

***WEST VIRGINIA UNIVERSITY  
AT PARKERSBURG***

*Financial Statement  
for the Year Ended June 30, 2009  
and Independent Auditors' Reports*

# WEST VIRGINIA UNIVERSITY AT PARKERSBURG

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## INDEPENDENT AUDITORS' REPORT

To the West Virginia University at Parkersburg Board of Governors:

We have audited the accompanying statement of net assets of West Virginia University at Parkersburg ("Parkersburg") as of June 30, 2009 and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the management of Parkersburg. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the discretely presented financial statements of the WVU at Parkersburg Foundation, Inc. (the "Foundation"). 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the Foundation, 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Parkersburg's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, such financial statements present fairly, in all material respects, the financial position of Parkersburg at June 30, 2009 and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 to 12 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of Parkersburg'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 October 19, 2009, on our consideration of Parkersburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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.



October 19, 2009

# **WEST VIRGINIA UNIVERSITY AT PARKERSBURG**

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## **Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2009**

### **Overview**

The Management's Discussion and Analysis is required supplementary information and has been prepared in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35. This section of West Virginia University at Parkersburg's ("WVU at Parkersburg" or "WVUP") annual financial report provides an overview of WVUP's financial performance during the fiscal year ended June 30, 2009. In accordance with House Bill 3215 passed by the West Virginia State Legislature, WVUP became a separate entity effective July 1, 2008 and received net assets transferred by West Virginia University ("WVU") as of this date. Only current year (fiscal year 2009) information is presented in the audited financial statements. But for the purpose of this section, a comparative analysis is presented for the separately audited fiscal year 2009 compared to fiscal year 2008 unaudited information. Such 2008 unaudited information was included in the WVU financial statements in a separately maintained general ledger. The references to any fiscal year 2008 information are to unaudited amounts.

WVUP's annual report consists of three basic financial statements: the statement of net assets, the statement of revenues, expenses and changes in net assets, and the statement of cash flows. These statements focus on the financial condition, the results of operations, and cash flows of WVU at Parkersburg. Each of these statements is discussed below.

### **Financial Highlights**

At June 30, 2009, WVUP's total net assets were \$15.4 million with \$13.4 million of the amount being legislatively mandated transfer of net asset balances from WVU. An additional increase was attributable to increases in cash and cash equivalents, capital assets, net of depreciation, due from the Higher Education Policy Commission ("HEPC" or the "Commission"), and net accounts receivable as well as a decrease in debt service assessment payable to the Commission. This increase was partially offset by increases in deferred revenue, other post employment benefits ("OPEB") liability, accounts payable, and accrued payroll.

Total revenues grew by 21.3%, mainly due to an increase in revenues from State appropriations, grants and contracts revenues, other operating revenues, and tuition and fees. Total expenses increased 9.8% from prior year mainly because of increased salaries and benefits, supplies and other services, scholarship expense, and interest on capital debt.

### **Net Assets**

The statement of net assets present the assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities) of WVU at Parkersburg as of the end of the fiscal year. Assets denote the resources available to continue the operations of WVUP. Liabilities indicate how much the WVUP owes vendors, employees and lenders. Net assets measure the equity or the availability of funds of WVU at Parkersburg for future periods.

Net Assets are displayed in three major categories:

*Invested in capital assets, net of related debt.* This category represents WVUP'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.* This category includes net assets, the use of which is restricted, either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components - nonexpendable and expendable. **Nonexpendable restricted net assets** include endowment and similar type funds for 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. WVUP did not have any nonexpendable restricted net assets during fiscal year 2009. **Expendable restricted net assets** include resources for which WVU at Parkersburg is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

*Unrestricted net assets.* This category includes resources that are not subject to externally imposed stipulations. Such resources are derived primarily from tuition and fees (not restricted as to use), state appropriations, sales and services of educational activities, and auxiliary enterprises. Unrestricted net assets are used for transactions related to the educational and general operations of WVUP and may be designated for specific purposes by action of WVUP's management or the Board of Governors.

#### Condensed Statement of Net Assets (in thousands)

	<b>As of June 30</b>
	<b>2009</b>
<b>Assets</b>	
Current Assets	\$ 10,084
Noncurrent Assets	14,504
<b>Total Assets</b>	\$ 24,588
 <b>Liabilities</b>	
Current Liabilities	\$ 5,177
Noncurrent Liabilities	4,035
<b>Total Liabilities</b>	\$ 9,212
 <b>Net Assets</b>	
Invested in Capital Assets	\$ 10,764
Restricted	1,240
Unrestricted	3,372
<b>Total Net Assets</b>	\$ 15,376

Total assets of WVU at Parkersburg increased by \$5.0 million over prior year, when WVUP was governed as part of WVU, to a total of \$24.6 million as of June 30, 2009. The increase was primarily due to an increase in cash and cash equivalents, net capital assets, due from the Commission, and net accounts receivable.

- Cash and cash equivalents increased by \$1.9 million compared to prior year primarily due to increased cash inflows from state appropriations and non-capital grants and contracts. This increase was partially offset by spending on equipment for the Energy Performance Phase II Contract with Siemens Building Technologies.
- Capital assets, net increased by \$1.9 million as a result of construction-in-progress activity including upgrades under the Energy Performance Contract Phase II and land improvement projects on campus as well as construction of a new art lab. An additional increase was due to the W.T. Grant building being donated to WVUP by The Erickson Foundation.
- Due from the Commission increased by \$1.1 million over the previous year. In fiscal year 2010, WVUP expects to receive grants and state appropriations for various projects and programs including: funds from a Legislative Improvement Package to provide lab and equipment upgrades across campus, a Renewal Energy Technology Grant, and a special legislative appropriation for expenses related to WVUP's separation from WVU per House Bill 3215.
- Net accounts receivable increased by approximately \$110,000 primarily due to an increase in grant activity including a Nursing Access Grant from the Department of Labor and a Governor's Community Participation Grant to be used for a day care center. This increase was offset by a decrease in other accounts receivable attributable to increased collection efforts resulting in a more timely collection of receivables.

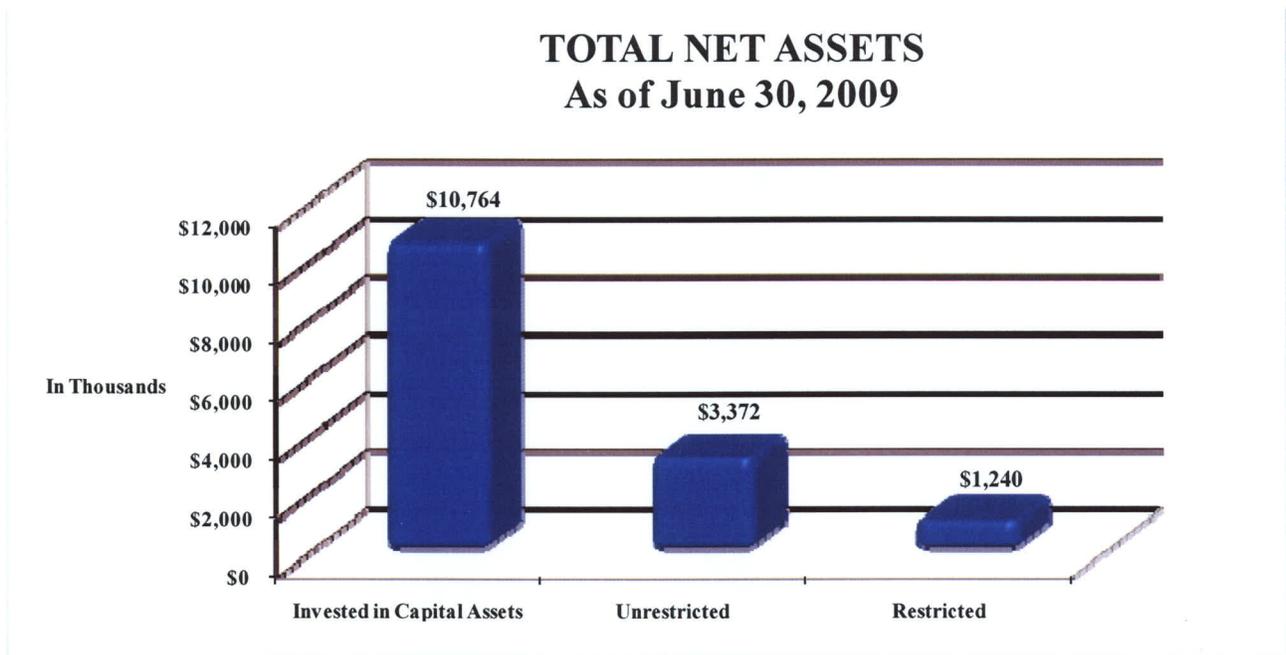
Total liabilities for the year increased by \$3.0 million over prior year, when WVUP was governed as part of WVU, to a total of \$9.2 million as of June 30, 2009. This increase is primarily attributable to increases in deferred revenue, OPEB liability, accounts payable and accrued payroll. These increases were partially offset by a decrease in debt service assessment payable to the Commission.

- Deferred revenue increase of \$2.6 million over prior year is primarily due to revenue from advance payment grants received this year relating to Nursing, Paramedic, and Surgical Tech programs, as well as technology and Electro Mechanical training.
- Other Post Employment Benefits liability increased by approximately \$240,000 primarily due to a decrease in state contributions into the West Virginia Retiree Health Benefit Trust Fund (the "Trust") on behalf of WVUP. The OPEB balance represents WVUP's accumulated unpaid Annual Required Contribution ("ARC") to the Trust established by the WV State Legislature. The Trust manages funds for retiree health benefits under a defined benefit cost-sharing multiemployer OPEB plan (the "Plan"). The Public Employees Insurance Agency ("PEIA") has been assigned the responsibility for the administration of the Trust. PEIA invoices participants in the State's OPEB Plan on a monthly basis with the contractually required contribution based on current health insurance policy holders. The State has transferred monies from its general revenues and excess reserves into the Trust as contributions. The fiscal year 2009 state contributions were lower than those made to the Trust on WVUP's behalf in fiscal year 2008.
- Accounts payable increased by approximately \$260,000 mainly due to increases in federal financial aid payable to students and amounts payable to the West Virginia Office of Technology for computer and telephone services.

- Accrued payroll increased by \$56,000 mainly due to an increase in the Summer Deferred Payment Program, which allows less than twelve month employees to be paid over twelve months. This program allows eligible employees to set aside a portion of their compensation for distribution during the summer months.
- Debt service assessment payable to the Commission decreased by \$130,000 due to scheduled debt service (principal) payments in fiscal year 2009.

WVUP's current assets of \$10.1 million were sufficient to cover current liabilities of \$5.2 million, indicating that WVUP has sufficient available resources to meet its current obligations.

The following is an illustrative analysis of net assets.



### Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets present the operating revenues, operating expenses, nonoperating revenues and expenses and other revenues, expenses, gains or losses of WVUP for the fiscal years.

State appropriations, while budgeted for operations, are considered and reported as non-operating revenues. This is because State appropriations are provided by the West Virginia Legislature (the "Legislature") to WVUP without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Pell grants are reported as nonoperating, because of specific guidance in the AICPA industry audit guide. This presentation is a change in reporting from the prior year when the grants were included in operating as part of Federal grants and contracts. Student tuition and fees are reported net of scholarship discounts and allowances. Financial aid to students is reported using the NACUBO alternative method. Under this method certain aid, such as loans and federal direct lending, is accounted for as a third party payment, while all other aid is reflected either as operating expenses or scholarship allowances, which reduce revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

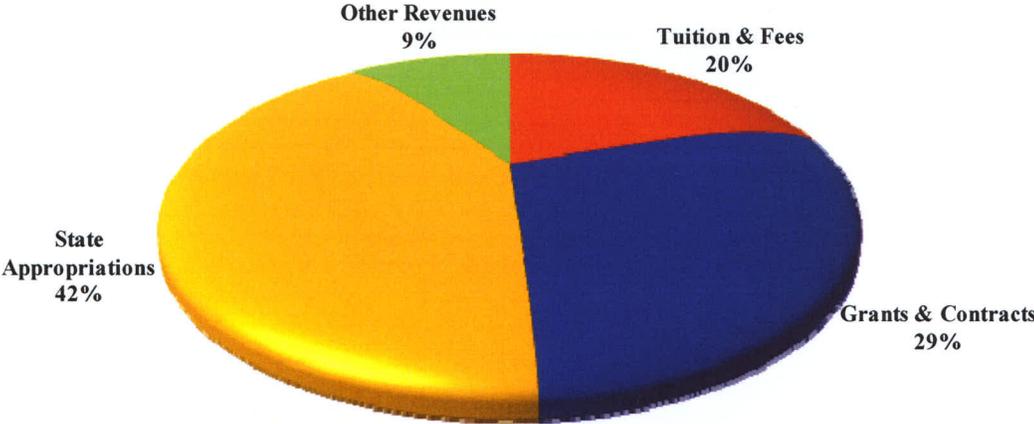
**Condensed Statement of Revenues, Expenses and Changes in Net Assets (in thousands)**

	<u>Year Ended June 30</u>
	<u>2009</u>
Operating Revenues	\$ 8,534
Operating Expenses	23,429
<b>Operating Loss</b>	<b>(14,895)</b>
Net Nonoperating Revenues	16,292
<b>Income before Other Revenues, Expenses, Gains, or Losses</b>	<b>1,397</b>
Capital Grants and Gifts	550
Transfer of Net Assets from WVU	13,429
<b>Increase in Net Assets</b>	<b>15,376</b>
<b>Net Assets at Beginning of Year</b>	<b>-</b>
<b>Net Assets at End of Year</b>	<b>\$ 15,376</b>

Revenues:

The following is a graphic illustration of revenues by source.

**TOTAL REVENUES  
For the Year Ended June 30, 2009**



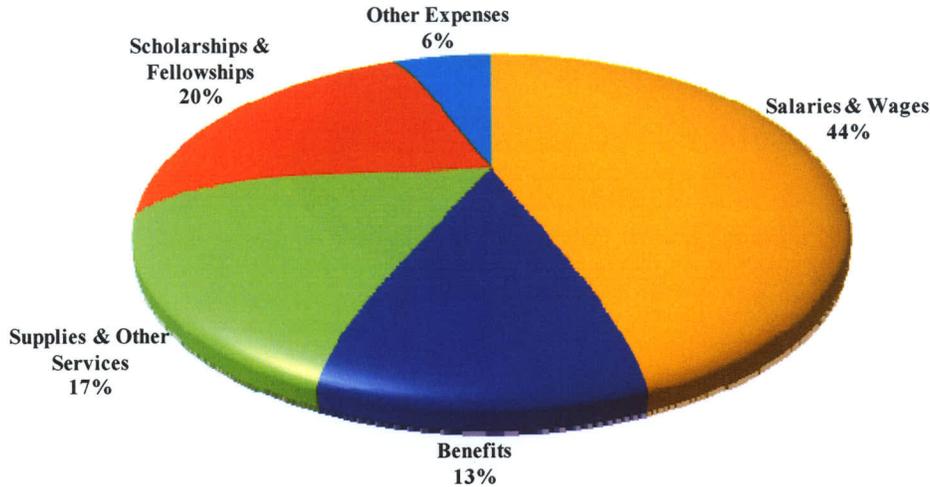
Total revenues for fiscal year 2009 were \$25.5 million, an increase of \$4.5 million over prior year, when WVUP was operated as part of WVU. The most significant sources of revenue for WVUP are State appropriations, grants and contracts, and tuition and fees. Some highlights of the information presented on the statement of revenues, expenses, and changes in net assets are as follows:

- State appropriations increased by \$1.7 million primarily due to legislative appropriations to cover expenses related to WVUP's separation from WVU per House Bill 3215, as well as a legislative improvement package designed to provide lab and equipment upgrades across campus. General State appropriations were also slightly higher in fiscal year 2009 compared to fiscal year 2008.
- Other operating revenue increased by approximately \$670,000 from prior year mainly due to an increase in revenue received from the Wood County Board of Education for payments of operating expenses related to the Caperton Center for Applied Technology facility, which is jointly owned by WVUP and the Wood County BOE. An additional increase was due to an increase in public service income from the Work Keys and Professional Development programs, which have grown substantially over the past year.
- Pell grants revenue increased by approximately \$680,000. Pell Grant revenue was reclassified from operating revenue to nonoperating revenue per the Audit and Accounting Guide for State and Local Governments issued by the American Institute of Certified Public Accountants.
- Capital grants and contracts increased over the prior year due to the donation of the W.T. Grant building by The Erickson Foundation with a market value of \$550,000.
- State grants and contracts revenue increased by \$440,000 mainly due to revenue from new grants, such as the Entrepreneurship Grant of Benedum Funds, as well as increased revenues from existing grants including various technology grants. WVUP also saw an increase in West Virginia HEAPS grants.
- Tuition and fees increased by \$400,000 primarily due to a 5% increase in the fee rate. This rate increase applied to both in-state and out-of-state students, as well as both upper and lower division courses. New fees were also instituted in the health profession areas to offset the high cost of testing materials.
- Federal grants and contracts revenue increased by approximately \$350,000 over prior year. This increase is primarily attributable to revenue from federal grants that were billed during fiscal year 2009, but not yet received. There was also a slight increase in federal grant monies received and disbursed for SEOG. The amount of federal grants disbursed fluctuates yearly based on socio-economic need.
- Investment income decreased by \$140,000 mainly due to declining interest rates compared to prior year.
- Payments on behalf of the University decreased by approximately \$100,000 primarily due to reduced transfer of State funds, including PEIA excess reserves, into the Trust fund on WVUP's behalf. Although the general revenues transferred by the State into the Trust fund increased, such transfers benefit only those employees who are compensated from the general revenues pool. This category of revenue was new in fiscal year 2008 and was due to the transfer of funds by the State and PEIA from their general revenues and excess reserves into the Trust fund.

Expenses:

The following is a graphic illustration of total expenses.

## TOTAL EXPENSES For the Year Ended June 30, 2009



Total expenses for fiscal year 2009 were \$23.5 million, an increase of \$2.1 million from prior year, when WVUP was operated as part of WVU. This increase is primarily due to an increase in several categories of expenses as detailed below.

- Salaries and wages increased by approximately \$870,000 from the prior year mainly due to a salary increase program for all WVUP employees, implemented in October 2008 (fiscal year 2009).
- Supplies and other services increased by approximately \$860,000 mainly due to increases in computer services and supplies, office and communication equipment, and research and educational supplies.
- Scholarship and fellowship expenses increased by approximately \$630,000 over the prior year. This increase is attributable to an increase in tuition and fees, as well as additional student financial assistance funds distributed under the PELL grants and the Scholars program.
- Benefits expense increased by approximately \$240,000 in correspondence with an increase in salaries and wages during fiscal year 2009.
- Interest on capital related debt increased by \$80,000 as a result of interest payments made on the Energy Performance Phase II contract with Siemens Building Technologies, Inc. during fiscal year 2009.
- Utilities decreased by \$285,000 from prior year attributable to reduced energy consumption, reduced deferred maintenance and improvements occurring across the WVUP campus as part of the Energy Performance Contract with Siemens Building Technologies, Inc.

## Cash Flows

The statement of cash flows provide information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and financing activities (capital and noncapital) of WVU at Parkersburg during the year. This statement helps users assess WVUP's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The statement of cash flows is divided into five sections:

*Cash flows from operating activities.* This section shows the net cash used by the operating activities of the University.

*Cash flows from noncapital financing activities.* This section reflects the cash received and paid for nonoperating, noninvesting, and noncapital financing purposes.

*Cash flows from capital financing activities.* This section includes cash used for the acquisition and construction of capital and related items.

*Cash flows from investing activities.* This section shows the purchases, proceeds, and interest received from investing activities.

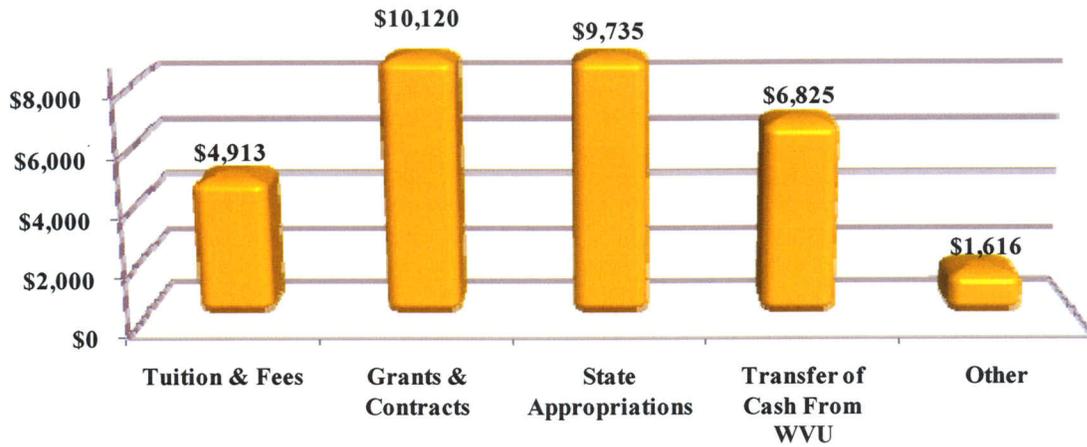
*Reconciliation of operating loss to net cash used in operating activities.* This section provides a schedule that reconciles the accrual-based operating income (loss) and net cash used in operating activities.

### Condensed Statement of Cash Flows (in thousands)

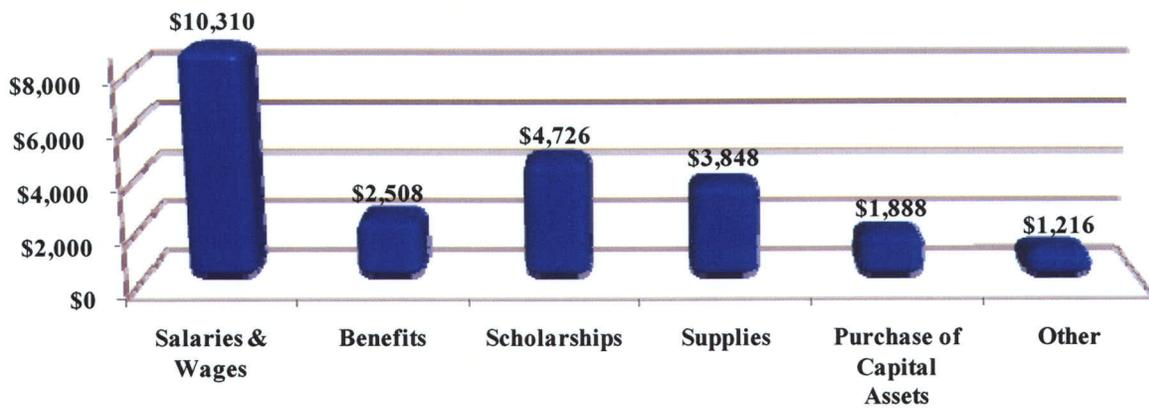
	<u>Year Ended June 30</u>
	<u>2009</u>
<b>Cash Provided (Used) By:</b>	
Operating Activities	\$ (11,307)
Noncapital Financing Activities	22,075
Capital Financing Activities	(2,138)
Investing Activities	83
<b>Increase in Cash and Cash Equivalents</b>	<u>8,713</u>
Cash and Cash Equivalents, Beginning of Year	-
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 8,713</u>

The following graphs illustrate the sources and uses of cash –

### SOURCES OF CASH Fiscal Year 2009



### USES OF CASH Fiscal Year 2009



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

WVU at Parkersburg completed several construction projects in fiscal year 2009, financed by leases, gifts and other WVUP funds.

- The most significant capital activity occurred on the Energy Performance Contract. This activity is part of a lease purchase agreement entered into by WVU in the amount of \$12.5 million with SunTrust Leasing Corporation to finance phase II of a performance energy contract with Siemens Building Technologies, Inc. WVU at Parkersburg's portion of this agreement totals approximately \$3.3 million. The performance energy contract is designed to reduce energy consumption, reduce deferred maintenance, implement life safety improvements, and advance operational enhancements throughout the campus of WVUP. The funds for the entire project are held in an escrow account with BB&T. BB&T paid \$1.3 million during fiscal year 2009 to Siemens for progress payments attributable to WVUP related to this contract.
- WVU at Parkersburg completed construction of a new art lab during the summer of 2008. WVUP also completed land improvements projects which included parking lot improvements and grounds grading.

WVU at Parkersburg has planned capital expenditures of close to \$5.5 million over fiscal years 2010 and 2011. The largest project is a brand new \$5 million building to house the welding and industrial maintenance programs. Other projects include renovations to classrooms, hallways, and fire alarm upgrades. There are also plans for construction of a new storage shed for storage of salt and snow removal equipment.

The Commission assesses each public institution of higher education for funds to meet the payment of debt service on various revenue bonds that were issued for the financing of academic and other facilities of the State's universities and colleges, including certain facilities at WVUP. The bonds remain as a capital obligation of the Commission; however \$432,000 is reported as debt service assessment payable to the Commission by WVU at Parkersburg.

## **Economic Outlook**

The financial resources of WVUP are closely tied to the economic performance of the State of West Virginia. WVUP receives a significant portion of its annual budget in the form of State appropriations. Tuition revenue is also a significant share of the WVUP's budget, and it is materially impacted by fluctuations in enrollment, which occur in response to major changes in overall economic conditions.

During the fiscal year that ended June 30, 2009, the State of West Virginia, along with the rest of the United States, experienced a severe economic downturn due to the banking and insurance crisis that began in September 2008 with the failure of several significant financial institutions. As a result, tax receipts in the State fell significantly and are projected to continue to be below expectations until well after the current recession ends. In response, the State appropriation to WVUP for fiscal year 2010 was reduced by 3%. The WVUP expects that this trend will continue as appropriations are reduced to allow the State of West Virginia to balance its budget.

To help manage the reduction in State appropriations, WVUP has implemented numerous cost control measures and reduced operating expenditure budgets for fiscal year 2010. In addition, WVUP increased student tuition and fees by 8.6% beginning in the fall semester 2009-2010. Despite this increase, WVUP continues to have one of the lowest tuition rates in West Virginia.

The recent economic downturn led to a significant increase in enrollment at WVUP, as displaced and underemployed members of the workforce have enrolled at WVUP to further their education. Enrollment (full time equivalent students) is up 15% for the fall semester 2010, an increase in headcount of nearly 400 full time equivalent students. This increase will generate additional tuition revenue for WVUP. The additional student population will also increase student related operating expenses.

Improving the level of federal, State and private grant activity at WVUP has been a strategic priority for the past several years and the increased focus has been successful as grant revenues rose significantly during fiscal year 2009. These strategic efforts are continuing and WVUP expects this trend in grant related revenue to continue.

# WEST VIRGINIA UNIVERSITY AT PARKERSBURG

## STATEMENT OF NET ASSETS AS OF JUNE 30, 2009

(Dollars in Thousands)

### ASSETS

Current Assets:		
Cash and cash equivalents	\$	8,287
Accounts receivable, net of allowances for doubtful accounts of \$6		301
Due from the Council/Commission		1,170
Inventories		311
Prepaid expenses		15
Total current assets		<u>10,084</u>
Noncurrent Assets:		
Restricted cash and cash equivalents		426
Capital assets, net		14,078
Total noncurrent assets		<u>14,504</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>24,588</u></b>

### LIABILITIES

Current Liabilities:		
Accounts payable	\$	635
Accrued liabilities		13
Accrued payroll		395
Deferred revenue		3,628
Compensated absences		369
Debt service assessment payable to the Commission, current portion		137
Total current liabilities		<u>5,177</u>
Noncurrent Liabilities:		
Other post employment benefits liability		422
Debt service assessment payable to the Commission		295
Leases payable		3,317
Other noncurrent liabilities		1
Total noncurrent liabilities		<u>4,035</u>
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b><u>9,212</u></b>

### NET ASSETS

Invested in capital assets, net of related debt	\$	10,764
Restricted for:		
Expendable:		
Scholarships and fellowships		31
Sponsored programs		1,209
Total expendable		<u>1,240</u>
Unrestricted		<u>3,372</u>
<b>TOTAL NET ASSETS</b>	<b>\$</b>	<b><u>15,376</u></b>

See notes to financial statements.

**WEST VIRGINIA UNIVERSITY AT PARKERSBURG  
WVU AT PARKERSBURG FOUNDATION, INC.**

**COMPONENT UNIT-STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2009**

**ASSETS**

Cash and Cash Equivalents	\$	391,214
Pooled Investment Fund		5,396,287
Accrued Interest and Dividends Receivable		28,491
Contributions Receivable		99,047
Other Assets		<u>16,945</u>

**TOTAL ASSETS** **\$ 5,931,984**

**LIABILITIES**

Accounts Payable	\$	<u>9,359</u>
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**TOTAL LIABILITIES** **\$ 9,359**

**NET ASSETS**

Unrestricted	\$	200,498
Temporarily Restricted		4,191,348
Permanently Restricted		<u>1,530,779</u>

**TOTAL NET ASSETS** **\$ 5,922,625**

**TOTAL LIABILITIES AND NET ASSETS** **\$ 5,931,984**

The accompanying notes are an integral part of this financial statement.

# WEST VIRGINIA UNIVERSITY AT PARKERSBURG

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2009

(Dollars in Thousands)

### OPERATING REVENUES

Student tuition and fees, net of scholarship allowances of \$1,735	\$	5,073
Federal grants and contracts		200
State grants and contracts		1,396
Nongovernmental grants and contracts		271
Sales and services of educational departments		27
Auxiliary enterprises, net of scholarship allowances of \$11		33
Other operating revenues (including revenue from outsourced enterprise of \$25)		1,534
Total operating revenues		<u>8,534</u>

### OPERATING EXPENSES

Salaries and wages		10,370
Benefits		3,003
Scholarships and fellowships		4,852
Utilities		541
Supplies and other services		3,965
Depreciation		623
Assessments by the Commission for operations		75
Total operating expenses		<u>23,429</u>

### OPERATING LOSS

(14,895)

### NONOPERATING REVENUES (EXPENSES)

State appropriations		10,610
Payments on behalf of WVU Parkersburg		197
Federal Pell grants		5,512
Investment income		76
Interest on capital asset-related debt		(81)
Credit from the Commission for debt service		3
Other nonoperating expenses - net		(25)
Net nonoperating revenues		<u>16,292</u>

### INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

1,397

Capital grants and gifts

550

### INCREASE IN NET ASSETS BEFORE TRANSFER

1,947

### TRANSFER OF NET ASSETS FROM WEST VIRGINIA UNIVERSITY

13,429

### INCREASE IN NET ASSETS

15,376

### NET ASSETS--BEGINNING OF YEAR

-

### NET ASSETS--END OF YEAR

\$ 15,376

See notes to financial statements.

**WEST VIRGINIA UNIVERSITY AT PARKERSBURG  
WVU AT PARKERSBURG FOUNDATION, INC.**

**COMPONENT UNIT-STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Contributions	\$ 2,607	\$ 340,748	\$ -0-	\$ 343,355
Interest and Dividend Income	7,913	144,317	58,742	210,972
Realized (Losses) on Investments	(78,847)	(1,188,357)	(531,907)	(1,799,111)
Unrealized Gains on Investments	14,707	267,484	123,702	405,893
Net Assets Released from Restrictions	<u>327,597</u>	<u>(278,855)</u>	<u>(48,742)</u>	<u>-0-</u>
<b>TOTAL REVENUES, GAINS, AND AND OTHER SUPPORT</b>	<b>\$ <u>273,977</u></b>	<b>\$ <u>(714,663)</u></b>	<b>\$ <u>(398,205)</u></b>	<b>\$ <u>(838,891)</u></b>
<b>EXPENSES</b>				
<b>Program Services</b>				
Grants and Scholarships	\$ 107,337	\$ -0-	\$ -0-	\$ 107,337
Faculty/Staff Development	69,553	-0-	-0-	69,553
Other Program Cost and Equipment Purchases	<u>67,629</u>	<u>-0-</u>	<u>-0-</u>	<u>67,629</u>
<b>Total Program Services</b>	<b>\$ <u>244,519</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>244,519</u></b>
<b>Support Services</b>				
Management and General	\$ <u>133,270</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>133,270</u>
<b>Total Support Services</b>	<b>\$ <u>133,270</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>133,270</u></b>
<b>TOTAL EXPENSES</b>	<b>\$ <u>377,789</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>377,789</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (103,812)</b>	<b>\$ (714,663)</b>	<b>\$ (398,205)</b>	<b>\$ (1,216,680)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b><u>304,310</u></b>	<b><u>4,906,011</u></b>	<b><u>1,928,984</u></b>	<b><u>7,139,305</u></b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ <u><u>200,498</u></u></b>	<b>\$ <u><u>4,191,348</u></u></b>	<b>\$ <u><u>1,530,779</u></u></b>	<b>\$ <u><u>5,922,625</u></u></b>

The accompanying notes are an integral part of this financial statement.

# WEST VIRGINIA UNIVERSITY AT PARKERSBURG

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009

(Dollars in Thousands)

### CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$	4,913
Grants and contracts		4,608
Payments to suppliers		(3,848)
Payments to employees		(10,310)
Payments for benefits		(2,508)
Payments to utilities		(542)
Payments for scholarships and fellowships		(4,726)
Auxiliary enterprise charges		(424)
Sales and service of educational departments		28
Other receipts		1,502
		<hr/>
Net cash used in operating activities		(11,307)

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations		9,735
Federal Pell grants		5,512
Credit from the Commission for debt service		3
Transfer of cash from West Virginia University		6,825
		<hr/>
Cash provided by noncapital financing activities		22,075

### CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Payments on Commission debt assessment payable		(130)
Purchases of capital assets		(1,888)
Interest paid on capital debt and leases		(120)
		<hr/>
Cash used in capital financing activities		(2,138)

### CASH FLOWS FROM INVESTING ACTIVITIES

Investment income		83
		<hr/>
Cash provided by investing activities		83

### INCREASE IN CASH AND CASH EQUIVALENTS

8,713

### CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

-

### CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 8,713

(continued)

# WEST VIRGINIA UNIVERSITY AT PARKERSBURG

## STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2009

(Dollars in Thousands)

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### Reconciliation of net operating loss to net cash used in operating activities:

Operating loss	\$	(14,895)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense		623
Expenses paid on behalf of WVU Parkersburg		197
Changes in assets and liabilities:		
Accounts receivable, net		(112)
Due from the Commission		(274)
Prepaid expenses		(10)
Inventories		18
Accounts payable		234
Accrued liabilities		292
Deferred revenue		2,581
Due to the Commission		(10)
Compensated absences		49
Net cash used in operating activities	\$	<u>(11,307)</u>

### Noncash Transactions:

Donated capital assets	\$	<u>550</u>
Loss on dispositions	\$	<u>25</u>
Other post employment benefits liability	\$	<u>237</u>
Expenses paid on behalf of WVU Parkersburg	\$	<u>197</u>
Transfer of net assets from West Virginia University (exclusive of \$6,825 of cash)	\$	<u>6,604</u>

### Reconciliation of cash and cash equivalents to the statement of net assets:

Cash and cash equivalents classified as current assets	\$	8,287
Cash and cash equivalents classified as noncurrent assets		426
	\$	<u>8,713</u>

See notes to financial statements.

# WEST VIRGINIA UNIVERSITY AT PARKERSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

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### 1. ORGANIZATION

West Virginia University at Parkersburg (“Parkersburg”) is governed by the West Virginia University at Parkersburg Board of Governors (the “Board”). The Board was established by House Bill 3215 (“H.B. 3215”).

During fiscal year 2008, H.B. 3215 was passed which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges. Effective July 1, 2008, the administratively linked community and technical colleges of West Virginia University (the “University”) established their own Boards of Governors.

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.

The West Virginia Council for Community and Technical College Education (the “Council”) (two year education) and the West Virginia Higher Education Policy Commission (the “Commission”) (four year and post graduate education) collectively comprise the West Virginia Higher Education Fund. Both the Council and the Commission were legislatively created under Senate Bill No. 448 and Senate Bill No. 653, respectively.

As a requirement of Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14*, Parkersburg has included information from WVU at Parkersburg Foundation, Inc. (the “Foundation”).

The Council is responsible for developing, overseeing and advancing the State’s public policy agenda as it relates to community and technical college education. The Council is comprised of 12 persons appointed by the Governor with the advice and consent of the Senate.

The University has agreed to provide Parkersburg with administrative and academic support services. Services for fiscal year 2009 were provided to Parkersburg at no cost. Effective July 1, 2009, the University will be charging Parkersburg for these services.

The newly established Board and the Board of Governors of West Virginia University jointly agreed on a division of assets and liabilities of West Virginia University. Effective July 1, 2008, \$13,428,610 was transferred in accordance with H.B. 3215. The transfer of net assets is summarized approximately as follows:

	(in thousands)
Cash and cash equivalents	\$ 6,825
Capital assets, net	12,228
Current assets, net	552
Current liabilities	(1,915)
Compensated absences	(320)
Other post employment benefits liability	(185)
Other long-term liabilities	(3,756)
Total	<u>\$ 13,429</u>

West Virginia University and the separately established community and technical colleges shall oversee a plan that ensures the financial stability of auxiliary enterprises, including but not limited to, student housing, student centers, dining services, parking and athletics through fiscal year 2012.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Parkersburg have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB, including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis—for State and Local Governments*, and Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis—for State and Local Governments: Omnibus*, and No. 38 *Certain Financial Statement Note Disclosures*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of Parkersburg’s assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

Parkersburg 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 amendments thereof, and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989, to its financial statements.

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

A related foundation of Parkersburg is not part of the Parkersburg reporting entity and is not included in the accompanying financial statements since Parkersburg has no ability to designate management, cannot significantly influence operations of this entity, and is not accountable for fiscal matters of the foundation under GASB Statement No. 14.

The accompanying financial statements present all funds under the authority of Parkersburg. The basic criterion for inclusion in the accompanying combined financial statements is the exercise of oversight responsibility derived from Parkersburg's ability to significantly influence operations and accountability for fiscal matters of related entities.

Parkersburg follows GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as an amendment to GASB Statement No. 14. As a result, the audited financial statements of the Foundation are presented here as a discrete component unit with the Parkersburg financial statements for the fiscal year ended June 30, 2009. The Foundation is a separate, private, nonprofit organization that reports under the FASB standards, including FASB Statement No. 117, *Financial Statement of Not for-profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the audited financial information as it is presented herein (See Note 14).

- b. *Basis of Accounting*—For financial reporting purposes, Parkersburg is considered a special-purpose government engaged only in business-type activities. Accordingly, Parkersburg'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 are reported when materials or services are received.
- c. *Cash and Cash Equivalents*—For purposes of the statement of net assets, Parkersburg considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "Treasurer") are pooled by the Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (the BTI). These funds are transferred to the BTI, and the BTI is directed by the Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures and trust agreements when applicable. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments for External Investment Pools*. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short Term Bond 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 eight investment pools and participant-directed accounts, three of which the Commission 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 the BTI's annual report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd, Room E-122, Charleston, WV 25305 or <http://www.wvbt.com>.

Cash and cash equivalents also include all outside bank accounts and cash on hand.

- d. *Allowance for Doubtful Accounts*—It is Parkersburg’s policy to provide for future losses on uncollectible accounts, and loans receivable based on an evaluation of the underlying account, and loan balances, the historical collectibility experienced by Parkersburg on such balances, and such other factors which, in Parkersburg’s judgment, require consideration in estimating doubtful accounts.
- e. *Inventories*—Inventories are stated at the lower-of-cost or market, cost being determined on the first-in, first-out method.
- f. *Noncurrent Cash and Cash Equivalents*—Cash that is (1) externally restricted to make debt service payments or (2) to purchase capital or other noncurrent assets is classified as a noncurrent asset in the statement of net assets.
- g. *Capital Assets*—Capital assets include property, plant, and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. The capital assets transferred in were recorded at net book value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings, infrastructure, and land improvements, 3 to 15 years for furniture, equipment, and library books. Parkersburg’s capitalization threshold is \$5,000. The accompanying financial statements reflect all adjustments required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairments of Capital Assets and for Insurance Recoveries*.
- h. *Deferred Revenue*—Revenue for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue, including items such as tuition, orientation fees, financial aid deposits, and advance payments on sponsored awards.
- i. *Compensated Absences and Other Post Employment Benefits*—Parkersburg accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Parkersburg follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*. This statement provides standards for the measurement, recognition, and display of other post employment 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 post employment benefits for the State of West Virginia (the “State”). Parkersburg is required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. 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 WV 25305-0710 or <http://www.wvpeia.com>.

These statements require entities to accrue for employees’ rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Parkersburg’s full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick leave days for each month of

service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, 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 or after July 1, 2001 will no longer receive sick leave credit toward insurance premiums when they retire. The liability is provided for under the multiple employer cost sharing plan sponsored by the State (See Note 7).

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3-1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage. Faculty hired after July 1, 2009 will no longer receive years of service credit toward insurance premiums when they retire.

The estimated expense incurred for vacation leave or OPEB benefits is recorded as a component of benefits expense on the statement of revenues, expenses, and changes in net assets.

- j. *Severance Plan*—Parkersburg adopted the Classified Staff Severance Plan (the “Severance Plan”) to provide incentives for the voluntary severance of Parkersburg’s classified staff. During the period from April 22 to June 17, 2003, full time benefits eligible classified staff who had fifteen or more years of full time active service with Parkersburg as of June 30, 2003 were eligible to elect to participate in the Severance Plan. Participants could elect an exit date for the Severance Plan of either June 30, 2003 or January 15, 2004. Participants that elected the June 30, 2003 exit date will receive 100% of their fiscal year 2003 base salary not to exceed \$45,000. Participants that elected the January 15, 2004 exit date will receive their fiscal year 2003 base salary less \$5,000 not to exceed \$40,000. The total payment for either exit date is divided into 96 equal consecutive monthly payments. If the employee was over age 59 at the time his or her payments began, the number of monthly installments are reduced so that all payments will be completed prior to the employees 67<sup>th</sup> birthday. Any employee age 66 or older at the time his or her benefits began received his or her payment in a lump sum. Parkersburg’s total liability as of June 30, 2009 was \$7,100, which includes approximately \$500 for employee benefits as of June 30, 2009.
- k. *Noncurrent Liabilities*—Noncurrent liabilities include (1) capital lease obligations with contractual maturities greater than one year; and (2) estimated amounts for OPEB liability and other liabilities that will not be paid within the next fiscal year.
- l. *Net Assets*—GASB Statements No. 34 through No. 38 establish standards for external financial reporting for public colleges and universities and require that the financial statements be presented on a basis to focus on Parkersburg as a whole. Net assets are classified according to external donor restrictions or availability of assets for satisfaction of Parkersburg’s obligations. Parkersburg’s net assets are classified as follows:
  - *Invested in capital assets, net of related debt*—This represents Parkersburg’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 Parkersburg is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

The West Virginia Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education* of the West Virginia State Code. House Bill 101, passed in March 2004, simplified the tuition and fees restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of Parkersburg. These restrictions are subject to change by future actions of the West Virginia Legislature. At June 30, 2009, Parkersburg had no restricted balances remaining in these funds.

- *Unrestricted net assets*—Unrestricted net assets include resources that are not subject to externally imposed stipulations. Such resources represent resources derived from student tuition and fees (not restricted as to use), state appropriations and sales and services of educational activities. Unrestricted net assets are used for transactions relating to the educational and general operations of Parkersburg, and may be designated for specific purposes by action of the Board.

m. *Classification of Revenues*—Parkersburg 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.

Other operating revenues include revenue from leasing of Parkersburg's academic bookstore and retail store to Barnes & Noble College Bookstores, Inc.

- *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.

Per the *Audit and Accounting Guide for State and Local Governments* issued by the American Institute of Certified Public Accountants, Pell grant revenue is classified as nonoperating revenue.

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

n. *Use of Restricted Net Assets*—Parkersburg 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,

Parkersburg attempts to utilize restricted net assets first when practicable. Parkersburg did not have any designated net assets as of June 30, 2009.

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

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

- p. *Federal Financial Assistance Programs*—Parkersburg distributes student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2009, Parkersburg received and disbursed approximately \$5.7 million under these federal student aid programs.
- q. *Government Grants and Contracts*—Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. Parkersburg recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to three years.
- r. *Income Taxes*—Parkersburg 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.
- s. *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 statement of cash flows.
- t. *Risk Management*—The State's Board of Risk and Insurance Management (BRIM) provides general liability, property and auto insurance coverage, to Parkersburg and its employees. Such coverage is provided to Parkersburg by BRIM through a self-insurance program maintained by BRIM for general liability and auto insurance coverage. BRIM maintains a self-insurance program to pay the first \$1,000,000 of each property insurance claim and purchases excess property insurance from the commercial insurance market to cover individual claims that exceed \$1,000,000. The BRIM self-insurance programs may involve experience and exposure related premiums.

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

- u. *Use of Estimates*—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
- v. *Newly Adopted Statements Issued by the GASB*—During 2009, Parkersburg adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, as required. The adoption of this statement had no impact on the financial statements.

During 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement identifies the sources of accounting principles and provides the framework for selecting the principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with generally accepted accounting principles. Parkersburg adopted GASB Statement No. 55 upon issuance.

During 2009, the GASB also issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This statement establishes accounting and financial reporting standards for related party transactions, subsequent events, and going concern considerations. Parkersburg adopted GASB Statement No. 56 upon issuance.

- w. *Recent Statements Issued by GASB*—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. Parkersburg has not yet determined the effect that the adoption of GASB Statement No. 51 may have on the accompanying 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. Parkersburg has not yet determined the effect that the adoption of GASB Statement No. 53 may have on the accompanying financial statements.

### 3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30, 2009 (dollars in thousands):

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Cash on deposit with the Treasurer	\$ 8,125	\$ -	\$ 8,125
Cash on deposit with Trustee	-	426	426
Cash in Bank	161	-	161
Cash on Hand	1	-	1
	<u>\$ 8,287</u>	<u>\$ 426</u>	<u>\$ 8,713</u>

*Cash on deposit with the Treasurer.* These bank balances are insured by the Federal Deposit Insurance Corporation or collateralized by securities held as collateral by the bank in the name of the State.

*Cash on Deposit with Trustee.* Cash on deposit with Trustee represents various project revenue, repair and replacement and debt service accounts held by the Trustee. Bank balances are insured by the Federal Deposit Insurance Corporation or collateralized by securities, held as collateral by the bank, in the name of the State.

*Cash in Bank.* Carrying amounts of cash in the bank at June 30, 2009 was \$161,000, as compared with the bank balance of \$1.0 million. The difference is primarily caused by outstanding checks and items in transit. Bank balances are 100% insured by the Federal Depository Insurance Corporation through December 31, 2013 and are collateralized in the name of the State.

*Cash on Hand.* Imprest funds approved by the Treasurer comprise the cash on hand.

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 Commission may invest in, three are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, and WV Short Term Bond Pool.

## **Cash Liquidity**

### **WV Money Market**

**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, 2009, 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, specific information on the credit ratings of the underlying investments of the pool have not been provided.

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, 2009, the WV Money Market Pool investments had a total carrying value of \$2,570,261,000, of which Parkersburg's ownership represents .28%.

### **WV Government Money Market Pool**

**Credit Risk** — For the year ended June 30, 2009, the WV Government 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, specific information on the credit ratings of the underlying investments of the pool have not been provided.

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, 2009, the WV Government Money Market Pool investments had a total carrying value of \$283,826,000, of which Parkersburg's ownership represents .02%.

### **WV Short Term Bond 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 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) at June 30, 2009:

Security Type	Credit Rating*		2009	
	Moody's	S & P	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	Aaa	AAA	\$ 16,402	5.21%
	Aaa	NR	5,136	1.63
	Aa3	AAA	223	0.07
	Aa2	AAA	461	0.15
	A3	AAA	273	0.09
	Baa2	AAA	831	0.26
	Baa1	BBB**	332	0.10
	Baa2	BBB**	1,376	0.44
	Ba3	AAA	645	0.20
	B1	AAA	779	0.25
	B2	B**	493	0.16
	B2	CCC***	539	0.17
	B3	AAA	949	0.30
	Caal	BB**	254	0.08
	NR	AAA	679	0.22
		<u>29,372</u>	<u>9.33</u>	
Corporate bonds and notes	Aaa	AAA	47,204	14.99
	Aa1	AA	4,445	1.41
	Aa1	A	2,052	0.65
	Aa2	AAA	3,040	0.96
	Aa2	AA	9,066	2.88
	Aa3	A	7,831	2.49
	A1	AA	4,813	1.53
	A1	A	5,522	1.75
	A2	A	32,040	10.17
	A3	A	7,024	2.23
	Baa3	A	2,067	0.66
		<u>125,104</u>	<u>39.72</u>	
U.S. agency bonds	Aaa	AAA	60,250	19.13
U.S. Treasury notes***	Aaa	AAA	88,805	28.20
U.S. agency mortgage backed securities****	Aaa	AAA	4,975	1.58
Money Market Funds	Aaa	AAA	6,426	2.04
		<u>\$ 314,932</u>	<u>100.00</u>	

\*NR = Not Rated

\*\*The securities were not in compliance with BTI Investment Policy at June 30, 2009. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI Management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

\*\*\*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, 2009, Parkersburg's ownership represents .04% 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 at June 30, 2009:

Security Type	2009	
	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 212,010	1
U.S. Treasury bills	483,714	69
Commercial paper	592,479	32
Certificates of deposit	128,402	56
U.S. agency discount notes	635,602	57
Corporate notes	73,812	38
U.S. agency bonds/notes	294,019	70
Money market funds	150,223	1
	<u>\$ 2,570,261</u>	<u>47</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 at June 30, 2009:

Security Type	Carrying Value (in Thousands)	WAM (days)
Repurchase agreements	\$ 53,000	1
U.S. Treasury bills	74,424	94
U.S. agency discount notes	87,662	55
U.S. agency bonds/notes	68,608	37
Money market funds	132	1
	<u>\$ 283,826</u>	<u>51</u>

The overall effective duration 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 effective duration for the various asset types in the WV Short Term Bond Pool at June 30, 2009:

<b>Security Type</b>	<b>Carrying Value (In Thousands)</b>	<b>Effective Duration (Days)</b>
U.S. Treasury bonds/notes	\$ 88,805	917
Corporate notes	125,104	559
Corporate asset backed securities	29,372	622
U.S. agency bonds/notes	60,250	752
U.S. agency mortgage backed securities	4,975	540
Money market funds	6,426	1
	<u>\$ 314,932</u>	<u>691</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's 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 were as follows at June 30, 2009 (dollars in thousands):

Student tuition and fees, net of allowances for doubtful accounts of \$6	\$ 85
Grants and contracts receivable	146
Other	46
Due from other State agencies	24
	<u>\$ 301</u>

#### 5. CAPITAL ASSETS

Balances and changes in capital assets were as follows at June 30, 2009 (dollars in thousands):

	<u>Transfers</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 913	\$ -	\$ -	\$ 913
Construction in progress	1,712	1,596	(273)	3,035
Total capital assets not being depreciated	<u>\$ 2,625</u>	<u>\$ 1,596</u>	<u>\$ (273)</u>	<u>\$ 3,948</u>
Other capital assets:				
Land improvements	\$ -	\$ 89	\$ -	\$ 89
Buildings	16,612	709	-	17,321
Equipment	2,282	350	(114)	2,518
Library books	1,983	30	(2)	2,011
Infrastructure	1,796	-	-	1,796
Total other capital assets	<u>22,673</u>	<u>1,178</u>	<u>(116)</u>	<u>23,735</u>
Less accumulated depreciation for:				
Land improvements	-	(5)	-	(5)
Buildings	(8,389)	(345)	-	(8,734)
Equipment	(1,558)	(156)	105	(1,609)
Library books	(1,822)	(38)	(17)	(1,877)
Infrastructure	(1,301)	(79)	-	(1,380)
Total accumulated depreciation	<u>(13,070)</u>	<u>(623)</u>	<u>88</u>	<u>(13,605)</u>
Other capital assets, net	<u>\$ 9,603</u>	<u>\$ 555</u>	<u>\$ (28)</u>	<u>\$ 10,130</u>
Capital Assets Summary:				
Capital assets not being depreciated	\$ 2,625	\$ 1,596	\$ (273)	\$ 3,948
Other capital assets	<u>22,673</u>	<u>1,178</u>	<u>(116)</u>	<u>23,735</u>
Total cost of capital assets	25,298	2,774	(389)	27,683
Less accumulated depreciation	<u>(13,070)</u>	<u>(623)</u>	<u>88</u>	<u>(13,605)</u>
Capital assets, net	<u>\$ 12,228</u>	<u>\$ 2,151</u>	<u>\$ (301)</u>	<u>\$ 14,078</u>

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

Parkersburg capitalized interest on borrowings, net of interest earned on related debt of \$39,000 during fiscal year 2009.

## 6. LONG-TERM LIABILITIES

Balances and changes in long-term liabilities were as follows at June 30, 2009 (dollars in thousands):

	<u>Transfers</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Other post employment benefits liability	\$ 185	\$ 237	\$ -	\$ 422	
Debt service assessment payable					
to the Commission	562	-	(130)	432	\$ 137
Leases payable	3,317	-	-	3,317	
Other noncurrent liabilities	16	-	(15)	1	
Total long-term liabilities	<u>\$ 4,080</u>	<u>\$ 237</u>	<u>\$ (145)</u>	<u>\$ 4,172</u>	

## 7. OTHER POST EMPLOYMENT BENEFITS

Under GASB Statement No. 45, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2009, the noncurrent liability related to OPEB was \$421,810. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees were \$787,680 and \$380,610, respectively, during 2009. As of the year ended June 30, 2009, there were 28 retirees receiving these benefits.

## 8. LEASES PAYABLE

- a. *Operating*—Future annual minimum lease payments on operating leases for years subsequent to June 30, 2009 are as follows (dollars in thousands):

<b>Fiscal Year</b>	
<b>Ending June 30,</b>	
2010	\$ 90
2011	75
2012	12
<b>Total</b>	<b>\$ 177</b>

Total rent expense for these operating leases for the year ended June 30, 2009 was approximately \$103,000. Parkersburg does not have any non-cancelable leases.

- b. *Capital*—Parkersburg leases certain property, plant and equipment under capital leases. Leased assets totaled \$3.3 million at June 30, 2009. Future annual minimum lease payments on capital assets are as follows (dollars in thousands):

<b>Fiscal Year</b>	
<b>Ending June 30,</b>	
2010	\$ 182
2011	252
2012	263
2013	274
2014	291
2015-2019	1,693
2020-2024	1,622
<b>Future minimum lease payments</b>	<b>4,577</b>
<b>Less interest</b>	<b>(1,260)</b>
<b>Total</b>	<b>3,317</b>
<b>Current Portion</b>	<b>-</b>
<b>Noncurrent Portion</b>	<b>\$ 3,317</b>

The \$182,000 due for the fiscal year ending June 30, 2010 is interest only.

## **9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS**

Parkersburg is a State institution of higher education. It receives a State appropriation in partial support of its operations. In addition, Parkersburg is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of Parkersburg'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 within the Council. Financing for these facilities was provided through revenue bonds issued by either the former Board of Regents, the former University System of West Virginia, the former State College System of West Virginia or the former Interim Governing Board (collectively, the "Boards"). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Commission assesses each public institution of higher education for funds to meet the payment of debt service on these various bonds. Certain tuition and registration fees (referred to as system 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 an institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. The bonds remain a capital obligation of the Commission; however, effective June 30, 2002, an amount of principal related to each institution was reported as debt service assessment payable to the Commission by each institution and as a receivable by the Commission.

The Commission issued 2004 Series B Higher Education Facilities Revenue Bonds (the "HEPC 2004 B Bonds") in August 2004 to provide funds for capital improvements at institutions of higher education throughout the State's universities and colleges, including Parkersburg. The HEPC 2004 B Bonds are secured by the pledge of higher education institutions' tuition and registration fees as well as excess lottery revenues. The HEPC 2004 B Bonds are considered an indirect obligation of Parkersburg and the principal amount of the bonds related to Parkersburg is not reported as a payable to the Commission.

## **10. RETIREMENT PLANS**

Substantially all full-time employees of Parkersburg 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 Parkersburg 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.

The STRS is a cost sharing, defined benefit public retirement system. Employer and employee contribution rates are established annually by the State Legislature. The

contractual maximum contribution rate is 15%. Parkersburg accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for the year ended June 30, 2009. Required employee contributions are at the rate of 6% of total annual salary for the year ended June 30, 2009. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years salary out of the last 15 years) multiplied by the number of years of service.

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

Total contributions to the STRS for the year ended June 30, 2009 were approximately \$59,000, which consisted of approximately \$42,000 from Parkersburg and approximately \$17,000 from the covered employees.

The TIAA-CREF and Educators Money are defined contribution plans in which benefits are based upon amounts contributed plus investment earnings. Each employee who elects to participate in these plans are required to make a contribution equal to 6% of total annual compensation. Parkersburg simultaneously matches the employees' 6% contribution. Contributions are immediately and fully vested.

Total contributions to the TIAA-CREF for the year ended June 30, 2009 were approximately \$1 million, which consisted of approximately \$500,000 from Parkersburg and approximately \$500,000 from the covered employees.

Total contributions to Educators Money for the year ended June 30, 2009 were approximately \$24,000, which consisted of approximately \$12,000 from Parkersburg and approximately \$12,000 from the covered employees.

Parkersburg's total payroll for the year ended June 30, 2009 was approximately \$10.4 million and total covered employees' salaries in the STRS, TIAA-CREF and Educators Money were \$279,000, \$8.4 million and \$207,000 in fiscal year 2009, respectively.

## **11. WVU AT PARKERSBURG FOUNDATION, INC.**

The Foundation is a separate nonprofit organization incorporated in the State that has as its purpose "to provide, encourage and assist in the development and growth of Parkersburg and to render service and assistance to Parkersburg, its faculty, students, and alumni, and to the citizens of the State of West Virginia." Oversight of the Foundation is the responsibility of an independently elected Board of Directors, not otherwise affiliated with Parkersburg. In carrying out its responsibilities, the Board of Directors of the Foundation forms policy and maintains fiscal accountability over funds administered by the Foundation. The Foundation's financial statements are discretely presented as part of Parkersburg's financial statements in accordance with GASB Statement No 39.

During the year ended June 30, 2009, the Foundation contributed \$107,337 to Parkersburg for grants and scholarships.

## **12. CONTINGENCIES**

The nature of the educational industry is such that, from time to time, claims will be presented against colleges and universities on account of alleged negligence, acts of discrimination, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. In the opinion of management, all known claims are covered by insurance or are such that an award against Parkersburg would not impact seriously on the financial status of Parkersburg.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Management believes disallowances, if any, would not have a significant financial impact on Parkersburg's financial position.

Parkersburg owns various buildings that are known to contain asbestos. Parkersburg is not required by Federal, State or Local Law to remove the asbestos from its buildings. Parkersburg is required by Federal Environmental, Health and Safety Regulations to manage the presence of asbestos in the buildings in a safe condition. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. Parkersburg 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.

**13. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION**  
**(Dollars in Thousands)**

Parkersburg's operating expenses by functional and natural classification are as follows:

Functional Classification	Year Ended June 30, 2009							Total
	Salaries & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Assessments by the Commission	
Instruction	\$ 6,646	\$ 1,745	\$ -	\$ -	\$ 1,853	\$ -	\$ -	\$ 10,244
Public Service	38	13	-	-	8	-	-	59
Academic Support	602	169	-	-	318	-	-	1,089
Student Services	896	284	-	-	288	-	-	1,468
Operation and Maintenance of Plant	674	306	-	541	762	-	-	2,283
General Institutional Support	1,441	477	-	-	663	-	-	2,581
Student Financial Aid	-	-	4,852	-	-	-	-	4,852
Auxiliary Enterprises	73	9	-	-	73	-	-	155
Depreciation	-	-	-	-	-	623	-	623
Assessments by Commission for Operations	-	-	-	-	-	-	75	75
<b>Total Expenses</b>	<b>\$ 10,370</b>	<b>\$ 3,003</b>	<b>\$ 4,852</b>	<b>\$ 541</b>	<b>\$ 3,965</b>	<b>\$ 623</b>	<b>\$ 75</b>	<b>\$ 23,429</b>

## 14. COMPONENT UNIT'S DISCLOSURES - FOUNDATION

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

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

The WVU at Parkersburg Foundation, Inc. (The Foundation) is a non-profit corporation organized under the laws of the State of West Virginia. The purpose of the Foundation is to “provide, encourage, and assist in the development and growth of West Virginia University at Parkersburg and to render service and assistance to the University, its faculty, students and alumni, and to the citizens of the State of West Virginia”.

#### 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.

#### Net Asset Classification

In August, 2008, The Financial Accounting Standards Board issued a Staff Position entitled *Endowments of Not-for Profit Organization: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds (SFAS ACS 958)*. This pronouncement provides guidance on the net asset classification of donor-restricted endowment funds for a not-for profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006. (UPMIFA) The pronouncement also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of West Virginia adopted UPMIFA effective March 5, 2008. The Foundation has adopted SFAS ASC 958 for the year ended June 30, 2009. The Foundation is governed subject to its corporate bylaws and most contributions are subject to the terms specified by the Foundation. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation.

Under the terms of the Governing Documents and agreements with donors, the board of directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest or fund as the board in its sole discretion shall determine. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets represent the fair value of the original gift as of the date and the original value of subsequent gifts to the donor-restricted endowment funds.

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Endowment Investment and Spending Policies**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets.

The Foundation's investment and spending policies work together toward the achievement of this aim. The Foundation's investment objectives are: to maintain the purchasing power of its funds by preserving the real (after inflation) value of its assets; to provide the maximum flow of funds for grant making and operating expenses; and to ensure that an average net return is provided that at least matches or exceeds widely used comparison indices as they pertain to each asset allocation class.

To satisfy its investment objectives over long periods of time, the Foundation relies on a total return strategy in which investment returns are obtained through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Foundation's investment managers shall consider the long and short term needs of the Foundation in carrying out its charitable purposes, its present and anticipated financial requirements as have been communicated to them by the Foundation's representatives, expected total return on the Foundation's investments, price level trends, and general economic conditions.

### **Basis of Presentation**

The Foundation has adopted the provisions of the Statement of Financial Accounting Standards pronouncement entitled *Financial Statements of Not-for-Profit Organizations (SFAS ASC 958)*. Under this pronouncement, an organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

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

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

Permanently Restricted Net Assets – Net assets subject to donor imposed stipulations that they be maintained permanently by the organization. Generally, the donors of the assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Investment Management**

To facilitate the observance of the general intent of contributions and bequests, the Foundation maintains separate trust and/or fund accounts. The records of the Foundation are maintained by the United Bank Trust Department and Community Bank operations department.

### **Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the Foundation considers all cash accounts, which are not held for long-term investment and are not subject to withdrawal restrictions or penalties, and all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

### **Income Tax Status**

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

### **Investments**

The Foundation maintains its funds in a pooled investment account. Income of the investment pool is distributed based on the percentage relationship of the individual fund balance to the total of the fund balances involved. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the change in unrestricted net assets unless the income or loss is restricted by donor or law. Quoted market values are used to value investments. The Foundation does not require collateral to secure its investments.

The Foundation carries investments with readily determinable market values at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change of net assets in the accompanying Statement of Activities.

The Foundation accounts for its investments at fair value and are recorded on the Statement of Financial Position based on the inputs to the valuation techniques as follows:

#### Level 1

Financial assets are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The assets in level 1 include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government securities that are traded by dealers or brokers in active over-the-counter markets.

#### Level 2

Financial assets are valued using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 assets include corporate bonds and real property, including mineral rights.

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Investments (Continued)**

#### Level 3

Financial assets are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes alternative hedge funds.

### **Contributions and Contributions Receivable**

Contributions, including unconditional promises to give, are recognized as revenues in the period in which the Foundation is notified of their existence or upon receipt whichever is earlier. Contributions of assets other than cash are recorded at their estimated fair value. Contributions receivable are generally collected within one year and are recorded at their net realizable value. There was no allowance for uncollectible contributions receivable at June 30, 2009 based on managements detail review of the receivable balances. Accounts receivable are written off when determined uncollectible.

### **Advertising**

It is the policy of the Foundation to expense advertising costs as incurred. Advertising costs for the year ended June 30, 2009 were \$1,728.

## **NOTE 2: RISK AND UNCERTAINTIES AND USE OF ESTIMATES**

### **Use of Estimates**

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

### **Investment Risks**

The Foundation invests in various instruments, including fixed income, stocks, mutual funds, and real assets that, in general, are exposed to various risks associated with certain investment securities. It is reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

### **Uncertain Tax Positions**

A Financial Accounting Board Standard Interpretation entitled "Accounting for Uncertainty in Income Taxes" (FASB ASC 740) was issued in 2006 and clarifies the accounting for the recognition and measurement of uncertainties in income taxes for all entities, including not-for-profit organizations. In accordance with this pronouncement and related a related FASB Staff Position, "Effective Date of FASB

**NOTE 2: RISK AND UNCERTAINTIES AND USE OF ESTIMATES (CONTINUED)**

Interpretation No. 48 for Certain Nonpublic Enterprises” (also under FASB ASC 740), the Organization has elected to defer application of the provisions of the FASB Interpretation “Accounting for Uncertainty in Income Taxes” as of and for the year ended June 30, 2009. The Organization continues to account for uncertain tax positions in accordance with the principles of the Statement of Financial Accounting Standards entitled “Accounting for Contingencies,” (FASB ASC 450) under which liabilities for uncertain tax positions are recognized in the financial statements when it becomes probable a liability has been incurred and the amount can be reasonable estimated. Unless the deferral is extended further, the Organization will be required to adopt the provisions of Interpretation FASB ASC 740 for the year ended June 30, 2010. The Organization has not yet determined the effects of the adoption the adoption of the provisions of the Interpretation will have on the Organization’s financial statements.

**NOTE 3: POOLED INVESTMENT FUND**

The Pooled Investment Fund is stated at estimated market value in the financial statements. The following is an analysis of the composition of Foundation’s Pooled Investment Fund as of June 30, 2009:

	<b>MARKET VALUE</b>
<b>POOLED INVESTMENT FUND</b>	
Cash and Cash Equivalents	\$ 1,264,514
Mutual Funds	2,630,674
Corporate Bonds	1,034,277
Stocks	<u>466,822</u>
<b>TOTAL POOLED INVESTMENT FUND</b>	<b><u>\$ 5,396,287</u></b>

## NOTE 4: FAIR VALUE MEASUREMENTS

The Foundation uses fair value measurements of certain assets and liabilities to record fair value adjustments and to determine fair value disclosures. For additional information, refer to Note 1 "Summary of Significant Accounting Policies".

Fair values of assets measured on a recurring basis at June 30, 2009 are as follows:

FAIR VALUE MEASUREMENTS AT REPORTING DATE USING:				
	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS/LIABILITIES (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
<b>Investments</b>				
Corporate Bonds	\$ 1,034,277	\$ -0-	\$ 1,034,277	\$ -0-
Mutual Funds	2,630,674	2,630,674	-0-	-0-
Stocks	466,822	466,822	-0-	-0-
<b>Total Investments at Fair Value</b>	<b>\$ 4,131,773</b>	<b>\$ 3,097,496</b>	<b>\$ 1,034,277</b>	<b>\$ -0-</b>
<b>Other Assets</b>				
Mineral Rights	\$ 2,014	\$ -0-	\$ 2,014	\$ -0-

## NOTE 5: NET ASSETS

### Temporarily Restricted

Temporarily restricted net assets reflect amounts contributed by donors whose restriction has not been met either by time or use restriction.

As of June 30, 2009, temporarily restricted net assets were:

Cash in Sub Accounts - United	\$ 361,311
Pooled Investment Fund	3,685,553
Contribution and Accrued Receivables	142,470
Mineral Rights	2,014
<b>TOTAL</b>	<b>\$ 4,191,348</b>

## NOTE 5: NET ASSETS (CONTINUED)

### Permanently Restricted

As of June 30, 2009, permanently restricted net assets were:

Cash in Sub Accounts - United	\$ 4,860
Pooled Investment Fund	<u>1,525,919</u>
<b>TOTAL</b>	<b><u>\$ 1,530,779</u></b>

## NOTE 6: ENDOWED FUNDS

Endowment Funds constitute approximately 93% of the Foundation's invested assets. At this time, all of the endowed funds were created from donations restricted for scholarships under either permanent endowment or under temporary restrictions from agreements with donors. The pooled investment fund presented on the statement of financial position is an exclusive pooled fund of the WVU Parkersburg Foundation, Inc., created and managed for the endowed funds by a bank trust department. From time-to-time throughout the year, the various endowment funds purchase or sell equivalent unit shares in the pooled investment fund based on the cash and liquidity needs for each of the funds. The non-endowed funds are held in cash accounts and income liquid assets funds.

A summary of the net assets of the endowed and non-endowed funds and net changes therein consisted of the following from June 30, 2008 through June 30, 2009:

	<u>ENDOWED NET ASSETS</u>	<u>NON-ENDOWED ASSETS</u>	<u>TOTAL NET ASSETS</u>
Balance June 30, 2008	\$ 6,618,278	\$ 521,027	\$ 7,139,305
Net Change during the Year	<u>(1,127,887)</u>	<u>(88,793)</u>	<u>(1,216,680)</u>
Balance June 30, 2009	<u>\$ 5,490,391</u>	<u>\$ 432,234</u>	<u>\$ 5,922,625</u>

Contributions for the creation of new endowment funds under the "Building Toward Endowment Program" classified as unrestricted funds until such time as the new fund reaches the required amount in effect at the time of the creation of the fund to be reclassified as an endowment fund.

A reconciliation of endowed net assets with restricted and unrestricted net assets is as follows at June 30, 2009:

Endowed restricted net assets	\$ 5,490,391
Non-endowed restricted net assets	231,736
Unrestricted net assets	<u>200,498</u>
Total net assets	<b><u>\$ 5,922,625</u></b>

**NOTE 7: RELATED PARTY TRANSACTIONS**

The Foundation was organized to provide service and assistance to West Virginia University at Parkersburg. The Foundation reimburses the University for scholarships, faculty and staff development cost, the president’s fund, and certain equipment and supply expenditures that are approved by the Foundation. The following summarizes the transactions between the two organizations.

**Program Services Provided to West Virginia University at Parkersburg**

Scholarship/Grants	\$ 107,337
Faculty/Staff Development	\$ 69,553
Other Program Cost and Equipment Purchases	\$ 67,629

In addition to these monetary transactions, the University provides immaterial amounts for office space, use of office equipment, and accounting services to the Foundation at no charge.

United Bank is the investment manager of the Pooled Investment Funds. The Vice President of the Foundation is an employee of United Bank. During the year, United Bank received \$30,902 for fiduciary fees to maintain this account.

**NOTE 8: CONTINGENCIES**

**Cash in Excess of Federally Insured Limits**

From time to time, the Foundation maintains cash balances in any one financial institution exceeding insured balances by the Federal Deposit Insurance Corporation up to \$250,000 in aggregate. Management does not believe this condition presents and unusual risk to the Foundation.

**NOTE 9: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 9, 2009, the date which the financial statements were available for issue.

## 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 West Virginia University at Parkersburg Board of Governors:

We have audited the accompanying financial statements of West Virginia University at Parkersburg ("Parkersburg") as of June 30, 2009, and have issued our report thereon dated October 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Parkersburg'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 Parkersburg's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Parkersburg's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Parkersburg'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 West Virginia University at Parkersburg Board of Governors, management of Parkersburg and the West Virginia Council for Community and Technical College Education, 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.



October 19, 2009