cash equivalents	319,006	1,430,004
Debt service assessed by Commission	<u>(442,012)</u>	<u>(478,620)</u>
Net cash used in capital financing activities	<u>(5,577,432)</u>	<u>(5,391,112)</u>
CASH FLOWS FROM INVESTING ACTIVITY — Interest on investments	<u>290,330</u>	<u>415,165</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(23,635)	(427,459)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>6,288,287</u>	<u>6,715,746</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 6,264,652</u>	<u>\$ 6,288,287</u>

(Continued)

WEST LIBERTY STATE COLLEGE

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (6,354,583)	\$ (6,549,578)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	2,142,068	2,171,482
Expenses paid on behalf of the College	393,809	
Changes in assets and liabilities:		
Accounts receivable — net	(56,464)	73,678
Due from Commission	20,276	86,749
Loans to students — net	(81,416)	75,242
Prepaid expenses	46,721	(48,546)
Inventories	10,529	(17,908)
Accounts payable	(136,375)	228,228
Due to Commission	(41,303)	(70,100)
Accrued liabilities	254,013	139,591
Compensated absences	165,118	(224,963)
Deferred revenue	51,103	48,216
Advances from federal sponsors	(54,654)	47,808
Other	<u>18,372</u>	<u>27,100</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (3,622,786)</u>	<u>\$ (4,013,001)</u>
NONCASH TRANSACTIONS:		
Cumulative effect of adoption of accounting principle	<u>\$ 1,566,615</u>	<u>\$ -</u>
Fixed assets additions in accounts payable and accrued liabilities	<u>\$ 380,882</u>	<u>\$ 772,311</u>
See notes to financial statements.		(Concluded)

WEST LIBERTY STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

1. ORGANIZATION

West Liberty State College (the “College”) is governed by the West Liberty 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 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.

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 (“generally accepted accounting principles”) as prescribed by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements — and Management’s Discussion and Analysis — for Public Colleges and Universities, an amendment of GASB Statement 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 and replaces the fund-group perspective previously required.

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.

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 the West Virginia Network for Educational Telecomputing (WVNET)), and the West Virginia Council for Community and Technical College 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. The basic criterion 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. A related foundation of the College is not part of the College reporting entity and is not included in the accompanying financial statements, as the College has no ability to designate management, cannot significantly influence operations of this entity, and is not accountable for the fiscal matters of the foundation under GASB Statement No. 14, *The Financial Reporting Entity*.

As of July 1, 2003, the College adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*. As a result, the audited financial statements of West Liberty State College Foundation, Incorporated (the "Foundation") are discretely presented here with the College's financial statements for the fiscal years ended June 30, 2008 and 2007. The Foundation is a private nonprofit organization that reports under FASB Standards, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from the GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Note 16).

Financial Statement Presentation — GASB Statement No. 35, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement 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 combined basis to focus on the College as a whole. Previously, financial statements focused on the accountability of individual fund groups rather than on the College as a whole. GASB Statement No. 35 reports equity as "net assets" rather than "fund balance." Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of the 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 accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of 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 (the "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 at State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2004 simplified the tuition and fee restrictions to auxiliaries 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. The College does not have any restricted nonexpendable net assets as of June 30, 2008 and 2007.

- *Unrestricted Net Assets* — This represents resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the Board to meet current expenses for any purpose.

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.

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 and cash equivalents.

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer’s Office (the “State Treasurer”) was pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, and by 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 and for External Investment Pools*. The BTI was established by the West Virginia 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 or on the first day of each month for the WV Short Term Bond Pool (formerly Enhanced Yield Pool) and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

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

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

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 value at the date of donation in the case of gifts. Interest on related borrowing, net of interest earnings on invested proceeds, capitalized during the period of construction was \$33,467 and \$41,890 for the years ended June 30, 2008 and 2007, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, seven years for library books, and 3 to 10 years for furniture and equipment. The College capitalizes all purchases of library books and uses a capitalization threshold of \$5,000 for other capital assets. During fiscal year 2006, the College implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The financial statements reflect all adjustments required by GASB Statement No. 42 as of June 30, 2008 and 2007.

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 tuition, football ticket sales, orientation fees, room, and board. Financial aid and other deposits are separately classified as deposits.

Compensated Absences and Other Postemployment Benefits — The College accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Effective July 1, 2007, the College adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement provided standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the College was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, West Virginia 25305-0710 or [hppt://www.wvpeia.com](http://www.wvpeia.com).

These statements require entities to accrue for employees' rights to receive compensation for vacation leave or other postretirement employee benefits 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 1½ sick-leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired on July 1, 2001, or later will no longer receive sick-leave credit toward insurance premiums when they retire. This liability is now provided for under the multiple employer cost-sharing plan sponsored by the State.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3½ 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.

For the year ended June 30, 2007, 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 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 or OPEB 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 liability coverage to the College and its employees. Such coverage is 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 third-party insurers, the College has obtained health, life, prescription drug coverage, and coverage for job-related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurers, the College has transferred its risks related to health, life, prescription drug coverage, and job-related injuries.

Classification of Revenues — The College has classified its revenues according to the following criteria:

- *Operating Revenues* — Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, 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 Revenues* — 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. The College did not have any designated net assets as of June 30, 2008 and 2007.

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 unsubsidized loans directly to students, through universities like the College. Direct student loan receivables are not included in the College's statements of net assets, as the loans are repayable directly to the U.S. Department of Education. In 2008 and 2007, the College received and disbursed approximately \$8,840,000 and \$7,470,000, respectively, 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, Academic Competitive Grant, Science Math Access to Retain Talent Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2008 and 2007, the College received and disbursed approximately \$2,880,078 and \$2,540,000, respectively, under these federal student aid programs.

Scholarship Allowances — Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net 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 University Business Officers. 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 nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service.

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

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

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

Recent Statements Issued by the GASB — 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.

The GASB has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, 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.

The GASB has issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, effective for fiscal years beginning after June 15, 2008. This statement requires endowments to report their land and other real estate investments at fair value. It also requires changes in fair value to be reported as investment income, disclosure of the methods and significant assumptions employed to determine fair value, and disclosure of other information that is currently presented for other investments reported at fair value. The College has not yet determined the effect that the adoption of GASB Statement No. 52 may have on its financial statements.

The GASB has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal years beginning after June 15, 2009. This statement requires governmental entities to measure most derivative instruments at fair value as assets or liabilities. It also improves disclosure requirements surrounding the entity's derivative instrument activity, its objectives for entering into the derivative instrument, and the instrument's significant terms and risks. The College has not yet determined the effect that the adoption of GASB Statement No. 53 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents held at June 31, 2008 and 2007, is as follows:

2008	Current	Noncurrent	Total
With State Treasurer	\$ 5,312,596	\$ -	\$ 5,312,596
On hand	29,040		29,040
With Trustee Bank		1,162,400	1,162,400
In bank	<u>923,016</u>	<u> </u>	<u>923,016</u>
	<u>\$ 6,264,652</u>	<u>\$ 1,162,400</u>	<u>\$ 7,427,052</u>
2007	Current	Noncurrent	Total
With State Treasurer	\$ 5,407,513	\$ -	\$ 5,407,513
On hand	29,040		29,040
With Trustee Bank		1,481,406	1,481,406
In bank	<u>851,734</u>	<u> </u>	<u>851,734</u>
	<u>\$ 6,288,287</u>	<u>\$ 1,481,406</u>	<u>\$ 7,769,693</u>

Cash and cash equivalents with trustee bank include deposits held by the Bond Trustee for the bonds issued on September 3, 2003. The College uses WesBanco Bank (the "Trustee Bank") as its trustee bank for the bond proceeds. The total amount held by the Trustee Bank on June 30, 2008 and 2007, is \$1,162,400 and \$1,481,406, respectively, and was invested in commercial papers and U.S. Treasury money market funds.

Cash and cash equivalents invested with the Trustee Bank in commercial papers and U.S. Treasury money market funds are rated AAAM by Standard and Poor's and Aaa by Moody's. The carrying values at June 30, 2008, of the commercial papers and U.S. Treasury money market funds are \$797,650 and \$364,750, respectively. The carrying values at June 30, 2007, of the commercial papers and U.S. Treasury money market funds are \$1,094,829 and \$386,577, respectively. These funds have neither significant custodial credit risk nor interest rate risk. These funds are neither exposed to a concentration of credit risk nor any foreign currency risk.

The combined carrying amounts of cash in the bank at June 30, 2008 and 2007, were \$923,016 and \$851,734 as compared with the combined bank balance of \$1,039,527 and \$1,030,830, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance or were collateralized by financial instruments held as collateral by the State's agent.

Amounts with the State Treasurer and the Municipal Bond Commission as of June 30, 2008 and 2007, are comprised of the following investment pools:

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. Of the BTI's Consolidated Fund pools and accounts which the College may invest in, three are subject to credit risk: WV Money Market Pool (formerly Cash Liquidity Pool), WV Government Money Market Pool (formerly Government Money Market Pool), and WV Short Term Bond Pool (formerly Enhanced Yield Pool).

WV Money Market (Formerly Cash Liquidity Pool)

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the year ended June 30, 2008, the WV Money Market Pool has been rated AAAM by Standard & Poor's. A fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated in the current year, specific information on the credit ratings of the underlying investments of the pool have not been provided for the year ended June 30, 2008, although the underlying investments are similar securities with similar ratings as 2007. For the year ended June 30, 2007, this pool was not rated for credit risk by any organization.

The BTI limits the exposure to credit risk in the WV Money Market 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.

At June 30, 2008, the WV Money Market Pool investments had a total carrying value of \$2,358,470,000, of which the College's ownership represents 0.20%.

The following table provides information on the credit ratings at June 30, 2007 of the WV Money Market Pool's investments (in thousands):

Security Type	Credit Rating *		2007	
	Moody's	S&P	Carrying Value	Percent of Pool Assets
Investments:				
Commercial paper	P1	A-1	<u>\$1,015,926</u>	<u>48.89 %</u>
Corporate bonds and notes	Aaa	AAA	98,999	4.76
	Aa3	AA	20,001	0.96
	Aa3	A	23,002	1.11
	Aa2	AA	15,000	0.72
	Aa2	A	27,000	1.30
	Aa1	AA	<u>77,023</u>	<u>3.71</u>
			<u>261,025</u>	<u>12.56</u>
U.S. agency bonds	Aaa	AAA	46,994	2.26
U.S. Treasury bills	Aaa	AAA	358,725	17.27
Negotiable certificates of deposit	P1	A-1	76,500	3.68
U.S. agency discount notes	P1	A-1	21,655	1.04
Money market funds	Aaa	AAA	185	0.01
Repurchase agreements (underlying securities) — U.S. agency notes	Aaa	AAA	246,821	11.88
Deposits — nonnegotiable certificates of deposit	NR	NR	<u>50,000</u>	<u>2.41</u>
			<u>\$2,077,831</u>	<u>100.00 %</u>

* NR = Not Rated. See "Deposits" note at the conclusion of this footnote.

At June 30, 2007, the College's ownership was 0.24% of these amounts held by the BTI.

WV Government Money Market Pool (formerly Government Money Market Pool)

Credit Risk — For the year ended June 30, 2008, the WV Government Market Pool has been rated AAAM by Standard & Poor’s. A Fund rated “AAAM” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAM” is the highest principal stability fund rating assigned by Standard & Poor’s. As this pool has been rated in the current year, specific information on the credit ratings of the underlying investments of the pool have not been provided for the year ended June 30, 2008, although the underlying investments are similar securities with similar ratings as 2007. For the year ended June 30, 2007, this pool was not rated for credit risk by any organization.

The BTI limits the exposure to credit risk in the WV 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.

At June 30, 2008, the WV Government Money Market Pool investments had a total carrying value of \$187,064,000, of which the College’s ownership represents 0.02 %.

The following table provides information on the credit ratings of the WV Government Money Market Pool’s investments (in thousands) at June 30, 2007:

Security Type	Credit Rating		2007	
	Moody’s	S&P	Carrying Value	Percent of Pool Assets
U.S. agency bonds	Aaa	AAA	\$ 67,620	29.46 %
U.S. Treasury bills	Aaa	AAA	36,379	15.85
U.S. agency discount notes	P1	A-1	74,143	32.30
Money market funds	Aaa	AAA	9	
Repurchase agreements (underlying securities):				
U.S. Treasury notes	Aaa	AAA	<u>51,400</u>	<u>22.39</u>
			<u>51,400</u>	<u>22.39</u>
			<u>\$ 229,551</u>	<u>100.00 %</u>

At June 30, 2007, the College’s ownership was 0.08% of these amounts held by the BTI.

WV Short Term Bond Pool (formerly Enhanced Yield Pool)

Credit Risk — The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A (A- in 2007) 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 WV Short Term Bond Pool's investments (in thousands):

Security Type	Credit Rating*		2008		2007	
	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 %
	Aaa	AAA	48,663	13.75		
	Aaa	NR	2,179	0.62		
	NR	AAA	1,135	0.32		
	AA3	AA	192	0.06		
			<u>52,169</u>	<u>14.75</u>	<u>42,122</u>	<u>18.40</u>
Commercial Paper	P1	A-1	7,971	2.25		
Corporate bonds and notes	Aaa	AAA	13,146	3.72	1,667	0.73
	Aa1	AA	12,613	3.56	6,431	2.81
	Aa2	AA	20,860	5.89	950	0.41
	Aa2	A	1,061	0.30	2,177	0.95
	Aa3	AA	11,488	3.25	7,857	3.43
	Aa3	A	4,548	1.28	3,905	1.70
	A1	AA	4,305	1.22	3,034	1.32
	A1	A	8,361	2.36	10,706	4.68
	A2	AA	847	0.24	747	0.33
	A2	A	26,585	7.51	8,188	3.58
	A3	A	10,917	3.08	6,958	3.04
	Baa1	AA-	593	0.17		
	Baa1	A-	2,028	0.57		
	Baa3	BB+	645	0.18		
			<u>117,977</u>	<u>33.33</u>	<u>52,620</u>	<u>22.98</u>
U.S. agency bonds	Aaa	AAA	71,840	20.29	46,075	20.13
U.S. Treasury notes**	Aaa	AAA	81,875	23.13	55,877	24.41
U.S. agency mortgage backed securities***	Aaa	AAA	5,345	1.51	11,741	5.13
Repurchase agreements (underlying securities):						
U.S. agency notes	Aaa	AAA	<u>16,782</u>	<u>4.74</u>	<u>20,485</u>	<u>8.95</u>
			<u>\$ 353,979</u>	<u>100 %</u>	<u>\$ 228,920</u>	<u>100 %</u>

*NR = Not Rated

**U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

***U.S. agency mortgage backed securities are issued by the Government National Mortgage Association and are explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2008 and 2007, the College's ownership represents 0.11% and 0.12%, 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 WV 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 WV Money Market Pool:

Security Type	2008		2007	
	Carrying Value (In thousands)	WAM (Days)	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	\$ 371,163	1	\$ 246,821	2
U.S. Treasury bills	406,426	31	358,725	30
Commercial paper	658,879	29	1,015,926	52
Certificates of deposit	147,001	95	126,500	76
U.S. agency discount notes	212,924	84	21,655	113
Corporate notes	158,000	21	261,025	58
U.S. agency bonds/notes	254,019	111	46,994	156
Money market funds	150,058	1	185	1
	<u>\$2,358,470</u>	<u>40</u>	<u>\$2,077,831</u>	<u>48</u>

The overall weighted average maturity of the investments of the WV 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 WV Government Money Market Pool:

Security Type	2008		2007	
	Carrying Value (In thousands)	WAM (Days)	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	\$ 53,400	1	\$ 51,400	2
U.S. Treasury bills	29,929	58	36,379	29
U.S. agency discount notes	43,249	77	74,143	106
U.S. agency bonds/notes	60,420	84	67,620	60
Money market funds	66	1	9	1
	<u>\$ 187,064</u>	<u>54</u>	<u>\$ 229,551</u>	<u>49</u>

The overall weighted average maturity of the investments of the WV Short Term Bond 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 WV Short Term Bond Pool:

Security Type	2008		2007	
	Carrying Value (In thousands)	WAM (Days)	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	\$ 16,782	1	\$ 20,485	2
U.S. Treasury bonds/notes	81,875	744	55,877	1,092
Corporate notes	117,997	675	52,620	557
Corporate asset backed securities	52,169	341	42,122	421
U.S. agency bonds/notes	71,840	1,231	46,075	927
U.S. agency mortgage backed securities	5,345	570	11,741	814
Commercial paper	7,971	50	11,741	814
	<u>\$353,979</u>	<u>707</u>	<u>\$ 228,920</u>	<u>700</u>

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 or 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. None of the above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2008 and 2007, are as follows:

	2008	2007
Student tuition and fees — net of allowance for doubtful accounts of \$910,702 and \$952,207 in 2008 and 2007, respectively	\$ 556,056	\$ 499,592
Due from West Virginia agencies	3,535	3,216
Interest receivable on State cash accounts	9,537	22,914
Due from the Commission	<u>2,700</u>	<u>9,918</u>
	<u>\$ 571,828</u>	<u>\$ 535,640</u>

5. CAPITAL ASSETS

Capital asset transactions for the years ended June 30, 2008 and 2007, are as follows:

	2008			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 108,777	\$ -	\$ -	\$ 108,777
Construction in progress	<u>1,595,759</u>	<u>1,526,233</u>	<u>2,157,476</u>	<u>964,516</u>
Total capital assets not being depreciated	<u>\$ 1,704,536</u>	<u>\$ 1,526,233</u>	<u>\$ 2,157,476</u>	<u>\$ 1,073,293</u>
Other capital assets:				
Infrastructure	\$ 4,172,620	\$ 126,901	\$ -	\$ 4,299,521
Buildings	54,426,680	3,253,770		57,680,450
Equipment	6,110,412	470,708	138,264	6,442,856
Leased equipment	361,549			361,549
Library books	<u>2,209,038</u>	<u>18,053</u>	<u>23,674</u>	<u>2,203,417</u>
Total other capital assets	<u>67,280,299</u>	<u>3,869,432</u>	<u>161,938</u>	<u>70,987,793</u>
Less accumulated depreciation for:				
Infrastructure	460,593	213,239		673,832
Buildings	18,998,684	1,145,335		20,144,019
Equipment	3,872,533	475,519	138,264	4,209,788
Leased equipment	354,482	2,240		356,722
Library books	<u>1,733,946</u>	<u>305,735</u>	<u>23,674</u>	<u>2,016,007</u>
Total accumulated depreciation	<u>25,420,238</u>	<u>2,142,068</u>	<u>161,938</u>	<u>27,400,368</u>
Other capital assets — net	<u>\$ 41,860,061</u>	<u>\$ 1,727,364</u>	<u>\$ -</u>	<u>\$ 43,587,425</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,704,536	\$ 1,526,233	\$ 2,157,476	\$ 1,073,293
Other capital assets	<u>67,280,299</u>	<u>3,869,432</u>	<u>161,938</u>	<u>70,987,793</u>
Total cost of capital assets	68,984,835	5,395,665	2,319,414	72,061,086
Less accumulated depreciation	<u>25,420,238</u>	<u>2,142,068</u>	<u>161,938</u>	<u>27,400,368</u>
Capital assets — net	<u>\$ 43,564,597</u>	<u>\$ 3,253,597</u>	<u>\$ 2,157,476</u>	<u>\$ 44,660,718</u>

	2007			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 100,000	\$ 8,777	\$ -	\$ 108,777
Construction in progress	<u>5,014,158</u>	<u>2,513,610</u>	<u>5,932,009</u>	<u>1,595,759</u>
Total capital assets not being depreciated	<u>\$ 5,114,158</u>	<u>\$ 2,522,387</u>	<u>\$ 5,932,009</u>	<u>\$ 1,704,536</u>
Other capital assets:				
Infrastructure	\$ 3,470,543	\$ 702,077	\$ -	\$ 4,172,620
Buildings	47,629,641	6,812,039	15,000	54,426,680
Equipment	5,343,752	1,045,476	278,816	6,110,412
Leased equipment	361,549			361,549
Library books	<u>2,274,875</u>	<u>14,336</u>	<u>80,173</u>	<u>2,209,038</u>
Total other capital assets	<u>59,080,360</u>	<u>8,573,928</u>	<u>373,989</u>	<u>67,280,299</u>
Less accumulated depreciation for:				
Infrastructure	251,970	208,623		460,593
Buildings	17,927,702	1,085,982	15,000	18,998,684
Equipment	3,635,925	514,379	277,771	3,872,533
Leased equipment	309,434	45,048		354,482
Library books	<u>1,496,669</u>	<u>317,450</u>	<u>80,173</u>	<u>1,733,946</u>
Total accumulated depreciation	<u>23,621,700</u>	<u>2,171,482</u>	<u>372,944</u>	<u>25,420,238</u>
Other capital assets — net	<u>\$ 35,458,660</u>	<u>\$ 6,402,446</u>	<u>\$ 1,045</u>	<u>\$ 41,860,061</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 5,114,158	\$ 2,522,387	\$ 5,932,009	\$ 1,704,536
Other capital assets	<u>59,080,360</u>	<u>8,573,928</u>	<u>373,989</u>	<u>67,280,299</u>
Total cost of capital assets	64,194,518	11,096,315	6,305,998	68,984,835
Less accumulated depreciation	<u>23,621,700</u>	<u>2,171,482</u>	<u>372,944</u>	<u>25,420,238</u>
Capital assets — net	<u>\$ 40,572,818</u>	<u>\$ 8,924,833</u>	<u>\$ 5,933,054</u>	<u>\$ 43,564,597</u>

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

The College has construction commitments of approximately \$380,000 as of June 30, 2008.

7. BONDS PAYABLE

Bonds payable at June 30, 2008 and 2007, are summarized as follows:

	Original Interest Rates	Annual Principal Installment Due	2008 Principal Amount Outstanding	2007 Principal Amount Outstanding
Capital Improvements 2003:				
Series A Due 2028	3.750%–6.125%	\$225,000 to 650,000	\$ 7,875,000	\$ 8,090,000
Series B Due 2018	4.125–5.625	\$75,000 to 120,000	940,000	1,010,000
Series C Due 2028	3.750–6.000	\$100,000 to 285,000	<u>3,445,000</u>	<u>3,540,000</u>
			12,260,000	12,640,000
Discount			<u>(139,344)</u>	<u>(146,702)</u>
			<u>\$ 12,120,656</u>	<u>\$ 12,493,298</u>

The Board of Governors of the College issued bonds on September 3, 2003. The Dormitory Revenue bonds or Series 2003A for \$8,870,000, the College Union Revenue Bonds, or Series 2003B for \$1,145,000, and the Capital Improvement Revenue Bonds, or Series 2003C for \$3,890,000, for a total of bonds issued for capital improvements to the College of \$13,905,000. The College set up three separate capital fees to be used solely for the payment of the bonds. The bond proceeds are maintained with a trustee until funds are requested for payments on capital projects that were preapproved by the Board of Governors of the College. The State Treasurer’s Office verifies and remits payments for the bonds to the Trustee.

A summary of the annual aggregate principal payments for years subsequent to June 30, 2008, is as follows:

Years Ending June 30	Principal	Interest	Total
2009	\$ 400,000	\$ 697,561	\$ 1,097,561
2010	420,000	678,968	1,098,968
2011	435,000	659,233	1,094,233
2012	460,000	638,503	1,098,503
2013	480,000	616,453	1,096,453
2014–2018	2,840,000	2,673,173	5,513,173
2019–2023	3,075,000	1,835,146	4,910,146
2024–2028	<u>4,150,000</u>	<u>788,894</u>	<u>4,938,894</u>
Total	<u>\$ 12,260,000</u>	<u>\$ 8,587,931</u>	<u>\$ 20,847,931</u>

8. CAPITAL LEASE OBLIGATIONS

The College leases various equipment and building improvements. These obligations are accounted for as capital leases. As of June 30, 2008, the schedule by year of future annual minimum payments required under the lease obligations is as follows:

Years Ending June 30	Total
2009	\$ 219,757
2010	<u>55,044</u>
	274,801
Less interest	<u>(5,750)</u>
Total	<u><u>\$ 269,051</u></u>

9. COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFITS

The composition of the compensated absence liability at June 30, 2008 and 2007, is as follows:

	2008	2007
Health or life insurance benefits	\$ -	\$ 1,566,615
Accrued vacation leave	<u>759,803</u>	<u>701,984</u>
	<u><u>\$ 759,803</u></u>	<u><u>\$ 2,268,599</u></u>

For the year ended June 30, 2007, the cost of health and life insurance benefits paid by the College was based on a combination of years of service and age in accordance with GASB Statement No. 16. For the year ended June 30, 2007, the amount paid by the College for extended health or life insurance coverage retirement benefits totaled approximately \$105,588. As of June 30, 2007, there were 67 retirees currently eligible for these benefits.

For the year ended June 30, 2008, with the adoption of GASB Statement No. 45, OPEB costs are accrued based upon invoices received from PEIA, based upon actuarial determined amounts. At June 30, 2008, the noncurrent liability related to OPEB costs was \$107,299. For the year ended June 30, 2008, the College recorded a cumulative effect of the adoption of this accounting principle of \$1,566,615, an amount equal to the June 30, 2007, liability for the extended health or life insurance benefit previously recorded in accordance with GASB Statement No. 16. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$1,106,085 and \$604,977, respectively, during 2008. As of the year ended June 30, 2008, there were 70 retirees receiving these benefits.

10. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The College is a State institution of higher education and the College receives a State appropriation to finance its operations. In addition, it 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 has the authority to assess each public institution of higher education for payment of debt service on these system 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 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, effective as of June 30, 2002.

During the year ended June 30, 2005, the Commission issued \$167 million of 2004 Series B 30-year Revenue Bonds to fund capital projects at various higher education institutions in the State. The College received \$116,954 of these funds for the year ended June 30, 2007. State lottery funds will be used to repay the debt, although College revenues are pledged if lottery funds prove insufficient.

For the years ended June 30, 2008 and 2007, the debt services assessed are as follows:

	2008	2007
Principal	\$ 248,878	\$ 225,457
Interest	157,834	191,760
Other	<u>284,178</u>	<u>286,860</u>
	<u>\$ 690,890</u>	<u>\$ 704,077</u>

In December 2006, the Commission provided a noninterest-bearing loan of \$500,000 to the College, payable beginning June 2007 in five annual installments of \$100,000. The College has paid two installments on this loan, leaving a balance of \$300,000 and \$400,000 at June 30, 2008 and 2007, respectively.

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 (“Educators Money”). New hires have the choice of either plan.

Total contributions to the Educators Money for the years ended June 30, 2008, 2007, and 2006, were \$3,726, \$3,862, and \$4,682, respectively, which consisted of contributions of \$1,863 from the College

and \$1,863 from the covered employees in 2008, \$1,931 from the College and \$1,931 from the covered employees in 2007, and \$2,341 from the College and \$2,341 from the covered employees in 2006.

The STRS is a cost-sharing, public employee retirement system. Employer and employee contribution rates are established annually by the West Virginia State Legislature. The contractual maximum contribution rate is 15%. 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, 2008 and 2007, respectively. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2008 and 2007, respectively. Participants in the STRS may retire with full benefits upon reaching age 60 with 5 years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years' salary 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, 2008, 2007, and 2006, were \$146,769, \$152,468, and \$158,329, respectively, which consisted of \$104,841, \$108,438, and \$113,092 from the College in 2008, 2007, and 2006, respectively, and \$41,928, \$44,030, and \$45,237 from the covered employees in 2008, 2007, and 2006, respectively.

The contribution rate is set by the West Virginia 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, West Virginia 25305.

The TIAA-CREF and Educators Money are defined-contribution benefit plans in which benefits are based solely upon amounts contributed plus investment earnings. Employees who elect to participate in these plans 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 and Educators Money, which are not matched by the College.

Total contributions to the TIAA-CREF for the years ended June 30, 2008, 2007, and 2006, were \$1,136,276, \$1,144,454, and \$1,115,570, respectively, which consisted of contributions of \$568,138 from the College and \$568,138 from the covered employees in 2008, \$572,227 from the College and \$572,227 from the covered employees in 2007, and \$557,785 from the College and \$557,785 from the covered employees in 2006.

The College's total payroll for the years ended June 30, 2008 and 2007, was \$11,813,410 and \$11,406,938, respectively, and total covered employees' salaries in the STRS, TIAA-CREF, Teacher Define, and Educators Money were \$698,807, \$9,468,973, \$32,714, and \$31,043, and \$733,835, \$9,537,109, \$31,772, and \$32,183, in 2008 and 2007, respectively.

12. FOUNDATION

The West Liberty State College Foundation, Incorporated (the "Foundation") is a separate nonprofit organization incorporated in the State 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 is restricted to the activities of the College by 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.

During the years ended June 30, 2008 and 2007, the Foundation contributed \$510,656 and \$399,337, respectively, to the College for scholarships.

13. CONTINGENCIES

The nature of the educational industry is such that, from time-to-time, claims will be presented against the College 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 status 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 Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements as of June 30, 2008 or 2007.

The College owns various buildings that 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 by 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.

14. SEGMENT INFORMATION

Under the auspices of the State and the Board of Governors, the College issued revenue bonds to finance certain of its auxiliary enterprise activities and capital improvements. Investors in those bonds rely solely on the revenue generated from new capital fees created for repayment.

Descriptive information for each of the College's segments is shown below:

- a. *The Board of Governors of the College issued Dormitory Revenue Bonds 2003, Series A*

On September 3, 2003, the College issued Dormitory Revenue Bonds 2003, Series A, amounting to \$8,870,000.

The 2003A Bonds consist of \$1,230,000 Serial Bonds with varying interest rates from 3.0% to 6.125% and mature from June 30, 2004 to June 1, 2028, and Term Bonds of \$7,640,000.

b. *The Board of Governors of the College issued College Union Revenue Bonds 2003, Series B*

On September 3, 2003, the College issued College Union Revenue Bonds 2003, Series B, amounting to \$1,145,000.

The 2003B Bonds consist of \$940,000 Serial Bonds with varying interest rates from 4.125% to 5.625% and mature from June 30, 2009 to June 1, 2018, and Term Bonds of \$205,000 maturing on June 1, 2006, 2007, and 2008.

c. *The Board of Governors of the College issued Capital Improvement Revenue Bonds 2003, Series C*

On September 3, 2003, the College issued Capital Improvement Revenue Bonds 2003, Series C, amounting to \$3,890,000.

The 2003C Bonds consist of \$840,000 Serial Bonds with varying interest rates from 3.0% to 5.5% and mature from June 1, 2004 to June 1, 2017, and Term Bonds of \$3,050,000 maturing on June 1, 2006, 2007, and 2008.

	2008			2007		
	Dormitory 2003A	College Union 2003B	Capital Improvement 2003C	Dormitory 2003A	College Union 2003B	Capital Improvement 2003C
Condensed Statement of Net Assets as of June 30						
Assets:						
Current assets	\$ 668,700	\$ 233,101	\$ 788,718	\$ 552,379	\$ 179,217	\$ 652,698
Noncurrent assets	<u>8,413,608</u>	<u>1,356,637</u>	<u>3,681,371</u>	<u>8,920,778</u>	<u>1,377,666</u>	<u>3,739,707</u>
Total assets	<u>\$9,082,308</u>	<u>\$1,589,738</u>	<u>\$4,470,089</u>	<u>\$9,473,157</u>	<u>\$1,556,883</u>	<u>\$4,392,405</u>
Liabilities:						
Current liabilities	\$ 262,925	\$ 78,970	\$ 116,235	\$ 638,027	\$ 74,049	\$ 110,981
Noncurrent liabilities	<u>7,562,351</u>	<u>857,202</u>	<u>3,301,103</u>	<u>7,782,969</u>	<u>931,422</u>	<u>3,398,907</u>
Total liabilities	<u>7,825,276</u>	<u>936,172</u>	<u>3,417,338</u>	<u>8,420,996</u>	<u>1,005,471</u>	<u>3,509,888</u>
Net assets (deficit):						
Invested in capital assets — net of related debt	(97,735)	302,892	(36,597)	(159,280)	261,188	(57,565)
Restricted — debt service	693,802	114,715	302,595	695,358	114,936	302,972
Unrestricted	<u>660,965</u>	<u>235,959</u>	<u>786,753</u>	<u>516,083</u>	<u>175,288</u>	<u>637,110</u>
Total net assets	<u>1,257,032</u>	<u>653,566</u>	<u>1,052,751</u>	<u>1,052,161</u>	<u>551,412</u>	<u>882,517</u>
Total net assets and liabilities	<u>\$9,082,308</u>	<u>\$1,589,738</u>	<u>\$4,470,089</u>	<u>\$9,473,157</u>	<u>\$1,556,883</u>	<u>\$4,392,405</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets for the Year Ended June 30						
Operating:						
Operating revenues	\$ 794,487	\$ 174,200	\$ 429,466	\$ 742,880	\$ 161,894	\$ 414,686
Operating expenses	<u>50</u>	<u>67</u>	<u>1,714</u>	<u>6,466</u>	<u>201</u>	<u>201</u>
Net operating income	<u>794,487</u>	<u>174,150</u>	<u>429,399</u>	<u>741,166</u>	<u>155,428</u>	<u>414,485</u>
Nonoperating:						
Nonoperating revenues	31,733	4,781	11,671	69,596	6,348	18,137
Nonoperating expenses	<u>(621,349)</u>	<u>(76,777)</u>	<u>(270,836)</u>	<u>(614,045)</u>	<u>(79,011)</u>	<u>(273,606)</u>
Net nonoperating expense	<u>(589,616)</u>	<u>(71,996)</u>	<u>(259,165)</u>	<u>(544,449)</u>	<u>(72,663)</u>	<u>(255,469)</u>
Net increase in net assets	204,871	102,154	170,234	196,717	82,765	159,016
Net assets — beginning of year	<u>1,052,161</u>	<u>551,412</u>	<u>882,517</u>	<u>855,444</u>	<u>468,647</u>	<u>723,501</u>
Net assets — end of year	<u>\$1,257,032</u>	<u>\$ 653,566</u>	<u>\$1,052,751</u>	<u>\$1,052,161</u>	<u>\$ 551,412</u>	<u>\$ 882,517</u>
Condensed Statement of Cash Flows for the Year Ended June 30						
Net cash provided by operating activities						
	\$ 794,487	\$ 174,150	\$ 429,399	\$ 741,166	\$ 155,428	\$ 414,485
Net cash used in capital and related financing activities						
	<u>(678,166)</u>	<u>(120,266)</u>	<u>(293,379)</u>	<u>(675,854)</u>	<u>(122,893)</u>	<u>(291,757)</u>
Net increase in cash and cash equivalents						
	116,321	53,884	136,020	65,312	32,535	122,728
Cash and cash equivalents — beginning of year						
	<u>552,379</u>	<u>179,217</u>	<u>652,698</u>	<u>487,067</u>	<u>146,682</u>	<u>529,970</u>
Cash and cash equivalents — end of year						
	<u>\$ 668,700</u>	<u>\$ 233,101</u>	<u>\$ 788,718</u>	<u>\$ 552,379</u>	<u>\$ 179,217</u>	<u>\$ 652,698</u>

15. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2008 and 2007, the following table represents operating expenses within both natural and functional classifications:

	2008								
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-offs	Fees Assessed by the Commission	Total
Instruction	\$ 5,996,788	\$1,665,077	\$ 833,020	\$ 69,908	\$ -	\$ -	\$ -	\$ -	\$ 8,564,793
Research	177,492	19,791	128,551						325,834
Public service			111						111
Academic support	947,673	303,425	201,565						1,452,663
Student services	1,169,799	366,922	381,752	691					1,919,164
General institutional support	1,673,624	822,956	1,541,966	17,321					4,055,867
Operations and maintenance of plant	581,663	218,606	978,657	983,734					2,762,660
Student financial aid					1,122,474				1,122,474
Auxiliary enterprises	1,266,370	383,063	3,934,717	477,981					6,062,131
Depreciation						2,142,068			2,142,068
Other							15,525	160,276	175,801
Total	<u>\$11,813,409</u>	<u>\$3,779,840</u>	<u>\$8,000,339</u>	<u>\$1,549,635</u>	<u>\$1,122,474</u>	<u>\$2,142,068</u>	<u>\$15,525</u>	<u>\$160,276</u>	<u>\$28,583,566</u>

	2007								
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-offs	Fees Assessed by the Commission	Total
Instruction	\$ 5,834,015	\$1,246,932	\$ 815,737	\$ 67,327	\$ -	\$ -	\$ -	\$ -	\$ 7,964,011
Research	167,335	21,300	118,480						307,115
Public service			150						150
Academic support	993,117	235,744	191,158						1,420,019
Student services	1,126,149	275,086	358,273	691					1,760,199
General institutional support	1,549,762	661,108	1,241,124	13,921					3,465,915
Operations and maintenance of plant	574,794	177,960	769,438	939,257					2,461,449
Student financial aid					1,458,632				1,458,632
Auxiliary enterprises	1,161,766	279,625	3,428,296	401,578					5,271,265
Depreciation						2,171,482			2,171,482
Other							17,808	153,574	171,382
Total	<u>\$11,406,938</u>	<u>\$2,897,755</u>	<u>\$6,922,656</u>	<u>\$1,422,774</u>	<u>\$1,458,632</u>	<u>\$2,171,482</u>	<u>\$17,808</u>	<u>\$153,574</u>	<u>\$26,451,619</u>

16. COMPONENT UNIT'S DISCLOSURE

The following are the notes taken directly from the audited financial statements of the Foundation:

Nature of Activities — The West Liberty State College Foundation, Incorporated (the “Foundation”) is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to receive and administer funds for scientific, educational, and charitable purposes for the support and benefit of West Liberty State College (the “College”). Oversight of the Foundation is the responsibility of an independently elected board of directors not otherwise affiliated with the College. The president of the College is a nonvoting member of the board of directors. While contributions are generally for the benefit and support of the College, the Foundation exercises discretion over the distribution of assets.

Summary of Significant Accounting Policies

Basis of Accounting — The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation — Financial statement presentation follows the recommendations of FASB Statement No. 117, *Financial statements of Not-for-Profit Organizations*. Under FASB Statement No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Assets and contributions that are not restricted by donors or for which restrictions have expired are unrestricted. Assets and contributions for which the donor has imposed restrictions that permit the Foundation to use or expend the donated assets for College support according to the restriction are temporarily restricted. The restrictions are satisfied either by the passage of time or by actions of the Foundation. Assets and contributions for which the donor stipulates that resources be maintained permanently, but permits the Foundation to use or expend part or all of the income derived from the donated assets, are permanently restricted. Such assets are comprised of endowment accounts which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity. The investment income, including realized and unrealized gains and losses, is recorded as temporarily restricted until disbursed according to the term of the gift instrument.

Both temporarily and permanently restricted net assets are to be used for the support and benefit of the College.

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

Contributions — Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates for United States government securities. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recorded as support until the conditions are substantially met.

Investments — Investments in equity securities and all debt securities are reported at their fair value based upon quoted market prices.

The Foundation operates a pooled investment portfolio for all funds. New funds or additions to existing funds are assigned a share in the investment pool based upon the amount of cash or estimated fair value of securities deposited. Income, including unrealized appreciation or depreciation and realized capital gains and losses, is allocated on a monthly basis. Consequently, investment income, gain, and losses allocated to temporarily restricted funds are also classified as temporarily restricted.

Split-Interest Agreements — Split-interest agreements consist of beneficial interest in perpetual trusts and charitable gift annuities.

Beneficial Interest In Perpetual Trust — The Foundation was bequeathed a beneficial interest in a perpetual trust established at a local bank in accordance with a decedent's will. Under the terms of this split-interest agreement, the Foundation is to receive distributions of 10% of the income from the trust in perpetuity. These distributions are to be used to establish an endowment, the income from which will be used to provide scholarships. The Foundation's beneficial interest is valued in the financial statements at 10% of the fair market value of the trust assets. Adjustments due to changes in the market value of the trust assets are recorded as changes in value of split-interest agreements. Distributions received from the trust are permanently restricted for endowed scholarships and are recorded as permanently restricted investment income.

Charitable Gift Annuities — The Foundation participates in charitable gift annuity agreements with certain donors. Under these agreements, temporarily restricted contribution revenue is recorded when donors transfer assets to the Foundation. The amount of revenue recognized is the difference between the fair market value of the assets received and the liability calculated at the net present value of the estimated future payments to the beneficiaries over their life expectancies. In estimating the net present value of the liability, the Foundation uses life expectancy information prepared by American Council on Gift Annuities and discount rates ranging from 4.5% to 7.75%.

Fixed Assets — The Foundation's fixed assets consist of a vehicle which is carried at cost. Depreciation is computed on the straight-line method with an estimated useful life of five years.

Cash and Cash Equivalents — For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Money market funds included in noncurrent investments are not considered cash equivalents.

Unconditional Promises to Give — Unconditional promises to give at June 30, 2008 and 2007, are as follows:

	2008	2007
Receivable in one year	\$ 161,525	\$ 133,938
Receivable in two to five years	151,750	98,383
Receivable in six to ten years	<u>17,500</u>	<u>17,500</u>
Total unconditional promises to give	330,775	249,821
Less discount to net present value	<u>(15,715)</u>	<u>(16,871)</u>
Net unconditional promises to give	<u>\$ 315,060</u>	<u>\$ 232,950</u>

Investments — The cost and estimated fair values of investments at June 30, 2008 and 2007, are as follows:

	2008		2007	
	Estimated Fair Value	Cost	Estimated Fair Value	Cost
Corporate bonds and notes	\$ 193,671	\$ 199,475	\$ 323,378	\$ 350,477
United States Treasury, government agency, and other government obligations	856,226	855,044	1,141,947	1,149,188
Equity securities	3,778,226	3,283,394	4,714,573	3,239,807
Mutual funds	5,316,684	5,571,068	4,156,544	3,901,106
Real estate held for sale	<u>356,278</u>	<u>356,278</u>	<u>356,278</u>	<u>356,278</u>
	<u>\$ 10,501,085</u>	<u>\$ 10,265,259</u>	<u>\$ 10,692,720</u>	<u>\$ 8,996,856</u>

Interest and dividends from investments are recorded net of investment expenses of \$27,723 and \$26,140 in 2008 and 2007, respectively.

Investments include securities held to satisfy charitable gift annuity agreements at June 30, 2008 and 2007, as follows:

	2008	2007
Fair value	<u>\$ 151,002</u>	<u>\$ 152,108</u>
Cost	<u>\$ 137,167</u>	<u>\$ 127,676</u>

Split-Interest Agreements — The transactions affecting the beneficial interest in the perpetual trust for the years ended June 30, 2008 and 2007, are summarized as follows:

	2008	2007
Distributions received from the trust recorded as permanently restricted investment income	<u>\$ 97,520</u>	<u>\$ 96,052</u>
Change in value of the split-interest agreement	<u>\$ (235,096)</u>	<u>\$ 159,281</u>

Fixed Assets — At June 30, 2008 and 2007, fixed assets consist of the following:

	2008	2007
Vehicle	\$ -	\$ 19,446
Accumulated depreciation	<u> </u>	<u>(14,579)</u>
Fixed assets — net	<u>\$ -</u>	<u>\$ 4,867</u>

Temporarily and Permanently Restricted Net Assets — Net assets were temporarily restricted for the following purposes at June 30, 2008:

	Temporarily Restricted	Permanently Restricted
Scholarships	\$ 1,914,428	\$ 8,535,031
Sponsored projects	423,615	
Capital projects	<u>244</u>	<u> </u>
Total	<u>\$ 2,338,287</u>	<u>\$ 8,535,031</u>

Related-Party Transactions — The College, through its Office of Development, provides facilities and administrative services to the Foundation in exchange for which the Foundation pays a fee equivalent to the salary and benefits of certain staff positions within the Office of Development. Fundraising, general, and administrative expenses included \$138,499 and \$180,988 in 2008 and 2007, respectively, for these expenses.

Supplemental Cash Flow Information — The Foundation had the following noncash transactions in the years ended June 30, 2008 and 2007:

	2008	2007
Noncash contributions received:		
Professional services	\$ 17,698	\$ 23,997
Property and equipment for use by the College	20,599	31,169
Investment securities	<u>27,032</u>	<u>1,490,595</u>
	<u>\$ 65,329</u>	<u>\$ 1,545,761</u>

* * * * *

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

To the Governing Board of
West Liberty State College:

We have audited the financial statements of West Liberty State College (the "College") as of and for the year ended June 30, 2008, and have issued our report thereon dated September 26, 2008, which states reliance on other auditors for the discretely presented component unit. We conducted our audit of the College 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 audit of the College's discretely presented component unit was conducted in accordance with auditing standards generally accepted in the United States of America, but not in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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.

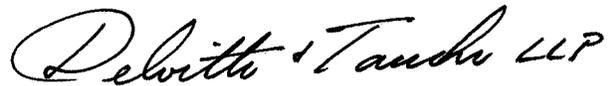
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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*.

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

The image shows a handwritten signature in cursive script that reads "Deloitte & Touche LLP". The signature is written in black ink and is positioned above the date.

October 7, 2008