

# *Annual Financial Report 2006-2007*



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## Mission

West Virginia University's primary mission is to provide high-quality programs of instruction at the undergraduate, graduate, and professional levels; to stimulate and foster both basic and applied research and scholarship; to engage in and encourage other creative and artistic work; and to bring the resources of the University to all segments of society through continuing education, extension, and public service activities.

West Virginia University's special responsibility is to discover, challenge, and create opportunities for West Virginia citizens, who can benefit from its programs—especially those who have demonstrated high achievement or who possess excellent potential. Those opportunities include the chance to conduct pioneering research and scholarship. The best and brightest

students and faculty will work together to create exciting and productive paths for investigation and development. The University nurtures these symbiotic interactions to build intellectual, social, and economic development for all of West Virginia.

West Virginia University recognizes that diversity enriches the institution and the society it serves. The University is committed to social justice and to practicing the principles of opportunity and affirmative action.



## Message from the Vice President for Finance & Administration

Dear Friends of WVU:

I am pleased to present West Virginia University's Annual Financial Report for fiscal year 2006-2007. The report provides useful information about the University's positive financial position and highlights significant accomplishments in several other areas, including the mission-critical areas of instruction, research, and service.

During 2007, the University continued to experience positive trends in enrollment, diversity of research, and the enhancement of our facilities.

Fall 2006 enrollment on the Morgantown campus was the highest in WVU history, exceeding 27,000 students. Preliminary Fall 2007 figures indicate enrollment will exceed 28,000 students, with more than 35,000 students at WVU campuses statewide. This fall's freshman class carries record-high credentials. The profile continues to improve beyond all previous freshmen classes, with incoming students substantially exceeding the national average in standardized test scores.

The University also completed a successful year in research and economic development, with faculty attracting approximately \$139 million in external funding for research and other sponsored programs. Cutting-edge research activities include forensics/biometrics, molecular and biomedical sciences, cancer treatment, information technology, energy and the environment, and astrophysics. The University's research enterprise continues to address diverse, interdisciplinary programs and engage in strategic partnerships that address challenges we face in today's global environment.

During the past year, resources were devoted to new and renovated facilities to enhance instruction, research, and clinical experiences. Academic buildings such as Brooks and Oglebay halls got complete makeovers and now include "smart" classrooms, new computer and virtual reality labs, wireless access, and more. New energy-efficient systems and the addition of an energy-conserving, "green" roof on Brooks creates an ecologically-friendly, vibrant learning environment. A new pedestrian bridge makes it easier for students and employees to travel across the Downtown Campus.

The new Library and Learning Center at the Health Sciences Center was completed this past year as well, and construction continues on the Blanchette Rockefeller Neurosciences Institute and the National Education and Technology Center. The University also began construction of a Biomedical Science Research Center and completed the construction of the Erma Byrd Building on Health Sciences Eastern Campus in Martinsburg.

The University's athletic programs also enjoyed many successes. WVU's football team won 11 games and capped the season with a Gator Bowl victory, while finishing in the Top 10 in consecutive seasons. The University's men's basketball team won its first National Invitation Tournament title since 1942. WVU athletes continued to shine in men's and women's soccer, women's basketball, gymnastics, swimming, rifle, wrestling, volleyball, cross country, and baseball.

Generous donors have contributed greatly to the University's success. During the past fiscal year, friends and alumni contributed over \$86 million to the WVU Foundation for the benefit of the University, and the Foundation disbursed \$43 million to support the University in various ways. Over the past 10 years, the Foundation has provided WVU with over \$339 million in direct support.

As these trends continue, we remain committed to fulfilling our academic, research, and service missions. Please take a few minutes to look at this report and see how we are contributing to a stronger future for the University and the State of West Virginia.

Sincerely,



Narvel G. Weese, Jr.  
Vice President for Finance & Administration  
West Virginia University

# Campuses

## *West Virginia University–Main Campus*

West Virginia University's Main Campus, located in Morgantown, West Virginia, was established in 1867 as a federal land-grant institution. WVU combines the breadth of academic opportunities offered by a major research institution with the atmosphere of a small school; the undergraduate student/faculty ratio is 23:1. Enrollment in one of the University's 13 colleges and schools offers students the warmth and friendliness of a small academic community. The University encourages diversity and promotes social justice in all of its activities.

A wide range of health sciences programs are taught at the Robert C. Byrd Health Sciences Center through schools of medicine, dentistry, nursing, and pharmacy, including allied health programs and graduate programs in basic health sciences.



## *Potomac State College of West Virginia University*

Since its inception in 1901, Potomac State College has continually maintained an affiliation with West Virginia University, whether as a branch campus, a junior college, or a regional campus. History was again made on July 1, 2005, when the College became a fully integrated division of WVU resulting in expanded services and course offerings among other benefits to students on the Keyser campus.

The College offers more than 50 associate degrees for transfer, eight associate of applied science degrees for career development, as well as two bachelors of applied science degrees in Business Management and Criminal Justice, and WVU's Regents Bachelor of Arts (RBA) program.

Potomac State College believes in the total development of the individual student. Therefore, we are committed to providing an environment that supports intellectual, creative, cultural, physical, and social enrichment.

## *West Virginia University at Parkersburg*

West Virginia University at Parkersburg was founded in 1961 as the "Parkersburg Branch of West Virginia University." West Virginia University at Parkersburg is a separately accredited campus of West Virginia University, dedicated primarily to anticipating and responding to the higher education needs of its service area and to facilitate access for residents of its region. The mission of West Virginia University at Parkersburg is to provide appropriate community-based educational programs that offer area residents opportunity in pursuing a broad range of educational goals, including lifelong learning.

## *West Virginia University Institute of Technology*

West Virginia University Institute of Technology (WVUIT) was established by the State Legislature in 1895 as "Montgomery Preparatory School," a fully integrated division of West Virginia University. The college was independent from West Virginia University between the early 1900s and July 1996, when it became a regional campus of WVU. As West Virginia's only public institute of technology, the school provides degree programs with a strong engineering, scientific, or technological emphasis and other degree programs for which there is significant need and student clientele.

## *The Community and Technical College at WVUIT*

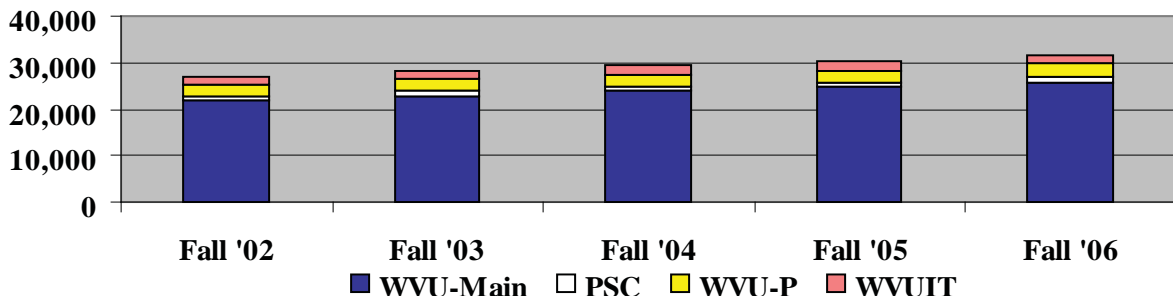
Co-located on the campus of WVU Tech in Montgomery, the Community and Technical College at WVU Tech (CTC at WVU Tech) received independent North Central Association accreditation in February 2004. The mission statement affirms that the college promotes excellence in teaching, learning, and service; prepares the current and future workforce; and provides lifelong educational opportunities. The college accomplishes this mission by offering traditional academic programs in areas such as engineering technology, dental hygiene, printing technology, business technology, and computer technology, and through designing customized training in technical fields for business and industry.

# Student Achievements and Enrollment

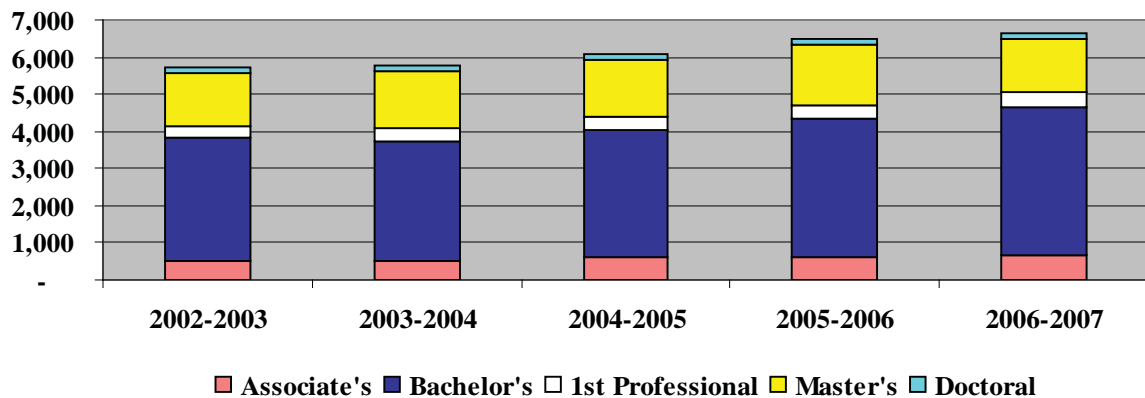
WVU is a national university with students from all 55 counties of West Virginia, from 49 states and the District of Columbia, 91 countries, and three US territories (Puerto Rico, Guam, and the Virgin Islands). Fall 2006 enrollment for West Virginia University and its regional campuses was a record high 35,017 and, of those students, over 64 percent were West Virginia residents. Below is a table of the student headcount enrollment for the fall 2006 semester, end-of-term for West Virginia University's main campus and three regional campuses.

Student Level	Undergraduate	Graduate	1st Professional	WV Resident*	% WV Resident
WVU-Main	20,611	5,378	1,421	15,468	56%
PSC	1,510	0	0	1,180	78%
WVU-P	3,929	0	0	3,820	97%
WVUIT	2,161	7	0	2,001	92%

**West Virginia University FTE Enrollment  
Fall 2002 Through Fall 2006**



**Degrees Conferred for Academic Years 2002-2003 Through 2006-2007**



Among West Virginia University's proudest honors are the 25 students who have been chosen to receive Rhodes Scholarships to study at Oxford University, the 19 Truman Scholars who have been recognized for their public service efforts, the 30 Goldwater Scholars who have demonstrated academic excellence in the sciences, the two Marshall Scholars, funded by the British government to commemorate the humane ideals of the European Recovery Program, and two Udall Scholars recognized for their commitment to the environment.

## College of Business and Economics



Dr. George Hammond talks to the media during the Charleston Economic Outlook Conference.

The WVU College of Business and Economics teaches students to make decisions, manage information, and work as leaders in a diverse workforce.

### Teaching

- The WVU Entrepreneurship Center in the College of Business and Economics expanded its great ideas search to the entire state and named it the 2007 West Virginia Open for Business Statewide Student Business Competition. Two \$10,000 prizes were awarded to winners from ten, finalist student teams. The process began with 50 teams at seven colleges.
- The BB&T Charitable Foundation contributed \$1.75 million to establish a BB&T Chair in Free Market Thought, enabling the College to attract a national scholar in that field and to enhance the school's free market research and teaching programs.

### Research

- The College's Bureau of Business and Economic Research presented forecasts for the future of the state and various regions at economic outlook conferences in Charleston, Martinsburg, Morgantown, and Wheeling. Between 150 to 200 business and government leaders attended each event.
- A student research project showing that older Americans are at risk of having their incomes fall short of expenses was published in the *Journal of Financial Planning* and picked up by the *Wall Street Journal*. Written by Natalie Wesley, now an accounting graduate, with her mentors Dr. Richard Riley and Dr. Ade Neidermeyer, the paper won

first place in the physical science, math, and computer science divisions at the Southeastern Association of Educational Opportunity Program Personnel meeting.

- The College's James Clark Coffman Distinguished Chair, Russ Sobel, appeared on a *CSPAN2* panel discussion about the Hurricane Katrina aftermath; *CBS Evening News* interviewed him about his views on the Federal Emergency Management Agency. He has published several papers on the subject. Stories about his research have appeared in *The New York Times*, *The Washington Post*, and *The Economist* magazine.

### Service

- Three College representatives helped update the state's tax system as members of the Tax Modernization Project, which was launched in May 2006 by West Virginia Governor Joe Manchin. Dr. Tom Witt, director of the Bureau of Business and Economics, and his research associates served on the project's advisory committee.
- Morgantown's *The Dominion Post* praised the College's Corporate Citizenship Project, a class that uses real money (\$20,000 the class gives to local charities) to educate students about social responsibility and philanthropy.

## College of Creative Arts

The College of Creative Arts is composed of the Divisions of Art, Music, and Theatre and Dance. With more than 100 faculty and staff and nearly 800 students, the College is small enough to provide intimate classes, one-on-one instruction, and a close community of friends.

Music student Yew Choong Cheong, who plays and studies classical piano despite a loss of hearing, won the 2007 International Young Soloists Award given by VSA. As one of four recipients from around the world to receive this honor, Yew Choong performed at the John F. Kennedy Center for the Performing Arts in Washington, D.C., in the spring of 2007.



Music student Yew Choong Cheong and Music Professor Peter Amstutz.

### Teaching

- The WVU Ceramics Program celebrated the grand opening of its new building complex at the Jingdezhen Ceramic Institute in China during fall 2006. The Division of Art has offered a comprehensive summer study program in ceramics at the world-renowned institute since 1995 and will soon offer classes year-round.
- The WVU Division of Music joined with the WVU Office of International Programs and WVU Extended Learning to create a four-year exchange program between the United States and Brazil called “Music Alive!” The program is supported by a Fund for the Improvement of Postsecondary Education grant and will feature curriculum developed by WVU music faculty.

### Research

- Joann Siegrist, professor of theatre and head of the Creative Dramatics and Puppetry Program in the Division of Theatre and Dance, published the book, *Puppet Heroes from Around the World*, in 2006. The text features puppetry from nine cultures, stories of their heroes, and ways to bring them alive through classroom study and perfor-

mance. Illustrations for the book were created by William Winsor, associate professor of theatre and dance and associate dean of the College of Creative Arts.

- Associate Professor of Music Mary Ferer’s article, “Thomas Crecquillon and the Cult of St. Cecilia,” was published in *Beyond Contemporary Fame: Reassessing the Art of Clemens non Papa and Thomas Crecquillon*. The research was first presented at a conference in Utrecht, the Netherlands, in April of 2003. In addition, Ferer later presented papers on the musical veneration of St. Cecilia in the Renaissance and on music and ceremony at the court of Charles V at the international meetings of the Sixteenth Century Society.

### Service

- Some of the world’s top musicians, soloists, and conductors performed at the Creative Arts Center during 2006-2007 as part of the Pittsburgh Symphony Series made possible through a partnership between the College of Creative Arts and the Pittsburgh Symphony Orchestra.
- The College of Creative Arts established the Department of Community Arts, which expands the outreach programs and art, music, theatre, and dance classes that it currently provides to the local community. In addition to providing classes at the Creative Arts Center, the program is working with local after-school programs and other groups to help promote the arts in the Morgantown area.



Community Arts Puppetry Class in 2006.



## *The Davis College of Agriculture, Forestry, and Consumer Science*

The Davis College addresses some of the most basic needs of society—a healthy and safe food supply, environmentally sound and sustainable economic development, and education.

### **Teaching**

- The Davis College continued to build on its range of academic offerings, developing minors in arboriculture, conservation ecology, and equine management.
- Joe Moritz, an assistant professor of poultry science, was awarded the Land O'Lakes/Purina Mills Teaching Award. The annual award of \$1,500 and an engraved plaque is presented to a member of the Poultry Science Association who, over a period of years, has demonstrated outstanding success as a teacher.

### **Research**

- Faculty in the College's Division of Forestry and Natural Resources were ranked first in research publications per faculty member in a survey by the *Journal of Forestry*.
- The Davis College's research program in agricultural and resource economics has been ranked eighth in the nation in a faculty scholarly productivity index generated by Academic Analytics and published in *The Chronicle of Higher Education*.

- The Davis College and WVU Extension Service earned an important ranking from the National Science Foundation. WVU's ranking for expenditures in agricultural research improved from 50<sup>th</sup> to 41<sup>st</sup> place among colleges and universities in the United States.
- The National Association of University Forest Resource Programs and the National Woodland Owners Association presented the 2006 Family Forests Education Award to WVU's Appalachian Hardwood Center. The award recognizes university programs that benefit non-industrial private forest landowners.

### **Service**

- The Chi Chapter of Sigma Alpha was recognized for having the highest cumulative grade point average among the sorority's 80 collegiate chapters. A professional agricultural sorority, Sigma Alpha promotes scholarship, leadership, service, and fellowship.
- A group of WVU students raised "A-WEAR-ness" of apparel recycling and supported a charitable organization. Students in textiles, apparel, and merchandising collected worn, usable, and unusable garments and textile products during November.



Each summer, the Davis College offers a travel course introducing students to workplaces in a variety of industries. This group visited equine industry sites in West Virginia and Kentucky.



Each year, the Davis College's multidisciplinary organic farming research project hosts a field day for interested gardeners, producers and consumers, bringing them up to date on new developments and techniques.

## *Eberly College of Arts & Sciences*

The Eberly College is the largest and most diverse of WVU's colleges and schools, providing more than 60 undergraduate majors and minors and playing a role in the education of every WVU undergraduate student. Eberly showed an increase in undergraduates from 2005-2006 to 2006-2007: from 3,109 students to 3,285 students; similarly graduate enrollment increased from 1,183 in 2005-2006 to 1,203 in 2006-2007.

### **Teaching**

- The College welcomed 21 new faculty members in the fall of 2007, including Dr. Peter Carmichael, the first Eberly Professor of Civil War Studies.
- The Eberly College of Arts and Sciences commenced two new academic programs in 2006-2007. The Chinese Studies Program was initiated with the assistance of a \$2 million gift from the estate of J. Vance and Florence Highland Johnson. The Chinese Studies Program will re-enforce the importance of foreign language mastery and foreign study and the endowment will support a student fund for study abroad, a library fund, and two professorships. In addition, ECAS created a Slavic and East European Studies program designed to educate students in the region's unique history, culture, and languages.

### **Research**

- The Eberly College's external funding increased from \$7 million in 2005-2006 to \$9 million in 2006-2007.
- In 2006-2007, Eberly received a renewal grant from Landmark Graphics Corporation of Houston, Texas, which provides the Department of Geology and Geography with over \$8 million in state-of-the art software solutions contributing significantly to energy research and education.
- Drs. Duncan Lorimer and Maura McLaughlin, assistant professors in the Department of Physics, received \$1.4 million from the West Virginia Higher Education Policy Commission to expand the Radio Astronomy Program and to create a world-class center for astrophysics at WVU.
- Dr. Hawley Montgomery-Downs, an assistant professor of psychology, received a \$250,000 grant from the National Institutes of Health to begin a two-year study on postpartum mothers' sleep.

## *College of Engineering and Mineral Resources*

The College of Engineering and Mineral Resources is dedicated to the development of engineering practice, science, and research. The College has provided excellence and innovation in engineering education for our state and region for more than 120 years.

### **Teaching**

- In 2006-2007, the College attracted several talented new faculty members with expertise in biomedical engineering, materials science, nanotechnology, and other areas. These new faculty members, in turn, are attracting talented students at both the undergraduate and graduate levels.
- With private support, the College was able to add two new, named, endowed distinguished professorships in civil and environmental engineering that attract and retain talented faculty members and high-quality students.
- The College of Engineering and Mineral Resources has enhanced its learning environment through \$22 million in improvements to labs and classrooms in the past several years. It has also increased opportunity for participation in research by undergraduates, and increased opportunities for internships and service learning.

### **Research**

- Research expenditures and new awards continue to expand. In 2006-2007, the College conducted approximately \$24 million in annual research.
- The Department of Mechanical and Aerospace Engineering is among the top departments of its type nationally in terms of research expenditures. The Center for Alternative Fuels, Engines, and Emissions performed approximately \$6 million in externally funded research and the department performed approximately \$9 million of research.
- Other major research programs include advanced materials, energy, and information technology. The College also enjoys an excellent reputation in biometrics, communications, energy, mining, and software engineering.

### **Service**

- The College's Engineers of Tomorrow Program, funded by the National Science Foundation, reaches out to high-school students from Appalachia, especially minorities and women, and encourages them to consider career opportunities in engineering. The WVU National Society of Black Engineers and Society of Women Engineers chapters also promote efforts to welcome and provide support for minority and female students.
- The Extension and Outreach unit provides year-round, on-site technical assistance and training for manufacturers and for the coal mining industry. Jim Dean, director of mining extension, played a major role during 2006-2007 in helping West Virginia respond to the need for enhanced miner safety following the Sago mine disaster. Other College faculty also play an important role in assisting the state respond to the need for new mine regulations and technology through research and technical assistance.

## Extended Learning



*Summer One Fingers in Japan.*

WVU Extended Learning's mission is to provide seamless access to academic courses, lifelong learning opportunities, and student services through a personalized yet convenient process. Extended Learning promotes greater educational access to improve the economic, health, and well-being of the citizens of West Virginia and our global society.

Adults who are not able to attend classes in Morgantown have access to 30 programs and degrees. Programs currently include:

- 12 graduate degrees and two graduate certificates entirely online
- Seven undergraduate minors that contribute to two flexible degree completion options—multidisciplinary studies and regents bachelor of arts
- Nine blended degrees in which the majority of course work is available online, but also includes some on-campus participation
- Seven graduate degrees offered on-site in West Virginia communities

WVU's entrepreneurial models for academic outreach and summer session are nationally recognized as innovative and fiscally responsive. The models provide incentives to Colleges that meet student demand. In 2005-2006, Extended Learning awarded nearly \$11 million dollars to colleges for enrollments in online, off-campus, and summer session programming.

Extended Learning invested nearly \$500,000 in WVU eCampus software, faculty and course development, and institutional infrastructure that enabled advancements in student access and services in 2005-2006. This financial support, in combination with the University's service as host to the Blackboard Enterprise System (the framework for the WVU eCampus system), has facilitated campuswide rapid and broad use of instructional technologies.

WVU has achieved an all-time high in online and off-campus academic enrollments and offerings. In the fall of 2006, 26,265 students enrolled in nearly 2,000 eCampus courses. Because some students enrolled in multiple courses, overall student "seats" reached 80,175 users. Nearly 1,000 faculty had course content in eCampus for the fall term.

Extended Learning now offers continuing and professional education courses online. Through e-services, lifelong learners have access anytime and from anyplace to online registration, payment, and over 50 courses that include topics, such as personal finance management, forensics, substitute teaching, and parish nursing.

A customer service center with a toll-free telephone number, [el-earn@wvu.edu](mailto:el-earn@wvu.edu), an enhanced Web page ([www.elearn.wvu.edu](http://www.elearn.wvu.edu)), and regional recruiters provide quick and easy avenues for students beyond the Morgantown campus. Every day, individuals connect with WVU from their homes or workplace from across the globe. Each term, over 2,000 students take advantage of WVU's accessible programming for career advancement, professional development, and personal enrichment.

## College of Human Resources and Education

The WVU College of Human Resources and Education brings together future teachers, school counselors, speech-language pathologists, audiologists, rehabilitation counselors, higher education administrators, educational leaders, and others who care about education and the quality of people's lives.

The 2007 Faculty Academy, a week-long program that included an introduction to 21st Century learning frameworks and problem-based learning, intensive workshops on the tools of eCampus 4, and a series of workshops on integrating new technologies, featured: united streaming (an educational video service) and SmartBoards (now installed in several classrooms).

### Teaching

- The new Autism Certificate Program is available entirely online. It creates professional educators who can provide quality early intervention, special education, and adult habilitation services to individuals with an autism spectrum disorder from early childhood through adulthood.
- The Instructional Design and Technology Program was officially approved in the spring of 2007 and the first set of master's and doctoral students are taking courses in this program in the fall of 2007. The master's degree is designed for those interested in the design, use, and evaluation of technology in any educational setting. The doctoral program allows students to immediately apply knowledge and skills to pragmatic needs in education.

- Collaboration is a hallmark of the work done in the five-year teacher education program. Faculty from across departments and colleges exchange ideas as they design and implement learning experiences. The knowledge exchange that is ongoing between university-based and school-based educators ensures that WVU's five-year program represents the best of theory and practice.

### Research

- A \$30,000 grant from the Benedum Foundation funded research across the ten school/university partnerships in West Virginia. This research focused on determining the progress the partnerships were making against the National Council for Accreditation of Teacher Education Professional Development Schools Standards.
- The College's International Center for Disability Information mission is to perform research, training, and service programs to empower individuals with disabilities to obtain and maintain meaningful employment. The Center has grant support from the US Department of Labor for the Job Accommodation Network, a free consulting service designed to increase the employability of people with disabilities.
- The College receives support from the US Department of Education for Personal Assistance Services for Workers with Disabilities and Project Safe EV-AC, which works to improve emergency evacuation of people with disabilities.
- The Department of Special Education currently has four grants through the US Office of Special Education Programs. These grants provide educational support for students pursuing certification or graduate work in special education.
- The Rehabilitation Counselor Training and Rehabilitation Services Administration Scholars grant provides tuition and stipend assistance to students enrolled in WVU's Rehabilitation Counseling Program.

### Service

- Student Athletes Speak Out, a new DVD, features six WVU athletes sharing their views on topics such as drugs, courage and responsibility, academics, and caring and compassion. Produced under the direction of Dr. Carolyn Peluso Atkins, the DVDs were sent to every public middle school in West Virginia.
- Nineteen speech pathology graduate students participated in the 2007 Camp Gizmo, which is held at the West Virginia School for the Deaf and Blind in Romney and is for children, age birth through seven, who have assistive technology needs.



For 126 years, the West Virginia University College of Law has provided stimulating challenges and opportunities to students and has been the beginning of successful and exciting professional legal careers. As West Virginia's only law school, the WVU College of Law takes its responsibility to the people of West Virginia seriously.

One of the most significant developments of the College of Law during 2006-2007 was the receipt of a gift from the Maier Foundation that elevated the William J. Maier, Jr. Chair to a deanship. This new deanship will be very important as the College of Law conducts its search for its 16th dean, who will begin his/her tenure on July 1, 2008. The College of Law also celebrated the dedication of the Charles M. Love, Jr. Professorship in March 2007.

The National Moot Court Team, three third-year students, won the regional competition held in Richmond, Virginia, and advanced to the national finals in New York City. Erin Jones was selected as best oralist in the regional competition.

Leading national First Amendment constitutional law scholars gathered at the College of Law in March for a conference co-hosted by the American Constitution Society. The conference focused on the religion clauses as our nation enters the 21st Century.

The *West Virginia Law Review*, a student-run scholarly publication, hosted a conference on coal mine safety, "Thinking Outside the Box: A Post-Sago Look at Coal Mine Safety," and the College organized and hosted "Coal to Content," which focused on the economic development opportunities of intellectual property in West Virginia.

### Service

Law students in the clinical programs continued to assist low-income individuals with legal issues, including political asylum for clients in the immigration clinic and the acceptance of its first clients in the Innocence Project, which brings together the Law School and the WVU forensics program to help exonerate prisoners who were wrongly convicted in West Virginia.

## *The Perley Isaac Reed School of Journalism*



The WVU Perley Isaac Reed School of Journalism has been graduating mass communications specialists since 1939. While rooted in tradition, the School offers an innovative, student-centered curriculum and real-world experiences that prepare students for careers in 21st-Century mass communications. The 2006-2007 academic year was marked by continued enrollment growth, innovative teaching, and outstanding student achievements.

Since 1999, the School has more than doubled its enrollment and continues to rank in the top-five most popular majors at WVU. The School has also raised the academic profile of its direct-admit freshman cohort, with an average ACT score of 24, an average SAT score of 574, and an average GPA of 3.4.

The School has also experienced record growth in its off-campus and entrepreneurial programs. The entirely online Integrated Marketing Communications Master's Program—the first of its kind in the country—has grown from 17 students in the inaugural class of 2003 to 200 active students by the end of the 2007 spring term. The School's online advertising minor has experienced similar growth. In the summer of 2007, the School launched a public relations minor.

During the past year, the School brought to campus nationally renowned journalists, such as *New York Times* environmental reporter Andrew Revkin and two-time Pulitzer Prize-winning editorial cartoonist Mike Luckovich. Journalism Week 2007 focused on the merging of traditional journalism with multimedia storytelling and included *Yahoo! News*'s first solo journalist Kevin Sites, Pulitzer Prize-winning reporter Jim Sheeler, and independent multimedia journalists.

Students also are engaged in hands-on learning, using the latest multimedia technologies. Working across disciplines and using multiple formats—video, photography, print, and multimedia—students chronicled the stories of Hurricane Katrina evacuees

who were relocated to West Virginia. The students' work is showcased in the national-award-winning website, "Starting Over: Loss and Renewal in Katrina's Aftermath."

Throughout the year, students also gained practical, real-world experience through internships at Good Morning America, GolinHarris International, the Philadelphia Flyers, the West Virginia State Legislature, KDKA-TV, and KDKA-Radio. Two students placed in the highly competitive Hearst Competition, while the School's biweekly newscast, *WVU News* garnered several awards in the Society of Professional Journalists Region 4 Mark of Excellence competition, including first place for Television Newscast. And for yet another year, the School had a graduating senior recognized as one of the WVU's Outstanding Seniors and named to the Order of Augusta.

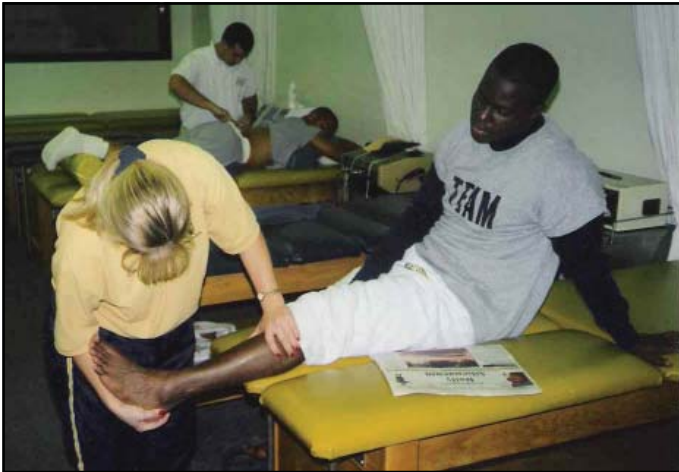
### **Service**

Since 2003, the School has spearheaded efforts to collect West Virginia veterans' histories, bringing the number of West Virginia histories in the Library of Congress to more than 250. A related project continues with the production of a multimedia documentary chronicling the untold stories of West Virginia's African American war veterans. The School has also partnered with Monroe County Schools to develop daily news programming on WHFI-FM, a community radio station.



*Monroe County High School students A.J. Sizemore (left) and Katie Spangler (right) interview student Cody Parker about a tractor competition at the school.*

## School of Physical Education



*Athletic training intern practicing taping on student athlete.*

The School of Physical Education promotes active participation in sport and physical activity across the life span. The School prepares future professionals in the areas of athletic training, athletic coaching, sport management, physical education teacher education, and sport and exercise psychology.

### Teaching

- The School of Physical Education established minors in personal training and aquatics facilities management.
- The School established adventure sport course offerings in basic instruction and lifetime activities program offerings.
- Internship and externship opportunities for students enrolled in sport management, athletic coaching education, and athletic training programs were expanded.

### Research

- The School's EdD degree was changed to a PhD in kinesiology.
- Faculty continue to conduct research in the areas of sport and exercise psychology, athletic training, sport management, physical education teacher education, and athletic coaching education.
- Dr. Linda Carson's Dance Dance Revolution Program continues to receive national acclaim. The program targets a reduction in childhood obesity.
- Fitness Information Technology (FIT) is the publication division of the International Center for Performance Excellence. The Center's mission is to promote, on a global basis, an awareness of the values of engaging in sport and health-related physical activity to enhance the quality of life. FIT publishes textbooks and journals and distributes them worldwide.

### Service

- The School of Physical Education celebrated the 20th year of the National Youth Sport Program on campus.
- The Choosy Kids Summer Camp continues to focus on activities to reduce childhood obesity.
- The Lifetime Activities Program provides classes to over 3,000 students, children, and adults.
- Dr. Linda Carson is also actively involved nationally in the Head Start Program's initiative "I am Moving—I am Learning."

## Athletics



The golden era of West Virginia University athletics is now—the Mountaineer athletic program has enjoyed its most successful season in the past few years, as West Virginia stood in the national spotlight on multiple athletic stages.

Leading the way for the Mountaineer faithful was the football team. Coach Rich Rodriguez's squad won eleven games, to post back-to-back eleven-win seasons for the first time in school history en route to capturing the Gator Bowl trophy in a thrilling 38-35 come-from-behind win over Georgia Tech. The Mountaineers also finished in the top-ten in consecutive seasons for the first time.

In men's basketball, the Mountaineers posted 27 wins for the first time in 25 years; senior Frank Young led his team to the school's first National Invitation Tournament title since 1942. WVU won 18 nonconference games, including a 70-65 upset of No. 2 UCLA in Morgantown.

The men's soccer team also had its most successful season. West Virginia posted a 15-3-3 overall record that included a

Big East regular season championship and a runner-up finish in the conference tournament. WVU was ranked as high as third nationally while spending eight weeks in the top-ten and five in the top-five.

The women's basketball team made its fourth NCAA tournament appearance and won its first NCAA game in 15 years. The Mountaineers won 21 games before falling to LSU in the second round.

The Mountaineer gymnastics team posted the most wins in program history as the squad went 28-9 in qualifying for their twenty-fourth NCAA Regional competition.

The women's soccer team captured its second Big East American division title and earned its seventh consecutive NCAA tournament berth. Five players earned all-conference accolades as the team scored a school-record 55 goals in its tenth ten-win season.

The men's swimming team made history by winning the 2007 Big East championship. The women's squad achieved its highest finish in team history. Nine men and five women swam at the NCAA championship. Additionally, the men's squad finished the season ranked 17th on the College Swimming Coaches Association of America (CSCAA) poll, the squad's first-ever ranking.

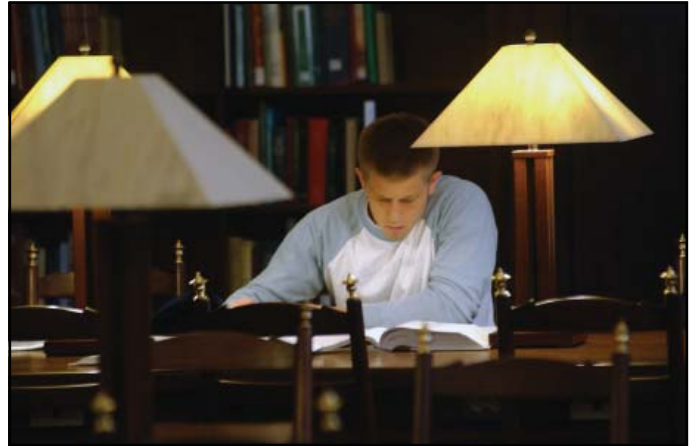
The Mountaineer rifle team went 6-4 this season to register its first winning record since 2003.

Wrestler Brandon Rader repeated as an All-American as the wrestling team qualified seven or more grapplers for the NCAA tournament. The Mountaineers placed second at the Eastern Wrestling League tournament.

Volleyball player Kailee Goold earned Academic All-District II first team honors while moving into fifth place on the all-time career assists list with 2,113, while first-year women's tennis coach Marc Walters led his squad to its third straight Big East championship appearance. In women's rowing, WVU's varsity four won its first-ever race at the Southern Intercollegiate Rowing Association (SIRA) championships and took second place at Big East.

The cross country team improved 14 places on its 2005 Mid-Atlantic finish, taking fourth in the 2006 championship. Senior Abbie Stechschulte earned All-America honors with her sixth-place finish in the pentathlon at the NCAA Indoor Championship.

The baseball team finished 29-22 to post back-to-back winning seasons for the first time since the 1998 and 1999 campaigns. Senior slugger and all-Big-East, first-teamer Justin Jenkins put together a Big-East record, 38-game hit streak that also ties for tenth all-time in NCAA history.



The WVU Libraries system includes the Downtown Campus Library, the Evansdale Library, the Health Sciences Library, the College of Law Library, the Math Library located in Armstrong Hall, a large collection of music resources, and the West Virginia and Regional History Collection, the largest collection of West Virginia materials in existence.

- West Virginia History OnView, an online collection of historical photographs from the WVU Libraries, West Virginia Collection, now includes more than 21,000 images. The collection received national accolades this year from Internet and archival organizations, including the Internet Scout Report. More than 30,000 online visitors examine the photographs each month.
- In October 2006, the Charles C. Wise Jr. Library was named to the national Literary Landmark Registry in recognition of its connection to the late Dr. Louise McNeill Pease, Poet Laureate of West Virginia from 1977-1993. The Wise Library is the first academic library in West Virginia to be named to the registry.
- In November 2006, the WVU Libraries, the Center for Women's Studies, and the Health Sciences Center hosted "Changing The Face of Medicine: Celebrating America's Women Physicians." The WVU Libraries were selected as one of 60 libraries nationwide to receive the traveling exhibit. The series of lectures and events included an exhibit tour with Manon Parry, who curated the exhibit for the National Library of Medicine, and an address by Dr. Antonio Novello, the nation's first Hispanic surgeon general.

## *Robert C. Byrd Health Science Center*



The mission of the Health Sciences Center is to improve the health of West Virginians through the education of health professionals, through basic/clinical scientific research and research in rural health care delivery, through the provision of continuing professional education, and through participation in the provision of direct and supportive health care.

There were major changes this year in Health Sciences leadership. Fred Butcher, PhD, became interim vice president for health sciences, taking over from Robert D' Alessandri, MD, who left WVU after 30 years. Georgia L. Narsavage, PhD, was named dean of the School of Nursing, and Louise Tupta Veselicky, DDS, was appointed interim dean of the School of Dentistry. Scot Remick, MD, was named director of the Mary Babb Randolph Cancer Center.

### **Teaching**

- A new Health Sciences Learning Center opened in early 2007 through funding secured by US Senator Robert C. Byrd. The Learning Center encloses the Pylons entrance, making it a furnished commons area, and includes the Health Sciences Library, state-of-the-art classrooms and auditoriums, and a national center for positron emissions tomography (PET) education.
- Stanley Zaslau, MD, associate professor of urology, received a 2007 West Virginia University Foundation Outstanding Teacher Award, WVU's top teaching award. Known as "Dr. Z" to his students, he has significantly revamped the residency program since joining the faculty in 2001.
- Shelia S. Price, DDS, EdD, was honored with the second annual WVU Women in Science and Health Excellence Award. She is the associate dean for





*The new Learning Center on the Morgantown Health Sciences Campus opened in early 2007 and includes a state-of-the-art, 200-seat auditorium, two 150-seat classrooms, study rooms, convertible classrooms, and 63 public computer stations. The historical Pylons are the focal point of the enclosed “commons area.”*

admissions, recruitment, and access to care and is also a professor of diagnostic sciences in the **School of Dentistry**.

- Rashida A. Khakoo, MD, was honored with the Living the Dream/Sharing of Self Award from the Martin Luther King, Jr., West Virginia Holiday Commission and West Virginia Division of Culture and History. He is a professor and chief of infectious diseases in the **School of Medicine** and serves as associate chair of the Department of Medicine and the assistant vice president for faculty development at the Robert C. Byrd Health Sciences Center.
- The **School of Nursing** initiated a doctor of nursing practice program in fall 2007. Its purpose is to prepare nurse practitioners to practice at the highest professional level, with the motivation to advance the application of nursing knowledge and to improve the health care of diverse populations.

- Sandra “Sam” Cotton, MS, RN, was elected a Distinguished Practitioner in the National Academies of Practice in Nursing. Her career as a registered professional nurse, educator, administrator, and advanced practice clinician spans 28 years. A clinical assistant professor in the School of Nursing, she has worked to inform health policy through local, state, and national participation. She completed deployments in Iraq with the US Air Force 379<sup>th</sup> Expeditionary Aeromedical Evacuation Squadron.

#### Research

- Externally sponsored biomedical research and contracts at the Health Sciences Center totaled \$56 million in 2007. National Institutes of Health grants for HSC exceeded \$20 million in 2007.
- Visvanathan Ramamurthy, PhD, a researcher at the WVU Eye Institute, has received a five-year, \$1.65 million grant from the National Eye Institute to study childhood blindness with the intention of developing treatment options. He has created a mouse model for studying childhood blindness and used it to discover the molecular basis behind the disease.
- **Charleston Division** resident Fahd Zarrou, MD, was the recipient of the first BHBI Young Investigator Research Award, presented at the Heart Brain Summit held at the Cleveland Clinic. The competition was open to graduate students, postdoctoral fellows, residents, fellows, and junior faculty within two years of their first appointment.
- In a WVU Dental Health study, more than 300 families in Webster and Nicholas counties are participating in a research project to pinpoint the causes of poor dental health in rural Appalachia.
- Researchers at the Mary Babb Randolph Research Center have identified a gene pattern for identifying a patient’s odds for a recurrence of breast cancer. The newly identified 28-gene signature pattern predicts recurrence and spreading, according to researcher Lan Guo, PhD.
- The National Institutes of Health awarded nearly \$5 million to WVU researchers investigating inflammatory bowel disease, which is highly prevalent in West Virginia. The WVU digestive diseases research team includes nine researchers; seven presented their research at the 2007 Digestive Disease Week Conference.

## Service

- The Association of American Medical Colleges named the WVU School of Medicine the winner of its annual Award for Outstanding Community Service. The award is presented to a US medical school with a longstanding, major institutional commitment to addressing community needs.
- *The State Journal* honored several healthcare providers from the Robert C. Byrd Health Sciences Center as “Healthcare Heroes”: David Deci, MD, associate professor and vice chair of Family Medicine; Bill Neal, MD, a pediatric cardiologist and professor in the Department of Pediatrics; and Betsy Elswick, PharmD, clinical assistant professor in the WVU School of Pharmacy.
  - Dr. Deci is director of Project Mushroom (Multidisciplinary Unsheltered Homeless Relief Outreach of Morgantown), a student-run healthcare and outreach program for the homeless. Mushroom volunteers visit the homeless and assess medical problems, treat acute conditions, coordinate medical and social referrals, and tend to the human needs of hunger, thirst, loneliness, and abandonment.
  - Dr. Neal created Coronary Artery Risk Detection in Appalachian Communities, a program that provides free cholesterol screening for West Virginia’s elementary school students and the parents of children with high cholesterol levels.
  - Dr. Elswick educates people with diabetes as co-facilitator of the Taylor County Diabetes Support Group and site coordinator and diabetes educator for the Diabetes Self-Management Education Program at the Rite Aid Pharmacy Center in Grafton, W.Va.
- WVU opened a new clinic in Gilbert, W.Va., staffed by James Brick, MD, professor and chair of medicine and leader of the section of rheumatology; John Brick, MD, professor and chair of neurology; Rebecca Schmidt, DO; and Bethany Pellegrino, MD, from the WVU School of Medicine’s section of nephrology.
- WVU acquired the state’s first da Vinci System for robotic-assisted surgeries. The system, best known for prostate surgery, will be used for a wide range of surgical interventions. The robot provides unprecedented control as well as a stereoscopic view of the surgical field. Instead of large incisions, robot-assisted surgery uses several small incisions, resulting in faster healing times and less scarring.



*The DaVinci® robotic device gives surgeons at West Virginia University Hospitals the ability to operate with unprecedented control. Smaller incisions result in less pain and scarring, reduced risk of complications, and faster recovery for patients.*

- Medical students at the **Eastern Division** volunteered to be on the sidelines in the event of possible concussions of football players from Hedgesville, Jefferson, and Martinsburg high schools and Shepherd University. The students perform an IMPACT Sideline Concussion Assessment on players with possible concussions. Konrad Nau, MD, chair of family medicine in the Eastern Division, and Lloyd Tracy, MD, assistant professor of family medicine, co-direct this service and research effort.
- Sally K. Richardson, executive director of the Institute for Health Policy Research in Charleston, W.Va., was awarded the Louis Gorin Award for Outstanding Achievement in Rural Health Care.



*Dr. David Deci (center), West Virginia University School of Medicine, directs the Multidisciplinary UnSheltered Homeless Relief Outreach of Morgantown (MUSHROOM) project. Anna Donovan (right) is currently a fourth year medical student at WVU.*

# Regional Campuses

## WVU at Parkersburg



West Virginia University at Parkersburg is a regional campus of WVU. The Parkersburg campus is a community college that serves as a higher education center offering a blend of certificate and associate programs as well as select bachelor's degrees.

WVU Parkersburg observed its 45th anniversary during 2006-2007. The theme was "Celebrating the Community's Commitment." A series of events was held to commemorate the college's origin as a WVU branch campus.

WVU at Parkersburg experienced the second-largest fall enrollment since becoming a regional campus of West Virginia University. A total of 3,884 students enrolled in fall 2006 classes. It is the largest enrollment since 1992. WVU Parkersburg is the fifth-largest public institution of higher education in the state.

Following a year of renovation, the College reopened its three-story classroom tower in November. The \$3.1 million campus enhancement project involved stabilizing the 1968-built classroom tower. The project has resulted in a new focal point for the campus with a sleek modern look, featuring a stained glass curtain wall as well as new office, lab, and meeting spaces.

### Teaching

- Dr. Phil McClung, professor of psychology, was a 2006 West Virginia Professor of the Year finalist. He has been a member of the WVU Parkersburg's Social Sciences Division since 1990.
- Dianne Davis, assistant professor of business technology, was selected as a Faculty Scholar for the 2007 Phi Theta Kappa Faculty Scholar Conference and 2007 Phi Theta Kappa International Honors Institute.
- WVU Parkersburg's Cisco Academy was one of three US training academies recognized for its ability to create academic reach and build bridges for students to pursue degrees in information technology. WVU Parkersburg was honored in the "Rigor" category, which recognizes the extent to which students use the networking academy as a way to create success while pursuing a college degree.

### Research

- WVU Parkersburg is the recipient of a \$120,000 grant to develop/implement a certification program in magnetic resonance imaging technology. This program will be the first of its kind in the state.
- WVU Parkersburg received a \$139,500 grant to develop West Virginia's first pharmacy technician program. The grant covers program development, equipment purchases, and faculty costs for the first three years of the program. Following a year of curriculum development, the program will be implemented and the first class admitted in the summer of 2008.

### Service

- WVU Parkersburg and Ohio Valley University have initiated a collaborative agreement regarding WVU Parkersburg's associate in applied science in nursing degree. Effective in the spring of 2008, the agreement will provide selected Ohio Valley University students with access to WVU Parkersburg's Associate in Applied Science (AAS) degree.
- WVU Parkersburg's baccalaureate degree tuition is the lowest in West Virginia and its community college tuition is the second-lowest in the state.
- WVU Parkersburg has the second lowest in-state tuition in the country, according to *US News & World Report*. Of 459 public four-year institutions nationwide, WVU Parkersburg is the second-most affordable institution in the nation.

## Potomac State College of WVU

Potomac State College of West Virginia University continued its transformation both inside and outside the classroom in 2006-2007. The year's highlights included enrollment growth, additional program offerings, construction of a new residential complex, and renovation of its library as well as other facility enhancements. Below is a sampling of highlights from Potomac State College, in Keyser.

There were 1,485 students enrolled for the fall 2006 semester, the highest enrollment in the history of the College. Increases were attributed not only to in-state, but also to out-of-state students. As in years past, Potomac State had more than 100 PROMISE scholars attending.

Construction continued on the College's new \$19-million residential complex expected to be completed for occupancy in fall 2007. This facility will provide 355 beds, a new dining facility, mini-theatre, exercise room, study lounges, and other amenities.

Approximately \$1.2 million in renovations were made to the Mary F. Shipper Library including a new roof and windows, upgrading the heating and air conditioning units, installation of an elevator, and various interior and exterior aesthetic improvements.

A new 80' x 250' indoor riding arena was built to support the new Equine Production and Management Program.

The design phase to construct a connector with an ADA-compliant elevator between the Administration Building and Academy Hall was completed this school year.

### Teaching

- The College announced its second four-year degree, a bachelor of applied science in business management. This new degree has been created as a 2 + 2 arrangement for students who have completed a two-year associate of applied science in business management technology or office systems technology. Both degrees have been offered at Potomac State for the past 21 years.
- Potomac State also offers a new associate of applied science degree in equine production and management. This two-year, career, degree program enables students to obtain practical knowledge and experience in the equine industry, including the study of business, equine care, and associated services. The curriculum concentrates on equine health, management, nutrition, reproduction, selection, and training. Students gain practical, hands-on experience working with the College's American Quarter Horse herd on Potomac State College's two farms.



## WVU Institute of Technology



*West Virginia University Institute of Technology's Old Main building.*

The WVU Institute of Technology (WVU Tech), a regional campus of West Virginia University, is a four-year institution that offers a variety of baccalaureate degree programs in high-demand fields such as engineering, nursing, printing management, computer science, and health services administration. WVU Tech is located in Montgomery, West Virginia, and offers academic centers in Beckley, Charleston, Huntington, and Oak Hill.

The West Virginia University Institute of Technology had an exciting and productive year. In preparation for the July 1, 2007, merge to division status with WVU, the two institutions created a transition team that looked at all facets of WVU Tech and of the merger. The team successfully implemented plans to fully integrate WVU Tech into WVU.



### Teaching

- The West Virginia Legislature awarded WVU Tech \$3.2 million for improving engineering laboratory resources.
- The College delivered approximately 110 distance education courses, including two-dozen Web classes and 30 dual-credit classes in area high schools.

### Research

- The WVU Tech Leonard C. Nelson College of Engineering was awarded \$907,750 in external funding to support several long-term federal research projects.
- The external research funds awarded to the Leonard C. Nelson College of Engineering supported seven research faculty members and numerous undergraduate and graduate research assistants.
- The College of Engineering research faculty collaborated with colleagues from West Virginia University, Marshall University, the University of Illinois, the University of Louisiana, Michigan Tech, and Florida International University.
- The College of Business, Humanities, and Sciences received \$1,085,700 for sponsored programs to support a wide variety of research as well as technical assistance projects.
- A research award secured by the Department of Chemistry resulted in support for undergraduate student research opportunities as well several patents for several WVU Institute of Technology Chemistry faculty.

### Service

- The faculty of WVU Tech, in partnership with the Community and Technical College at Tech, secured \$3,369,713 in external funding for research, instructional, and service-based projects.

## *The Community and Technical College at WVUIT (CTC at WVUIT)*



*WVUIT dental lab.*

Located on the campus of WVU Tech, the Community and Technical College offers extensive services and programs in high-demand technical fields such as engineering technology, dental hygiene, printing technology, computer technology, business and office technology, and allied health.

2006-2007 brought a 4.3 percent increase in full-time equivalent students, with new program offerings in diesel technology, building construction, and online medical transcription.

Statistics such as the job placement rate of graduates working in West Virginia (89.7%) and the licensure passage rate for health programs (100%) show that the institution is providing quality programming that meets the needs of employers.

State workforce development grants, federal funding, and private industry donations funded initiatives including the Prototype Center, the Publishing Innovation Center, the Mine Safety Technology Consortium, and the diesel program. Over 1,600 individuals participated in customized training courses and programs at 93 industry sites.

### **Teaching**

- Faculty offered professional development seminars within their disciplines.

### **Research**

- The College held robotics and local area network competitions.
- Office technology students earned national awards at leadership competitions.

### **Service**

- The CANstruction student project earned a People's Choice Award in the local architectural society's food bank event.
- The dental hygiene clinic provided free care to over 700 patients.
- Student groups hosted clothing drives.
- Civic engagement was increased through sponsorship of the Summit on Area Revitalization.



*CANstruction project sculpture.*

## Research and Sponsored Programs

West Virginia University is designated as a Research University (High Research Activity) as classified by the Carnegie Foundation for the Advancement of Teaching. WVU has completed another successful fiscal year in research, sponsored projects/programs, technology transfer, and economic development. The University continues to develop interdisciplinary programs, form strategic partnerships, and build technology transfer and economic development infrastructure. Funding from external sources for all sponsored programs is \$138.6 million in fiscal year 2007, with research and development funding at \$87.4 million.



*Astrophysics researchers McLaughlin and Lorimer at Green Bank, West Virginia.*

### **Astrophysics**

The Department of Physics in the Eberly College of Arts and Sciences will establish a Center for Astrophysics. The funding was awarded to Maura McLaughlin and co-principal investigator Duncan Lorimer, both assistant professors in the Department of Physics. Much of their work in the Center will make use of world-class facilities, in particular the Green Bank Telescope at the National Radio Astronomy Observatory in Green Bank, West Virginia. Research currently focuses on pulsars, exotic stars that have a wide range of applications, from testing Einstein's theory of relativity to probing the interstellar medium of the galaxy. Grant funds will be used to acquire new telescope hardware and greater computing power, as well as to hire a senior research fellow and another astrophysics faculty member specializing in a different field of astrophysics.

### **Economic Development**

WVU and the Datacaster Corporation have partnered to commercialize geo-spatial technologies. Reality Computing, developed in the University's Geo-Virtual Lab, provides an immersive simulation environment generated with data from aerial images, remote sensors, and map services. When connected over wireless networks to the location systems in mobile devices, vehicles, and industrial equipment, the platform provides unique and powerful capabilities for many rapidly growing commercial markets. Geo-spatial technologies,

like popular Internet mapping services, provide three-dimensional views of land features. Reality Computing takes this one step further by layering in and combining information from soil samples, forest inventories, cartographers, fluid dynamic models, and instruments that can measure information on spectra beyond the perception of the human eye. Additionally, Reality Computing distributes relevant information over broadband and wireless networks to users and equipment in the field. Reality Computing was developed with over \$4 million in state and federal research grants, including funding from the National Science Foundation and a West Virginia Experimental Program to Stimulate Competitive Research (WVEPSCoR) Research Challenge Grant. The importance of the research was instrumental in attracting the USDA Natural Resource Conservation Service to establish the National Geospatial Development Center at WVU.

### **Energy and Environment**

The College of Engineering and Mineral Resources received funding to establish an Energy Materials Science and Engineering Program at WVU. A primary objective of the program is to develop improved materials to enhance the efficiency of energy generation and usage—challenges in today's global energy environment. The research is a team effort, involving faculty members with expertise in materials science from the College of Engineering and Mineral Resources and from the Eberly College of Arts and Sciences. The research group is developing energy-efficient materials

for fuel cells, turbines, batteries, window coatings, insulation, and more. Grant funding will enable WVU to hire additional faculty and to create the research infrastructure needed for a nationally recognized program in energy materials.

### **Human Development and Culture**

WVU received a grant from the National Institutes of Health that will support the Health Sciences and Technology Academy (HSTA) for the next five years. HSTA reaches out to 9<sup>th</sup> through 12<sup>th</sup> graders from rural, minority, and economically disadvantaged communities across West Virginia and prepares them for college, professional school, and health-care careers. The goal is to educate underserved populations about science and health as well as to recruit more scientists and health-care providers who will return to their communities and serve the state. The new funding will allow WVU to establish a pilot project involving Kanawha County HSTA students in health prevention research. Students at five high schools in Kanawha County—Capitol, George Washington, Riverside, St. Albans, and South Charleston—participate. There are 778 HSTA students in West Virginia. More than 700 successful HSTA alumni are attending college or professional school, or have graduated. HSTA also brings minority and other under-represented students and their teachers to WVU each summer for laboratory and classroom training and enrichment activities. It provides the infrastructure and support for community-based science projects mentored by teachers, health professions students, and volunteer community leaders during the school year.

### **Information Technology**

The National Archives and Records Administration (NARA) and WVU established a ten-year research and educational partnership in the study of electronic records and the promotion of civic awareness of the use of electronic records as educational resources. The new partnership complements NARA's establishment of the Electronic Records Archives Program operations at the US Navy's Allegany Ballistics Laboratory in Rocket Center, Mineral County, West Virginia. Under the agreement, NARA and WVU will engage in collaborative research and associated educational activities. These include research in the preservation of and long-term access to complex electronic records and engineering design documentation. The agreement also states that NARA will provide test collections of its electronic records as resources for scholarship and educational programs throughout West Virginia. The partnership focuses on the investigation of applications of advanced technologies, including the first installation of the Department of Defense's Defense Research & Engineering Network (DREN) in West Virginia.

### **Molecular and Biomedical Sciences**

Stephen DiFazio, assistant professor of biology in the Eberly College of Arts and Sciences, coauthored a milestone study in genome research that points to trees as the new biofuel. The study was featured on the cover of the September 15, 2006, edition of *Science*, the prestigious journal of the American Association for the Advancement of Science, and includes the first complete DNA sequence of a tree. *Populus trichocarpa*, better known as the poplar tree, was chosen as a model crop for biofuel production due to its rapid growth and compact genome size. The research team discovered 93 genes of poplar associated with the production of cellulose, the building blocks of plant cell walls. Cellulose, the most abundant organic material on earth, can be broken down into sugar, fermented into alcohol, and distilled to produce fuel-quality ethanol. The poplar project began in 2001 and has 108 coauthors represented from 40 institutions in eight countries and twelve states. It supports a broader Department of Energy goal to research biofuel production under the Advanced Energy Initiative.



# WVU Extension Service



*Extension-aided farmers' market.*

Staffing offices in each of West Virginia's 55 counties, WVU Extension educators are trusted neighbors who connect local issues to state and national resources. By helping individuals, families, businesses, and communities apply research-based knowledge to problems, Extension helps people protect their resources, increase their income, guard their health, and build their leadership and career skills. WVU Extension's nationally recognized 4-H Youth Development Program reaches one in five West Virginia youths. In 2006, WVU Extension faculty, staff, and volunteers worked with more than 294,763 youths and adults, many of whom participated regularly in ongoing programs.

## Teaching

- "Learning to Earn" generated \$2,563,390 for 4-H and Future Farmers of America youths when they learned and applied livestock management skills in 2006.
- In 2006, Community Educational Outreach Service members in 26 counties documented their volunteer work with literacy, diabetes education, cancer awareness, and similar programs. Members' services were valued at more than \$6.7 million. WVU Extension sponsors the community clubs, which are advised by local Extension faculty.

- After they completed their WVU Extension Service classes, West Virginia master gardeners used their skills to deliver community services valued at \$472,323.

## Service

- The terms "Extension agent" and "county fair" are almost inseparable. For many decades, WVU Extension faculty have helped communities plan and develop local fairs and festivals. With the average event generating nearly \$300,000, researchers estimate that Extension helps the state's economy grow by \$7.5 million annually.
- WVU Extension agents work closely with community farmers' markets, 44 of which generated \$2.1 million in sales in 2006.
- Led by WVU Extension's community and economic development faculty, a downtown revitalization initiative in Roane County converted an abandoned department store into a viable business that became known as the Spencer Antique Mall, Arts and Collectibles. Within 17 months, the partnership had 47 vendors and a full-time mall manager. During that brief time, the mall's economic impact on the community was more than \$1.5 million.
- When WVU Extension agents and specialists advise agricultural producers on research-based practices, farm businesses and surrounding communities benefit. In 2006, that value-added figure was \$5.9 million.



*Extension educators helped Roane County citizens turn a vacant downtown store into an antique mall that generated \$1.5 million in its first 17 months.*

## WVU Foundation Highlights



The WVU Foundation is an independent 501(c)(3) corporation that generates private support to benefit West Virginia University. A total of \$43 million in funds were disbursed during the year to support myriad purposes, including scholarships and fellowships; academic program development; chairs, professorships and lectureships; faculty development and research; equipment and facilities; libraries.

Total assets under Foundation management were \$990.7 million as of June 30, 2007—a 23 percent increase compared to \$809.1 million at the close of the previous fiscal year. Included in the total assets is \$340 million held by the Foundation for WVU Hospitals.

During the past fiscal year, 26,724 donors contributed \$86.9 million to the Foundation for the benefit of the University.

The Foundation's annual operating expenses of \$7.7 million represent less than one percent of total assets under management. No operating expenses are deducted from gifts given by donors, thus 100 percent of each donor's gift is made available for the intended purpose.

\$9.6 million (22%) of the total disbursements were directed toward salaries, professional development grants, and awards. This enabled the University to attract and retain high-caliber faculty for teaching, research, and public service.

Due to the \$10.8 million (25%) in total disbursements directed toward student support, attendance at WVU became a reality for many students, primarily West Virginia residents.

Over the past ten years, the Foundation has provided \$339.1 million in support of the University.

The Foundation's endowment portfolio earned a net investment return of 20.1 percent for the fiscal year.

## INDEPENDENT AUDITORS' REPORT

To the West Virginia University Board of Governors:

We have audited the accompanying combined statements of net assets of West Virginia University (the "University") as of June 30, 2007 and 2006 and the related combined statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the management of the University. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the University at June 30, 2007 and 2006, and the combined changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 to 15 is not a required part of the basic combined financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the University'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.

*Deloitte + Touche LLP*

October 5, 2007

# WEST VIRGINIA UNIVERSITY

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## Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2007

### 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's (the "University" or WVU) annual financial report provides an overview of the University's financial performance during the fiscal year ended June 30, 2007 as compared to the previous fiscal year. Comparative analysis is also presented for fiscal year 2006 compared to fiscal year 2005.

The University's annual report consists of three basic financial statements: the combined statement of net assets, the combined statement of revenues, expenses and changes in net assets, and the combined statement of cash flows. These statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole. Each of these statements is discussed below.

### Financial Highlights

At June 30, 2007, the University's total net assets increased from the previous year-end by \$97.9 million, primarily due to increases in capital assets, net of depreciation, other assets, net accounts receivable and due from the Higher Education Policy Commission (the "Commission") as well as decreases in debt service assessment payable to the Commission, bonds payable and compensated absences. This increase in net assets was partially offset by a decrease in cash and cash equivalents and increases in leases payable, accounts payable, deferred revenue, other liabilities, notes payable and accrued payroll. Total revenues grew by 12.9%, mainly due to an increase in revenues from capital grants and gifts, tuition and fees, and auxiliary enterprises. Total expenses increased 5.9% from prior year mainly because of increased salaries, supplies and other services, scholarship expense, and other nonoperating expense.

This increase is more than the increase in total net assets from fiscal year 2005 to fiscal year 2006, which was mainly due to an increase in net capital assets, cash and cash equivalents and net accounts receivable.

### Net Assets

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

Net Assets are displayed in three major categories:

*Invested in capital assets, net of related debt.* This category represents the University'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. **Expendable restricted net assets** include resources for which the University 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 the University and may be designated for specific purposes by action of the University's management or the Board of Governors.

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

	<b>As of June 30</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Assets</b>			
Current Assets	\$ 184,839	\$ 191,816	\$ 170,972
Noncurrent Assets	1,006,738	868,516	830,842
<b>Total Assets</b>	<b>1,191,577</b>	<b>1,060,332</b>	<b>1,001,814</b>
<b>Liabilities</b>			
Current Liabilities	129,889	107,038	91,101
Noncurrent Liabilities	408,961	398,424	399,237
<b>Total Liabilities</b>	<b>538,850</b>	<b>505,462</b>	<b>490,338</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	548,310	467,295	428,492
Restricted for:			
Nonexpendable	4,777	4,098	3,843
Expendable	36,679	33,993	32,164
Unrestricted	62,961	49,484	46,977
<b>Total Net Assets</b>	<b>\$ 652,727</b>	<b>\$ 554,870</b>	<b>\$ 511,476</b>

Total assets of the University increased by \$131.2 million to a total of \$1,191.6 million as of June 30, 2007. The increase was primarily due to an increase in capital assets, net, other assets, accounts receivable, net, investments and loans receivable, net. These increases were partially offset by a decrease in cash and cash equivalents. Capital assets followed an upward trend from prior years.

- Capital assets, net increased by \$113.6 million primarily due to significant additions of construction-in-progress and completion of buildings during fiscal year 2007, including Brooks Hall, Evansdale Residence Hall, Stadium North End Suites, Coliseum upgrade and several capital projects undertaken at the Health Sciences Center. Similarly, the increase in capital assets, net from fiscal year 2005 to fiscal year 2006 was primarily due to additions of construction-in-progress and completion of buildings.
- Other assets increased by \$14.0 million primarily due to the donation of three-year right-to-use software from the Schlumberger Technology and Landmark Graphics Corporations. No such increase was noted in this category from fiscal year 2005 to fiscal year 2006.
- Net accounts receivable increased by \$5.5 million due to increases in amounts receivable from granting agencies, students and the Commission. Amounts were due at the end of fiscal year from various granting agencies, including the West Virginia Economic Development Authority for Jackson's Mill Fire Academy and Blanchette Rockefeller Neurosciences Center grants. The increase in amounts receivable from students is attributable to a change from two to one summer session instruction and the associated outstanding student invoices at the end of the fiscal year. Amounts due from the Commission increased as a result of reimbursements due at fiscal year-end for approved capital expenditures from the 2004 Commission Revenue Bonds. Accounts receivable balances had increased from fiscal year 2005 to fiscal year 2006 due to outstanding mission support payments from the UHA and the West Virginia University Hospitals, Inc. (WVU Hospital).
- Investments increased by \$1.3 million due to investment of operating funds of the University with the WVU Foundation as authorized by Senate Bill 603 under WV Code §12-1-12d. The University also deposited additional funds with the WVU Foundation in an escrow account for professional liability coverage. At fiscal year end, such investments had increased in fair market value. The increase in investments was partially offset by the sale of the guaranteed investment contract, in which the proceeds of the 2004 revenue refunding and improvement bonds are invested, to finance construction activity on campus. Investments had experienced a decrease from fiscal year 2005 to fiscal year 2006 primarily due to the sale of the guaranteed investment contract.
- Loans receivable, net increased by \$1.2 million from prior year which is attributable to increased activity in the Perkins loan program. The increased activity in the Perkins loan program has occurred over the past few years, causing an increase in loans receivable balances from fiscal year 2005 to fiscal year 2006 also.
- Cash and cash equivalents decreased by \$4.6 million compared to prior year. The University made a strategic decision to take advantage of the opportunity provided by legislative authority by investing positive cash flow from operations into its Senate Bill 603 investment program and investing additional cash into its escrow accounts for professional liability coverage at the WVU Foundation. Capital expenditures made during fiscal year 2007 but that remained unreimbursed at fiscal year-end also contributed to the decrease. Cash and cash equivalents had increased from fiscal year 2005 to fiscal year 2006 primarily due to an increase in unpaid invoices at the end of fiscal year 2006 compared to prior year end and as a result of positive operations.

Total liabilities for the year increased by \$33.4 million. This increase is primarily attributable to an increase in leases payable, accounts payable, deferred revenue, other liabilities, notes payable, and accrued payroll. These increases were partially offset by a decrease in the reported debt service assessment payable to the Commission, bonds payable and compensated absences.

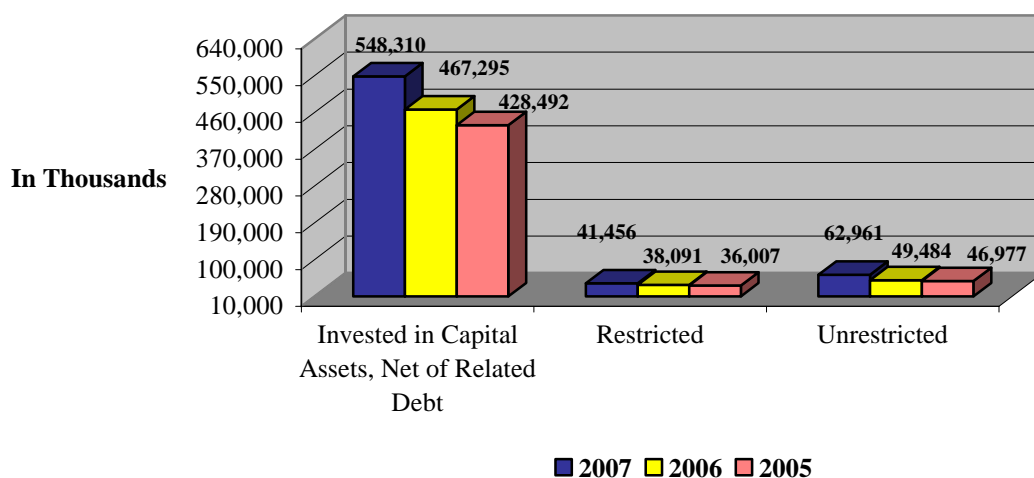
- Leases payable increased by \$15.6 million primarily due to two major lease agreements entered into during fiscal year 2007. The first is a lease purchase agreement in the amount of \$7.8 million with First Security Leasing, Inc. to finance a performance energy contract with Siemens Building Technologies, Inc. The other is a lease financing agreement with SunTrust Leasing Corporation in the amount of \$10.8 million to finance renovations at the WVU Institute of Technology campus. Leases payable had decreased from fiscal year 2005 to fiscal year 2006 primarily due to scheduled principal payments on capital leases and fewer capital lease and financing agreements entered into during fiscal year 2006.
- Accounts payable increased by \$9.6 million as a result of significant invoices due to vendors at the end of fiscal year 2007, including invoices related to HSC capital projects, the residence hall at the Potomac State College of WVU and Oglebay Hall. Accounts payable increased from fiscal year 2005 to fiscal 2006 because of significant outstanding vendor invoices associated with construction activity at the end of fiscal year 2006.
- Deferred revenue increase of \$7.3 million is primarily attributable to an increase in deferred student tuition and fee revenue caused by a change from two to one summer session instruction requiring portion of the revenue to be deferred and recognized in the next fiscal year when it is earned. Deferred revenue had experienced an increase from fiscal year 2005 to fiscal year 2006 primarily due to increased deferral of athletics football ticket sales and an escrow deposit received from the City of Morgantown for the transfer of property at the Square at Falling Run.
- Other liabilities increased by \$5.8 million mainly due to the accrual of projected future claims related to medical malpractice litigation cases. Additional funds were deposited during fiscal year 2007 into the escrow accounts established at the WV State Treasurer's Office and the WVU Foundation to fund these potential liabilities. The accrual of projected future claims related to medical malpractice litigation cases had caused other liabilities to increase from fiscal year 2005 to fiscal year 2006.
- Notes payable increased by \$3.8 million as a result of the WVU Research Corporation drawing down on a line of credit established with the West Virginia Housing Development Fund to finance construction costs of the Biomedical Research building. This category did not experience any significant changes from fiscal year 2005 to fiscal year 2006.
- Accrued payroll increased by \$1.9 million mainly due to an increase in number of employees paid in arrears as well as increased salary expense for such employees as a result of a pay raise given to employees during fiscal year 2007. West Virginia State Legislature requires that employees hired after July 1, 2002 be paid in arrears. The increase in accrued payroll was expected and is consistent with the increase in accrued payroll from fiscal year 2005 to fiscal year 2006.
- Debt service assessment payable to the Commission decreased by \$4.7 million due to scheduled debt service (principal) payments in fiscal year 2007. This decrease is consistent with the decrease in such liability from fiscal year 2005 to fiscal year 2006.
- Bonds payable decreased by \$2.9 million due to scheduled bond principal payments and amortization of net original issue bond premium related to the 2004 revenue refunding and improvement bonds during fiscal year 2007 as well as amortization of the loss on refunding related to the 1997 refunded bonds. Bonds payable had experienced a similar decrease from fiscal year 2005 to fiscal year 2006 due to principal payments and amortization of bond premium and loss on refunding.

- Compensated absences liability decreased by \$2.7 million mainly due to a decrease in the monthly Medicare retiree premiums. Compensated absences liability had increased from fiscal year 2005 to fiscal year 2006 due to a significant increase in retiree premium rates.

The University's current assets of \$184.8 million were sufficient to cover current liabilities of \$129.9 million indicating that the University has sufficient available resources to meet its current obligations.

The following is a comparative illustration of net assets.

### COMPARISON OF NET ASSETS June 30, 2007, 2006 and 2005



Invested in capital assets, net of related debt increased by \$81.0 million primarily due to an increase in capital assets, net, and decreases in debt assessment payable to the Commission and bonds payable. This increase is comparable to, but higher than, the increase in this category from fiscal year 2005 to fiscal year 2006.

Restricted net assets increased by \$3.4 million primarily due to donation of software from Schlumberger Technology and Landmark Graphics Corporations to be used by the Department of Petroleum and Natural Gas Engineering and the Department of Geology and Geography for instruction and research purposes. This increase was partially offset by reclassification of balances in restricted for capital project funds to unrestricted net assets. Restricted net assets had increased from fiscal year 2005 to fiscal year 2006 mainly due to additional funding made available to the Perkins and School of Medicine loan programs, a decrease in loans in collection and an increase in transfers of restricted funds budgeted for debt service during fiscal year 2006.

Unrestricted net assets increased by \$13.5 million as a result of positive operations and reclassification of fund balances from restricted for capital projects net asset category. This increase is higher than the increase noted in this net asset category from fiscal year 2005 to fiscal year 2006.



## Revenues, Expenses and Changes in Net Assets

The statements 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 the University for the fiscal years.

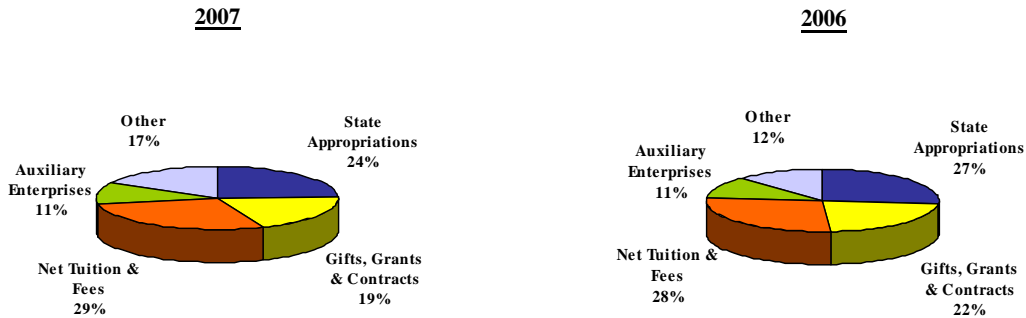
State appropriations, while budgeted for operations, are considered and reported as non-operating revenues. This is because state appropriations are provided by the West Virginia Legislature (the "Legislature") to the University without the Legislature directly receiving commensurate goods and services for those revenues. 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 Statements of Revenues, Expenses and Changes in Net Assets (in thousands)

	<b>Years Ended June 30</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Operating Revenues	\$ 519,263	\$ 480,305	\$ 448,519
Operating Expenses	718,913	675,516	627,199
<b>Operating Loss</b>	<b>(199,650)</b>	<b>(195,211)</b>	<b>(178,680)</b>
Net Nonoperating Revenues	213,802	201,480	197,692
<b>Income before Other Revenues, Expenses, Gains or Losses</b>	<b>14,152</b>	<b>6,269</b>	<b>19,012</b>
Capital grants and gifts	56,538	17,819	16,553
Bond proceeds/capital projects proceeds from the Commission	27,167	19,306	3,672
<b>Increase in Net Assets</b>	<b>97,857</b>	<b>43,394</b>	<b>39,237</b>
<b>Net Assets at Beginning of Year</b>	<b>554,870</b>	<b>511,476</b>	<b>472,239</b>
<b>Net Assets at End of Year</b>	<b>\$ 652,727</b>	<b>\$ 554,870</b>	<b>\$ 511,476</b>

Revenues:

The following charts illustrate the composition of revenues by source for 2007 and 2006.



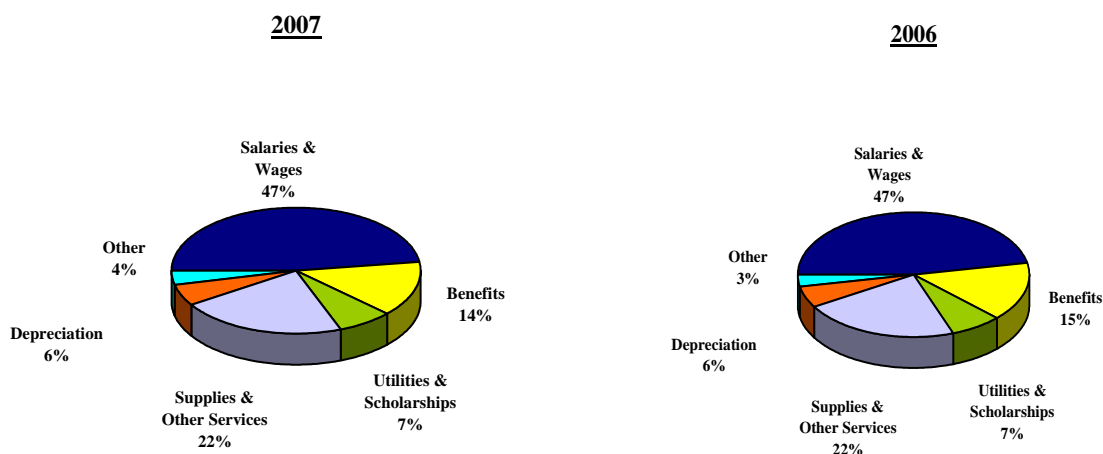
The total revenues for fiscal year 2007 were \$832.5 million, an increase of \$95.2 million over prior year. The most significant sources of revenue for the University are tuition and fees, state appropriations, and grants and contracts. Some highlights of the information presented on the statement of revenues, expenses, and changes in net assets are as follows:

- Capital grants & gifts increased by \$38.7 million over prior year primarily due to software donated by Schlumberger Technology and Landmark Graphics Corporations. Additional increase is attributable to increased revenues from existing capital grants and revenues from new capital grants received during fiscal year 2007. During fiscal year 2007 revenues from grants related to the construction of the Biomedical Research Center, the Blanchette Rockefeller Neurosciences Institute, and Oglebay Hall construction increased. New capital grants include grants to renovate and upgrade Mount Vernon Dining Hall and cottage renovations at Jackson's Mill. This increase is consistent with, but higher than, the increase experienced in this category from fiscal year 2005 to fiscal year 2006.
- Tuition and fees increased by \$29.9 million primarily due to an increase in the fee rate and an increase in non-resident student enrollment. This increase is consistent with increases in prior years.
- Auxiliary revenue increased by \$8.9 million primarily due to an increase in auxiliary fee revenue, athletics revenue and room and dining services revenue. Auxiliary fee revenue increased due to an increase in auxiliary special fees and increased enrollment. Athletics revenue increased because of higher football and basketball ticket sales and increase in ticket prices. Room and dining services revenue increased primarily due to the opening and operation of Lincoln Hall, a new residence hall with over 300 beds, during fiscal year 2007 as well as an increase in room and board fees. This increase in auxiliary revenue is consistent with the increase in this category from fiscal year 2005 to fiscal year 2006.
- Bond/capital projects proceeds from the Commission increased by \$7.9 million over prior year due to an increase in expenses incurred by the University and reimbursed by the Commission from the Higher Education Facilities 2004 Series B bonds issued by the Commission. This category had experienced a similar, but higher, increase from fiscal year 2005 to fiscal year 2006.
- State appropriations increased by \$7.2 million primarily due to an increase in legislative appropriations for activities at the Health Sciences Center and the Main Campus of the University. This increase is consistent with, but higher than, the increase in state appropriations from fiscal year 2005 to fiscal year 2006.

- Investment income increased by \$3.8 million primarily because of interest earnings on additional investments made during fiscal year 2007. Such investments include deposits with the WV State Treasurer’s Office and the WVU Foundation to fund potential claims related to medical malpractice litigation cases and investments made under legislative authority granted by Senate Bill 603. Investment income had increased from fiscal year 2005 to fiscal year 2006 primarily because of increased interest earnings received from the deposits with financial institutions as well as increased dividend income from the unspent bond proceeds invested in a guaranteed investment contract.
- Sales and services of educational activities increased by \$2.0 million primarily due to higher revenue from study abroad and exchange program administrative fees and conference and registration fees as a result of WVU Foundation’s decision to transition non-gift revenue from the WVU Foundation to the University. The increase is also attributable to augmented educational activities in the areas of teaching forensic accounting to IRS employees. This increase is consistent with the increase in this category from fiscal year 2005 to fiscal year 2006.
- Federal land grant revenue increased by approximately \$740,000 primarily because carryover balances from fiscal year 2006 were used, in addition to annual grants, for expenditures, resulting in a corresponding increase in revenue. Federal land grants had decreased from fiscal year 2005 to fiscal year 2006 mainly due to timing of expenditures and the recognition of corresponding revenue.
- Grants and contracts revenue (non-capital related) decreased by \$2.4 million mainly as a result of decline in expenditures and the associated revenues from existing awards and closure of several grants in fiscal year 2007. Grants and contracts revenue had decreased from fiscal year 2005 to fiscal year 2006 because of a similar trend in fiscal year 2006.
- Gift revenue decreased by \$1.3 million primarily due to a decrease in support from the WVU Foundation to pay for salaries, benefits and Athletics’ share of debt service payments. Gift revenue had increased from fiscal year 2005 to fiscal year 2006 mainly because of WVU Foundation funds provided to Athletics for the payment of Athletics scholarships and Athletics’ share of debt service payments.

Expenses:

The following is a graphic comparison of total expenses by category between 2007 and 2006.



Total expenses for fiscal year 2007 were \$734.6 million, an increase of \$40.8 million from prior year. This increase is consistent with, but lower than, the increase noted in total expenses from fiscal year 2005 to fiscal year 2006. This increase is primarily due to an increase in several categories of expenses as detailed below.

- Salaries and wages increased by \$24.9 million from the prior year mainly due to a mid-year salary increase program for all University employees, implemented in October 2006 (fiscal year 2007). An increase in the number of tenure and non-tenure track faculty and support staff also contributed to the increase. A similar, but slightly lower, increase was noted in salaries and wages from fiscal year 2005 to fiscal year 2006.
- Supplies and other services increased by \$7.9 million mainly due to an increase in students bad debt expense, expenses related to the study abroad programs, non-capital general expense and household items purchased. Supplies and other services had increased from fiscal year 2005 to fiscal year 2006 due to purchases of non-capital equipment, and increased insurance expense, travel expense, repairs and maintenance of buildings, other routine maintenance contracts, and other general expenses.
- Other operating expenses increased by \$7.6 million mainly due to amortization of donated software from Schlumberger Technology and Landmark Graphics Corporations. No such increase was noted in this category from fiscal year 2005 to fiscal year 2006.
- Scholarship and fellowship expenses increased by \$4.6 million over the prior year. This increase is attributable to an increase in student enrollment and a corresponding increase in tuition and fees as well as additional student financial assistance funds distributed under the Academic Competitiveness grant, the National Science and Mathematics Access to Retain Talent grant and the PELL grants. Scholarship and fellowship expenses have shown an increasing trend over the past few years, including those from fiscal year 2005 to fiscal year 2006.
- Depreciation expense increased by \$1.3 million over prior year mainly as a result of significant building construction and renovation projects being completed and added as assets during fiscal year 2007, including the Evansdale Residence Hall, Brooks Hall, the Creative Arts Center renovation, Coliseum upgrade and several capital projects at the HSC. Depreciation expense had decreased from fiscal year 2005 to fiscal year 2006 due to a decrease in depreciation expense related to equipment, software and infrastructure.
- Benefits expense decreased by \$1.9 million primarily due to a decrease in the monthly Medicare retiree health insurance premiums, thereby reducing the accrual for retiree post employment benefits. Benefits expense had experienced an increase from fiscal year 2005 to fiscal year 2006 due to an increase in employee health insurance premiums and accrual for retiree post employment benefits.
- Interest on capital related debt decreased by \$1.8 million primarily due to additional capitalized interest on debt funded construction expenditures in fiscal year 2007. Recognition of capitalized interest has the impact of reducing the interest expense. Interest on capital related debt had increased from fiscal year 2005 to fiscal year 2006 primarily due to an increase in bond interest paid on the 2004 revenue refunding and improvement bonds.

- Utilities decreased by \$1.4 million primarily due to a favorable renegotiation of steam price with Morgantown Energy Associates. Effective October 1, 2006, the University started paying a reduced price per thousand pounds of steam used compared to prior year. Utilities had increased from fiscal year 2005 to fiscal year 2006 due to increased steam, natural gas, and water rates and usage.

## Cash Flows

The statements 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 the University during the year. This statement helps users assess the University'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 Statements of Cash Flows (in thousands)

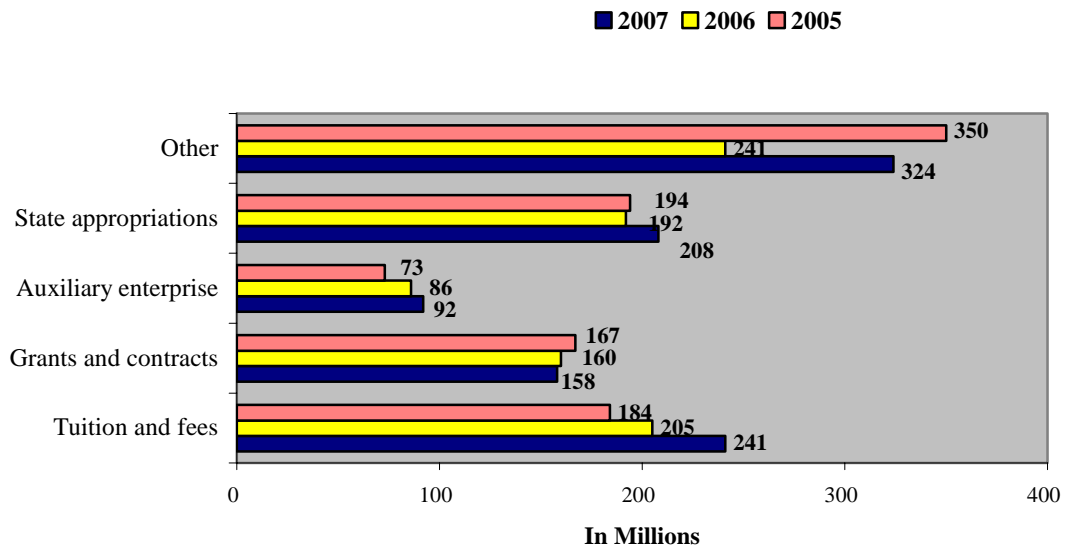
	<b>Years Ended June 30</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Cash Provided By (Used In):</b>			
Operating Activities	\$ (142,527)	\$ (143,858)	\$ (126,850)
Noncapital Financing Activities	216,709	201,099	198,905
Capital Financing Activities	(89,730)	(74,437)	64,197
Investing Activities	10,979	25,924	(95,454)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(4,569)</b>	<b>8,728</b>	<b>40,798</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>153,111</b>	<b>144,383</b>	<b>103,585</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 148,542</b>	<b>\$ 153,111</b>	<b>\$ 144,383</b>

Total cash and cash equivalents decreased by \$4.6 million during fiscal year 2007 to \$148.5 million.

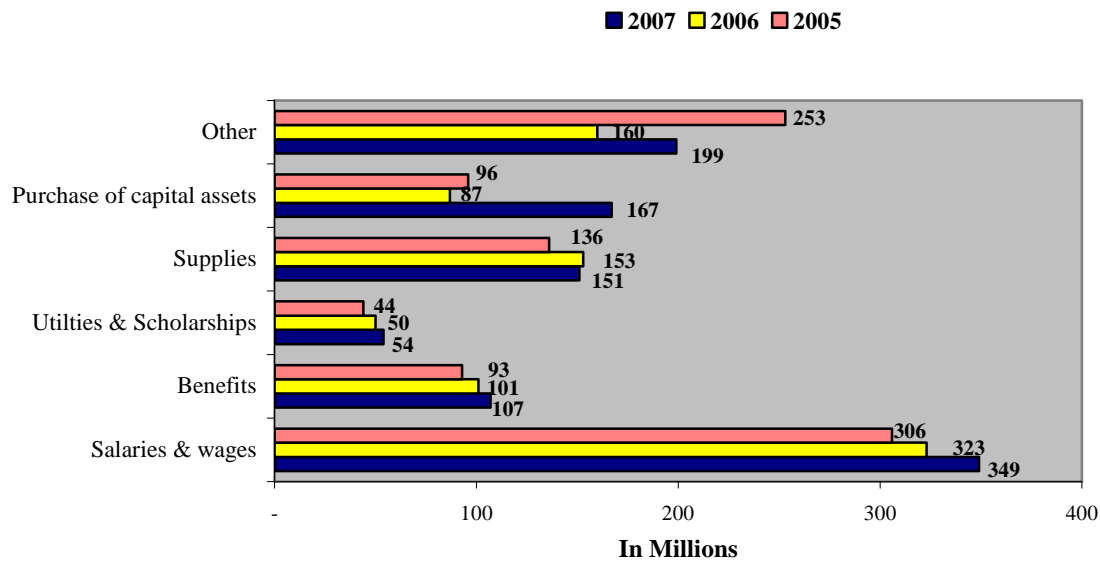
- Net cash used in operating activities decreased by \$1.3 million primarily due to increases in cash inflows from tuition and fees, auxiliary enterprise, and sales and services of educational departments as well as a decrease in payments to suppliers and for utilities. These decreases in outflows were partially offset by higher salaries, wages, and benefits and higher payments for scholarships and fellowships. In contrast, cash used in operating activities had increased from fiscal year 2005 to fiscal year 2006.
- Net cash provided by noncapital financing activities increased by \$15.6 million primarily due to an increase in cash inflows from state appropriations. This category had experienced an increase from fiscal year 2005 to fiscal year 2006 due to an increase in gift receipts.
- Net cash used in capital financing activities increased by \$15.3 million as a result of increase in cash outflows for purchase of capital assets. This increase was partially offset by an increase in cash inflows from capital gifts and grants, lease financing and loan proceeds. During fiscal year 2006 cash was used for principal and interest payments on capital debt and leases.
- Net cash provided by investing activities decreased by \$14.9 million as a result of purchase of investments during fiscal year 2007. This decrease was partially offset by an increase in cash inflows from sale of investments and investment income. During fiscal year 2006, cash was provided by sale of investments and investment income.

The following graphs illustrate the sources and uses of cash –

## SOURCES OF CASH



## USES OF CASH



## Capital Asset and Long Term Debt Activity

The University had significant construction and capital activity in fiscal year 2007, financed by bond proceeds, loan proceeds, leases, grants, gifts and other University funds.

- The University completed construction of the Evansdale Residential Complex, Stadium Suites, Soccer Stadium, and the Health Sciences Center Eastern Panhandle Clinical Campus; rehabilitation of Brooks Hall; and renovations to the Mountainlair Parking Garage, the Creative Arts Center and laboratories at the Health Sciences Center under the Strategic Research Plan. Other activity included renovation of the cottages at Jackson's Mill, the Mount Vernon Dining Hall, Colson Hall and Oglebay Hall; construction of housing facilities on the Campus of Potomac State College of WVU; and expansion of the Engineering Sciences Building. Grant funds and loan proceeds were used for the construction of the Health Sciences Biomedical Science Research Center, the Blanchette Rockefeller Neurosciences Institute building, and the National Education and Technology Center.
- The University capitalized costs associated with the implementation of an Electronic Student Evaluation of Instruction system. The University also capitalized costs associated with the implementation of SciQuest, a supplier enablement and spend management solution, including the purchase of Oracle Internet Procurement, a web-based procurement interface that will be integrated with SciQuest's e-procurement solution modules.
- During September 2006, the University entered into a lease purchase agreement in the amount of \$7.8 million with First Security Leasing, Inc. to finance a performance energy contract with Siemens Building Technologies, Inc. The performance energy contract is designed to reduce energy consumption, reduce deferred maintenance, implement life safety improvements, and advance operational enhancements throughout the University. The funds are deposited in an escrow account with WesBanco Trust and Investment Services. WesBanco paid \$6.8 million during fiscal year 2007 to Siemens for progress payments related to such contract. During fiscal year 2007, the University also entered into a lease purchase agreement with SunTrust Leasing Corporation in the amount of \$10.8 million to fund improvements and equipment at the WVU Institute of Technology campus.

The University, including the Health Sciences Center and its regional campuses, has planned capital expenditures of approximately \$298.9 million for an on-going capital plan and approximately \$4.5 million for repairs and maintenance. The capital plan includes various capital projects to construct, renovate and/or upgrade academic and auxiliary facilities on the University campuses. These capital projects are being financed through bond proceeds and other sources of revenues available to the University including internal financing, operational revenue and other financing sources. The bond proceeds were generated through the issuance of revenue refunding and improvement bonds by the University, in November 2004, in the aggregate principal amount of \$220.0 million, and the Higher Education Facilities 2004 Series B Bonds issued by the Commission (HEPC Revenue Bonds). Other financing sources include excess lottery funds received from the Commission for health, life safety, ADA and deferred maintenance projects. The proceeds from the University's revenue refunding and improvement bonds were also used to advance refund outstanding 1997 Series A and B Student Union Revenue Bonds and 1997 Series B Dormitory and Athletics Revenue Bonds.

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 of the University. The bonds remain as a capital obligation of the Commission; however \$103.8 million is reported as debt service assessment payable to the Commission by the University.

The University maintains an A+ and A1 credit ratings from Standard and Poor's and Moody's respectively.



## **Economic Outlook**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after December 15, 2006. The adoption of GASB Statement No. 45 by the University will result in a cumulative effect adjustment of approximately \$34.7 million which will increase net assets. The fiscal year 2008 expense, net of State revenue from payments made on behalf of the University, is expected to be less than this adjustment. However, there is no commitment of any additional funding from the State for years after fiscal year 2008, at this time. Accordingly, in approximately three years, the GASB Statement No. 45 liability will exceed the amount currently recorded as a liability as of June 30, 2007.

The University's financial position is closely tied to that of the State of West Virginia. The University is always at the risk of reallocations of State appropriations away from higher education and WVU and its regional campuses. The level of State support is one of the key factors influencing the University's financial condition. State appropriations continue to decline as a percentage of total institutional operating and nonoperating revenues. State appropriated revenue for fiscal year 2007 increased over the fiscal year 2006 level but not in proportion to growth in other resources, most notably student fees.

A lack of growth in State appropriations has necessitated the University to focus on cost control and revenue generation through both enrollment growth and tuition increases. The University has addressed the increased need for funding and maintaining quality academic programs and student services by approving tuition and fees increases for fiscal year 2008. The University is also pursuing other revenue enhancement and cost containment strategies to mitigate the appropriation deficiency. Despite this deficiency in State appropriations and the necessity to cut costs, the University is committed to investing in the future and continues to offer an exceptional educational value. The University is looking at banner enrollment of approximately 35,000 students for fiscal year 2008.

The University is faced with several challenges in light of the predicted State appropriation funding levels. The University needs to continue to address priority requirements for investments in employees, in capital projects and in technology, as well as to make investments to generate resources. The University's senior leadership is actively engaged in developing processes to generate additional revenues, reduce expenditures and achieve efficiencies.

# WEST VIRGINIA UNIVERSITY

## COMBINED STATEMENTS OF NET ASSETS

AS OF JUNE 30, 2007 AND 2006

(Dollars in Thousands)

	2007	2006
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 133,495	\$ 146,293
Accounts receivable, net of allowances for doubtful accounts of \$4,098 and \$2,971	39,785	38,202
Due from the Commission	4,526	604
Loans receivable, current portion	3,609	3,656
Inventories	1,632	1,663
Prepaid expenses	1,660	1,266
Bond issuance cost, current portion	132	132
Total current assets	<u>184,839</u>	<u>191,816</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	15,047	6,818
Investments	92,559	91,270
Loans receivable, net of allowances for doubtful accounts of \$5,135 and \$5,335	32,560	31,300
Bond issuance cost, net	1,519	1,651
Other assets, net	14,015	24
Capital assets, net	851,038	737,453
Total noncurrent assets	<u>1,006,738</u>	<u>868,516</u>
<b>TOTAL ASSETS</b>	<u><u>1,191,577</u></u>	<u><u>1,060,332</u></u>

(continued)

**WEST VIRGINIA UNIVERSITY**

**COMBINED STATEMENTS OF NET ASSETS (CONTINUED)**

**AS OF JUNE 30, 2007 AND 2006**

**(Dollars in Thousands)**

	<b>2007</b>	<b>2006</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 38,665	\$ 29,059
Accrued liabilities	3,558	3,448
Accrued payroll	12,749	10,864
Deposits	2,467	2,448
Deferred revenue	37,544	30,278
Due to the Commission	225	336
Compensated absences, current portion	22,343	19,088
College system debt owed to the Commission, current portion	204	202
Debt service assessment payable to the Commission, current portion	4,901	4,698
Leases payable, current portion	3,999	3,558
Bonds payable, current portion	3,139	2,964
Notes payable, current portion	95	95
Total current liabilities	<u>129,889</u>	<u>107,038</u>
Noncurrent Liabilities:		
Compensated absences	33,313	39,270
College system debt owed to the Commission	761	964
Advances from federal government	27,351	27,345
Debt service assessment payable to the Commission	98,937	103,839
Leases payable	20,825	5,710
Bonds payable	210,005	213,144
Notes payable	3,928	143
Other noncurrent liabilities	13,841	8,009
Total noncurrent liabilities	<u>408,961</u>	<u>398,424</u>
<b>TOTAL LIABILITIES</b>	<u><u>538,850</u></u>	<u><u>505,462</u></u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	548,310	467,295
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	85	85
Loans	4,167	3,488
Other	525	525
Total nonexpendable	<u>4,777</u>	<u>4,098</u>
Expendable:		
Scholarships and fellowships	221	136
Sponsored programs	15,415	1,966
Loans	17,634	17,295
Capital projects	1,387	12,522
Debt service	824	1,254
Other	1,198	820
Total expendable	<u>36,679</u>	<u>33,993</u>
Unrestricted	<u>62,961</u>	<u>49,484</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 652,727</u></u>	<u><u>\$ 554,870</u></u>

See notes to combined financial statements.

# WEST VIRGINIA UNIVERSITY

## COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2007 AND 2006

(Dollars in Thousands)

	2007	2006
<b>OPERATING REVENUES</b>		
Student tuition and fees, net of scholarship allowances of \$23,282 and \$21,970	\$ 235,923	\$ 206,028
Federal land grants	7,940	7,205
Local land grants	885	942
Federal grants and contracts	92,576	96,866
State grants and contracts	32,877	30,393
Local grants and contracts	325	232
Nongovernmental grants and contracts	36,014	36,720
Sales and services of educational departments	14,300	12,309
Auxiliary enterprises, net of scholarship allowances of \$4,854 and \$4,302	90,276	81,349
Interest on student loans receivable	651	563
Other operating revenues (including revenue from outsourced enterprise of \$1,163 and \$1,550)	7,496	7,698
Total operating revenues	<u>519,263</u>	<u>480,305</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	351,008	326,058
Benefits	104,253	106,160
Scholarships and fellowships	28,713	24,077
Utilities	25,100	26,506
Supplies and other services	158,368	150,385
Depreciation	40,706	39,436
Loan cancellations and write-offs	277	249
Assessments by the Commission for operations	2,349	2,235
Waivers in support of other State institutions	434	332
Other operating expenses	7,705	78
Total operating expenses	<u>718,913</u>	<u>675,516</u>
<b>OPERATING LOSS</b>	<u>(199,650)</u>	<u>(195,211)</u>

(continued)

**WEST VIRGINIA UNIVERSITY****COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (CONTINUED)  
YEARS ENDED JUNE 30, 2007 AND 2006****(Dollars in Thousands)**

	<b>2007</b>	<b>2006</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	\$ 203,195	\$ 195,997
Gifts	14,050	15,325
Investment income	12,269	8,502
Interest on capital asset-related debt	(8,879)	(10,699)
Assessments by the Commission for debt service	(5,534)	(6,000)
Other nonoperating expenses - net	(1,299)	(1,645)
Net nonoperating revenues	<u>213,802</u>	<u>201,480</u>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	14,152	6,269
Capital grants and gifts	56,538	17,819
Bond/capital projects proceeds from the Commission	<u>27,167</u>	<u>19,306</u>
<b>INCREASE IN NET ASSETS</b>	97,857	43,394
<b>NET ASSETS--BEGINNING OF YEAR</b>	<u>554,870</u>	<u>511,476</u>
<b>NET ASSETS--END OF YEAR</b>	<u>\$ 652,727</u>	<u>\$ 554,870</u>

See notes to combined financial statements.

**WEST VIRGINIA UNIVERSITY**

**COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2007 AND 2006**

(Dollars in Thousands)

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 240,507	\$ 204,663
Federal and local land grants	8,825	8,148
Grants and contracts	158,372	160,115
Payments to suppliers	(151,255)	(153,416)
Payments to employees	(349,075)	(323,288)
Payments for benefits	(106,928)	(101,292)
Payments to utilities	(24,249)	(26,082)
Payments for scholarships and fellowships	(30,158)	(23,535)
Loan advances from (returned to) federal government	3	(31)
Disbursements of loans to students	(1,490)	(866)
Interest earned on loans to students	651	563
Auxiliary enterprise charges	91,582	85,528
Sales and service of educational departments	14,106	12,207
Other receipts	6,582	13,428
Net cash used in operating activities	<u>(142,527)</u>	<u>(143,858)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	208,131	191,961
Gifts	14,050	15,325
Assessments by the Commission for debt service	(5,534)	(6,000)
William D. Ford direct lending receipts	136,713	124,896
William D. Ford direct lending payments	(136,718)	(124,932)
Other nonoperating receipts (payments)	67	(151)
Net cash provided by noncapital financing activities	<u>216,709</u>	<u>201,099</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Payments on Commission debt assessment payable	(4,910)	(4,528)
Bond/capital projects proceeds from the Commission	23,259	19,306
Capital gifts and grants received	55,495	15,662
Purchases of capital assets	(167,006)	(86,809)
Capital projects proceeds from trustees	18,598	-
Principal paid on capital debt and leases	(7,668)	(7,412)
Interest paid on capital debt and leases	(11,378)	(10,805)
Proceeds from loan	3,880	-
Proceeds from insurance recovery	-	149
Net cash used in capital financing activities	<u>(89,730)</u>	<u>(74,437)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	31,654	25,962
Investment income	10,519	5,690
Purchase of investments	(31,194)	(5,728)
Net cash provided by investing activities	<u>10,979</u>	<u>25,924</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(4,569)</u>	<u>8,728</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>153,111</u>	<u>144,383</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 148,542</u>	<u>\$ 153,111</u>

(continued)

**WEST VIRGINIA UNIVERSITY**

**COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2007 AND 2006**

(Dollars in Thousands)

	2007	2006
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (199,650)	\$ (195,211)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	42,839	39,436
Changes in assets and liabilities:		
Accounts receivable, net	(10,892)	(3,948)
Due from the Commission	(13)	1,588
Loans receivable, net	(1,213)	(617)
Prepaid expenses	(392)	816
Inventories	31	(190)
Accounts payable	14,459	(4,345)
Accrued liabilities	7,828	9,089
Deposits	19	76
Deferred revenue	7,267	3,883
Due to the Commission	(111)	165
Compensated absences	(2,705)	5,445
Advances from federal government	6	(45)
Net cash used in operating activities	<u>\$ (142,527)</u>	<u>\$ (143,858)</u>
Noncash Transactions:		
Equipment additions in accounts payable	<u>\$ 10,255</u>	<u>\$ 7,628</u>
Equipment purchased on capital lease	<u>\$ 1,151</u>	<u>\$ 1,815</u>
Donated capital assets	<u>\$ 1,044</u>	<u>\$ 2,157</u>
Unrealized gain on investments	<u>\$ 1,748</u>	<u>\$ 2,653</u>
Bond discount amortization	<u>\$ 642</u>	<u>\$ 642</u>
Loss on dispositions	<u>\$ 702</u>	<u>\$ 1,564</u>
Land swap	<u>\$ 1,115</u>	<u>\$ 705</u>
<b>Reconciliation of cash and cash equivalents to the statements of net assets:</b>		
Cash and cash equivalents classified as current assets	\$ 133,495	\$ 146,293
Cash and cash equivalents classified as noncurrent assets	15,047	6,818
	<u>\$ 148,542</u>	<u>\$ 153,111</u>

See notes to combined financial statements.

# WEST VIRGINIA UNIVERSITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2007 AND 2006

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### 1. ORGANIZATION

West Virginia University (the “University”) is governed by the West Virginia University Board of Governors (the “Board”). The Board was established by Senate Bill 653 (“S.B. 653”).

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

S.B. 653 also created the West Virginia Higher Education Policy Commission (the “Commission”), which is responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements of the University have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, 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 the University’s assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

The University follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 and amendments thereof, and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989 to its combined financial statements.



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

The accompanying combined financial statements present all funds under the authority of West Virginia University, including Potomac State College, West Virginia University Institute of Technology (including the Community and Technical College at West Virginia University Institute of Technology) and West Virginia University at Parkersburg (the “Regional Campuses”) and the Tech Research and Development Corporation and the West Virginia University Research Corporation (the “Corporations”). The basic criteria for inclusion in the accompanying combined financial statements is the exercise of oversight responsibility derived from the ability of the University to significantly influence operations and accountability for fiscal matters of related entities. Related foundations and other affiliates of the University (see Notes 15 and 16) are not part of the University reporting entity and are not included in the accompanying combined financial statements as the University has no ability to designate management, cannot significantly influence operations of these entities and is not accountable for the fiscal matters of these entities under GASB Statement No. 14, *The Financial Reporting Entity*.

As of July 1, 2003, the University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, as an amendment to GASB Statement No. 14. Related foundations and other affiliates of the University (see Notes 15 and 16) do not meet the criteria for determination as component units of the University as described in GASB Statement No. 39.

- b. *Basis of Accounting* – For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the combined financial statements of the University have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenses when materials or services are received. All accounts and transactions between the University, the Regional Campuses and the Corporations have been eliminated.
- c. *Cash and Cash Equivalents* – For purposes of the statement of net assets, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Regional campus cash and cash equivalents on deposit with the West Virginia Treasurer’s Office (the “Treasurer”) are pooled by the Treasurer with other available funds of the State for investment by the West Virginia Board of Treasury Investments (BTI). Main Campus cash and cash equivalents invested in the Cash Liquidity Pool with the BTI is pooled by the BTI with other available funds of the state to maximize investment income. These funds are transferred to the BTI and the BTI is directed by the Treasurer to invest these funds in specific external investment pools in accordance with West Virginia Code and policies set by the BTI when applicable. Fair value and investment income are allocated to participants in the pools based upon the funds that

have been invested. Balances in the investment pools are recorded at fair value, or amortizing cost which approximates fair value. Fair value is determined by a third party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. The amounts in the Cash Liquidity Pool and the Government Money Market Pool are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying combined financial statements. Certain bond proceeds are classified as cash and cash equivalents.

The BTI maintains the Consolidated Fund investment fund which consists of three investment pools and participant-directed accounts, in which the state and local governmental agencies invest. 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 can be invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd., Room E-122, Charleston, WV 25305 or <http://www.wvbt.com> .

- d. *Investments* – Investments, other than alternative investments, are presented at fair value, based upon quoted market values. Regulatory oversight for investments on deposit with the Treasurer is provided by the State's Investment Management Board in accordance with statutory guidelines. These investments are non-categorized with respect to risk and collateral disclosure. Investments also include U.S. Government securities, municipal obligations, high-grade corporate obligations, and equity securities. The University's other investments are categorized as to credit risk as insured and registered.

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

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

The alternative investments are carried at estimated fair value as of June 30, 2007 and 2006. These valuations include assumptions and methods that were reviewed by University management and are based on quoted market values for underlying investments. The University believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2007 and 2006. Because alternative investments are not readily marketable, and the estimated value is subject to

uncertainty, the reported value may differ from the value that would have been used had a ready market existed.

- e. *Allowance for Doubtful Accounts* – It is the University’s policy to provide for future losses on uncollectible accounts and loans receivable based on an evaluation of the underlying account and loan balances, the historical collectibility experienced by the University on such balances and such other factors which, in management’s judgment, require consideration in estimating doubtful accounts.
- f. *Inventories* – Inventories are stated at the lower-of-cost or market, cost being determined on the first-in, first-out method.
- g. *Noncurrent Cash, Cash Equivalents, and Investments* – Cash and investments that are (1) externally restricted to make debt service payments or long-term loans to students, maintain sinking fund or reserve funds, (2) to purchase capital or other noncurrent assets, and (3) permanently restricted net assets are classified as a noncurrent asset on the statement of net assets.
- h. *Capital Assets* – Capital assets include property, plant and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings, infrastructure and land improvements, and 3 to 15 years for furniture, equipment, and library books. The University’s capitalization threshold is \$5,000. During fiscal year 2006, the University implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairments of Capital Assets and for Insurance Recoveries*. The combined financial statements reflect all adjustments required by GASB Statement No. 42 as of June 30, 2007 and 2006.
- i. *Deferred Revenue* – Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue, including items such as tuition, football ticket sales, orientation fees, room and board, financial aid deposits, and advance payments on sponsored awards. Financial aid deposits are separately classified.
- j. *Compensated Absences* – The University accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. This statement requires entities to accrue for employees’ rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable.

The University’s full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees of the University 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 and annual leave. Generally, two days of accrued 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 and/or annual leave credit toward insurance premiums when they retire.

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 5 years extend health insurance for one year of family coverage.

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

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

- k. *Severance Plan* – Effective April 4, 2003, the University adopted the Classified Staff Severance Plan (the “Severance Plan”) to provide incentives for the voluntary severance of the University’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 the University 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 electing the June 30, 2003 exit date will receive 100% of their fiscal year 2003 base salary not to exceed \$45,000. Participants electing 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 will be divided into 96 equal consecutive monthly payments. If the employee is over age 59 at the time his or her payments begin, 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 begin will receive his or her payment in a lump sum. The University’s total liability as of June 30, 2007 and 2006 was \$1.1 million and \$1.6 million, respectively, which includes approximately \$76,000 and \$113,000 for employee benefits as of June 30, 2007 and 2006, respectively.
- l. *Noncurrent Liabilities* – Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) projected claim payments for self insurance.
- m. *Net Assets* – GASB Statements No. 34 and No. 35 report equity as “net assets” rather than “fund balance”. Net assets are classified according to external donor restrictions or availability of assets for satisfaction of University obligations. The University’s net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the University’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 which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, “Fees and Other Money Collected at State Institutions of Higher Education” of the West Virginia Code. House Bill 101, passed in March 2004, simplified the tuition and fee restrictions to auxiliary and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the West Virginia State Legislature. At June 30, 2007 and 2006, the University had no restricted balances remaining in these funds.

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

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

- n. *Classification of Revenue* – The University 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) federal land grants, and (5) sales and services of educational activities. Other operating revenues include revenue from leasing of the University’s academic bookstores and retail stores 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 Statements No. 34 and No. 35, such as state appropriations and investment income.

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

- o. *Use of Restricted Net Assets* – The University has 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. The University attempts to utilize restricted net assets first when practicable. The University did not have any designated net assets as of June 30, 2007 or 2006.

- p. Scholarship Discounts and Allowances* – Student tuition and fee revenues are reported net of scholarship discounts and allowances on the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' 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 University 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.

- q. Federal Financial Assistance Programs* – The University makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and unsubsidized loans directly to students, through universities. Direct student loan receivables are not included in the University's statement of net assets, as the loans are repayable directly to the U.S. Department of Education. The University received and disbursed \$136.7 million in fiscal year 2007 and \$124.9 million in fiscal year 2006 under the Direct Loan Program on behalf of the U.S. Department of Education; these amounts are not included as revenues and expenses on the statement of revenues, expenses, and changes in net assets.

The University also distributes other student financial assistance funds on behalf of the federal government to students under the Pell Grant, Supplemental Educational Opportunity Grant and Federal Work Study Programs. The activity of these programs is recorded in the accompanying combined financial statements. In fiscal years 2007 and 2006, the University received and disbursed \$23.2 million and \$22.2 million, respectively, under these other federal student aid programs.

- r. Government Grants and Contracts* – Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The University recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to three years.
- s. Income Taxes* – The University is exempt from income taxes, except for unrelated business income, as a nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service.
- t. Cash Flows* – Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves are included as cash and cash equivalents for the purpose of the statement of cash flows.

- u. *Risk Management* – The State’s Board of Risk and Insurance Management (BRIM) provides general liability, medical malpractice liability, property, and auto insurance coverage to the University and its employees, including those physicians employed by the University and related to the University’s academic medical center hospital. Such coverage is provided to the University through a self-insurance program maintained by BRIM for general liability, medical malpractice liability, and auto insurance coverage. BRIM maintains a self-insurance program to pay the first \$1,000,000 of each property insurance claim and purchases excess property insurance from commercial insurance market to cover individual claims that exceed \$1,000,000. 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 future premium adjustments to the University or other participants in BRIM’s insurance programs. As a result, management does not expect significant differences between the premiums the University is currently charged by BRIM and the ultimate cost of that insurance based on the University’s actual loss experience. In the event such differences arise between estimated premiums charged by BRIM to the University and the University’s ultimate actual loss experience, the difference will be recorded, as the change in estimate became known.

The HSC established a \$250,000 deductible program under BRIM’s professional liability coverage for the University effective July 1, 2005. Prior to this date, the HSC was totally covered by BRIM at a limit of \$1,000,000 per occurrence. Starting July 1, 2005, HSC assumed the risk and responsibility for any and all indemnity amounts up to \$250,000 per occurrence and all loss expenses associated with medical malpractice claims and/or suits in exchange for a reduction in its premium for medical malpractice insurance.

Under the program, the HSC entered into an agreement with BRIM whereby the HSC has on deposit \$2 million and \$1 million as of June 30, 2007 and 2006, respectively, in an escrow account created in the state treasury from which BRIM may withdraw amounts to pay indemnity costs and allocated expenses in connection with medical malpractice claims against the HSC. The HSC also has on deposit \$11.3 million and \$6 million as of June 30, 2007 and 2006, respectively, in an investment earnings account with the Foundation to cover the liabilities under this program.

Based on an actuarial valuation of this self insurance program and premium levels determined by BRIM, the University has recorded a liability of \$12.8 million and \$7.0 million to reflect projected claim payments at June 30, 2007 and 2006, respectively.

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

- v. *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.

- w. *Risks and Uncertainties* – The University utilizes various investment instruments that are exposed to risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements and accompanying notes.
- x. *Reclassifications* – Certain reclassifications have been made to the 2006 combined financial statements to conform to the current year presentation.
- y. *Recent Statements Issued By GASB* – The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after December 15, 2006. This statement provides standards for the measurement, recognition and display of other postemployment benefit expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State of West Virginia. Effective July 1, 2007, the University is required to participate in this multiple employer cost sharing plan sponsored by the State of West Virginia. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston WV 25305-0710 or <http://wvpeia.com>. No liability related to this plan exists for the University at June 30, 2007. The University has not fully determined the effect that the adoption of GASB Statement No. 45 may have on the financial statements.

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

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

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



### 3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30, 2007 and 2006 (dollars in thousands):

#### 2007

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Cash on deposit with the Treasurer:			
West Virginia University - Nonauxiliaries	\$ 80,690	\$ 619	\$ 81,309
West Virginia University - Auxiliaries	19,388	-	19,388
Cash on deposit with Trustee or MBC	-	12,395	12,395
Deposits with BRIM Escrow Account Treasurer	-	2,033	2,033
Cash in Bank	31,104	-	31,104
Cash on Hand	44	-	44
Cash in Money Market	2,269	-	2,269
	<u>\$ 133,495</u>	<u>\$ 15,047</u>	<u>\$ 148,542</u>

#### 2006

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Cash on deposit with the Treasurer:			
West Virginia University - Nonauxiliaries	\$ 85,171	\$ 4,795	\$ 89,966
West Virginia University - Auxiliaries	26,783	-	26,783
Cash on deposit with Trustee or MBC	-	1,023	1,023
Deposits with BRIM Escrow Account Treasurer	-	1,000	1,000
Cash in Bank	32,999	-	32,999
Cash on Hand	48	-	48
Cash in Money Market	1,292	-	1,292
	<u>\$ 146,293</u>	<u>\$ 6,818</u>	<u>\$ 153,111</u>

*Cash on Deposit with the Treasurer.* During fiscal year 2007, the Main Campus of the University requested and was granted the ability to invest directly with the BTI. Previously, all campuses of the University participated in the BTI investment program through HEPC. The direct participation of the Main Campus in the BTI program commenced May 1, 2007. The regional campuses continued to participate in BTI through HEPC during the fiscal year.

Amounts with the Treasurer and the Municipal Bond Commission as of June 30, 2007 and 2006 are comprised of the following investment pools.

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

### **Cash Liquidity Pool**

#### **Credit Risk**

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

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

Security Type	Credit Rating*		2007		2006	
	Moody's	S & P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Investments:						
Commercial paper	P1	A-1	\$1,015,926	48.89%	\$ 943,057	54.14%
Corporate bonds and notes	Aaa	AAA	98,999	4.76	61,992	3.56
	Aa3	AA	20,001	0.96		
	Aa3	A	23,002	1.11		
	Aa2	AA	15,000	0.72		
	Aa2	A	27,000	1.30		
	Aa1	AA	77,023	3.71		
	Aa	AA			55,063	3.16
	Aa	A			12,000	0.69
			<u>261,025</u>	<u>12.56</u>	<u>129,055</u>	<u>7.41</u>
U.S. agency bonds	Aaa	AAA	46,994	2.26	43,663	2.51
U.S. Treasury bills	Aaa	AAA	358,725	17.27	306,279	17.58
Negotiable certificates of deposit	P1	A-1	76,500	3.68	99,000	5.68
U.S. agency discount notes	P1	A-1	21,655	1.04	93,851	5.39
Money market funds	Aaa	AAA	185	0.01	758	0.04
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA			73,000	4.19
U.S. agency notes	Aaa	AAA	246,821	11.88	29,339	1.69
			<u>246,821</u>	<u>11.88</u>	<u>102,339</u>	<u>5.88</u>
Deposits:						
Nonnegotiable certificates of deposit	NR	NR	50,000	2.41	23,800	1.37
			<u>\$2,077,831</u>	<u>100%</u>	<u>\$1,741,802</u>	<u>100.00%</u>

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

At June 30, 2007 and 2006, the University's ownership represents 3.46% and 3.54%, respectively, of these amounts held by the BTI.

## Government Money Market Pool

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

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

At June 30, 2007 and 2006, the University's ownership represents .13% and .82%, respectively, of these amounts held by the BTI.

## Enhanced Yield Pool

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

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

At June 30, 2007 and 2006, the University's ownership represents .19% and 12.06%, respectively, of these amounts held by the BTI.

## Interest Rate Risk

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

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

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

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

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

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

Security Type	2007		2006	
	Carrying Value (In Thousands)	WAM (Days)	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 20,485	2	\$ 1,346	3
U.S. Treasury	55,877	1092	58,067	894
Corporate notes	52,620	557	71,793	588
Corporate asset backed securities	42,122	421	46,963	688
U.S. agency bonds/notes	46,075	927	87,215	594
U.S. agency mortgage backed securities	11,741	814	-	0
	<u>\$ 228,920</u>	<u>700</u>	<u>\$ 265,384</u>	<u>672</u>

### Other Investment Risks

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

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

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

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

## Deposits

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

*Cash on Deposit with Trustee or Municipal Bond Commission (MBC).* Cash on deposit with Trustee or MBC represents various project revenue, repair and replacement and debt service accounts held by the Trustee or the State's MBC and related to various University specific bond issues (see Note 10). 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 of West Virginia. Deposits with the MBC are invested in the IMB and BTI Government Money Market Pool, are non-categorized deposits with respect to risk and collateral disclosure and are subject to IMB and BTI policies and limits (see cash on deposit with the Treasurer). Deposits with the bond trustee represent investment of a small portion of the 2004 revenue refunding and improvement bonds in a Federated Government Obligations fund that invests primarily in short-term U.S. Treasury and government agency securities, including repurchase agreements collateralized fully by U.S. Treasury and government agency securities. Such securities have a dollar-weighted maturity of 90 days or less and are not insured by the FDIC.

*Cash in bank.* The combined carrying amount of cash in bank at June 30, 2007 and 2006 was \$31.1 million and \$33.0 million, respectively, as compared with combined bank balances of \$34.1 million and \$39.2 million, respectively. The difference was primarily caused by items in transit and outstanding checks. Bank balances are insured by the Federal Deposit Insurance Corporation or collateralized by securities held as collateral by the bank.

At June 30, 2007, deposits with Huntington National Bank ("Huntington") for the Corporation in the amount of \$21.0 million were subject to custodial credit risk. The uninsured deposits are collateralized with Huntington through a Repurchase Agreement. The collateral pool for the Repurchase Agreement consists of securities issued by the U.S. Treasury, and federally guaranteed or sponsored agencies with a market value equal to or greater than 102% of the Corporation's bank balance and are held by Huntington but not in the name of the Corporation.

*Cash in Money Market.* Deposits with the money market funds are collateralized by securities held as collateral by the bank.



#### 4. ACCOUNTS RECEIVABLE

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

	<b>2007</b>	<b>2006</b>
Student tuition and fees, net of allowances for doubtful accounts of \$3,195 and \$2,043	\$ 4,567	\$ 1,362
Grants and contracts receivable, net of allowances for doubtful accounts of \$362 and \$343	29,825	26,913
Due from West Virginia University Hospitals, Incorporated	1,026	1,150
Auxiliary services, net of allowances for doubtful accounts of \$532 and \$574	1,203	650
Other, net of allowances for doubtful accounts of \$9 and \$11	2,756	7,948
Due from other State agencies	408	179
	<u>\$ 39,785</u>	<u>\$ 38,202</u>

All accounts receivable are classified as current on the combined statement of net assets. West Virginia University Hospitals, Incorporated receivables represent various administrative expenses incurred by the University on behalf of West Virginia University Hospitals, Incorporated for which reimbursement has not yet been received.

## 5. INVESTMENTS

As of June 30, 2007 and 2006, the University had the following investments (dollars in thousands):

<b>Investment Type</b>	<b>2007 Fair Value</b>	<b>2006 Fair Value</b>
Corporate Stocks - Domestic	\$ 1,093	\$ 953
Corporate Stocks - Foreign	56	93
Mutual Stock Funds	4,548	3,818
Corporate Bonds	1,071	1,257
Mutual Bond Funds	4	4
U.S. Government Agencies	1,773	2,151
U.S. Treasury Obligations	664	659
Guaranteed Investment Contract	46,539	76,295
Alternative Investments:		
Short-Term Fund - Commonfund	2,393	2,982
Multi-Strategy Equity Fund - Commonfund	6,435	999
Multi-Strategy Bond Fund - Commonfund	2,465	2,059
Multi-Strategy Commodities - Commonfund	992	-
Real Estate Securities - Commonfund	228	-
Hedge Fund-of-Funds - Robeco-Sage	1,577	-
Other Investments:		
Global Fixed Income Fund Investment Grade - Brandywine	1,016	-
Stock Fund - Dodge and Cox	9,509	-
U.S. Bonds/TIPS Fund - IRM	12,129	-
SSGA Prime Money Market Fund - State Street	67	-
	\$ 92,559	\$ 91,270

Historically, the University was unable to invest excess operating funds outside of the Treasurer. Within WV Code §12-1-12d of Senate Bill 603 (“S.B 603”) the University received the authority to invest a limited amount of operating funds with the Foundation. On October 13, 2006, the University invested \$25 million with the Foundation. At June 30, 2007, this amount was \$25.9 million.

*Credit Risk.* At June 30, 2007 and 2006, the University’s investments in corporate bonds were rated Baa and Baa, respectively, by Moody’s Investors Service and BBB and BBB, respectively, by Standard & Poor’s rating services. The investments in U.S. Government Agencies were rated Aaa and Aaa, respectively, by Moody’s Investors Service and AAA and AAA, respectively, by Standard & Poor’s rating services. Investments in the mutual funds and equities have not been rated. The investments in the short-term fund were rated AAA by Standard & Poor’s. The investments in the Multi-Strategy Bond Fund were rated AA by Standard & Poor’s. The investments in the Multi-Strategy Commodities Fund were rated AA+ by Standard & Poor’s. The investments in Brandywine were rated AA+ by Standard & Poor’s. The investments in IRM were rated AA+ by Standard & Poor’s.

*Custodial Credit Risk.* A significant portion of the 2004 revenue refunding and improvement bond proceeds is invested in a Guaranteed Investment Contract (GIC) with United Bank, Inc. (the “Trustee”) under a master repurchase agreement with Citigroup Global Markets Inc. (the “Seller”). The GIC is guaranteed by the long-term senior unsecured debt rating of Citigroup Global Markets Holdings Inc. (the “Guarantor”). In the event such debt rating of the Guarantor falls below A+ by Standard & Poor’s Rating Services or A1 by Moody’s Investor Services, Inc., the Seller must either provide additional securities to satisfy the rating agencies’ collateral requirements or terminate the agreement by repurchasing all securities and paying any price differentials.

*Concentration of Credit Risk.* More than 5% of the University’s investments are in the Guaranteed Investment Contract, Multi-Strategy Equity Fund, Dodge and Cox, and the IRM investments as noted above. The Guaranteed Investment Contract investment represents 50.3% and 83.6% of the University’s total investments at June 30, 2007 and 2006, respectively.

## 6. CAPITAL ASSETS

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

2007	Beginning			Ending
	Balance	Additions	Reductions	Balance
Capital assets not being depreciated:				
Land	\$ 24,050	\$ 1,857	\$ (1)	\$ 25,906
Construction in progress	143,083	135,628	(129,168)	149,543
Total capital assets not being depreciated	<u>\$ 167,133</u>	<u>\$ 137,485</u>	<u>\$ (129,169)</u>	<u>\$ 175,449</u>
Other capital assets:				
Land improvements	\$ 11,269	\$ 1,948	\$ -	\$ 13,217
Buildings	656,351	120,705	(374)	776,682
Equipment	131,928	17,128	(19,208)	129,848
Library books	85,617	7,307	(78)	92,846
Software	46,782	253	(5,040)	41,995
Infrastructure	218,219	5,327	(113)	223,433
Total other capital assets	1,150,166	152,668	(24,813)	1,278,021
Less accumulated depreciation for:				
Land improvements	(6,672)	(848)	96	(7,424)
Buildings	(200,103)	(15,473)	(28)	(215,604)
Equipment	(85,475)	(11,549)	17,574	(79,450)
Library books	(66,566)	(5,297)	64	(71,799)
Software	(40,300)	(439)	519	(40,220)
Infrastructure	(180,730)	(7,100)	(105)	(187,935)
Total accumulated depreciation	<u>(579,846)</u>	<u>(40,706)</u>	<u>18,120</u>	<u>(602,432)</u>
Other capital assets, net	<u>\$ 570,320</u>	<u>\$ 111,962</u>	<u>\$ (6,693)</u>	<u>\$ 675,589</u>
Capital Assets Summary:				
Capital assets not being depreciated	\$ 167,133	\$ 137,485	\$ (129,169)	\$ 175,449
Other capital assets	1,150,166	152,668	(24,813)	1,278,021
Total cost of capital assets	1,317,299	290,153	(153,982)	1,453,470
Less accumulated depreciation	(579,846)	(40,706)	18,120	(602,432)
Capital assets, net	<u>\$ 737,453</u>	<u>\$ 249,447</u>	<u>\$ (135,862)</u>	<u>\$ 851,038</u>

<b>2006</b>	<b>Beginning</b>			<b>Ending</b>
	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>
Capital assets not being depreciated:				
Land	\$ 12,299	\$ 11,751	\$ -	\$ 24,050
Construction in progress	89,866	80,601	(27,384)	143,083
Total capital assets not being depreciated	<u>\$ 102,165</u>	<u>\$ 92,352</u>	<u>\$ (27,384)</u>	<u>\$ 167,133</u>
Other capital assets:				
Land improvements	\$ 10,278	\$ 991	\$ -	\$ 11,269
Buildings	641,756	14,728	(133)	656,351
Equipment	128,834	12,043	(8,949)	131,928
Library books	79,882	6,057	(322)	85,617
Software	45,888	953	(59)	46,782
Infrastructure	217,248	971	-	218,219
Total other capital assets	1,123,886	35,743	(9,463)	1,150,166
Less accumulated depreciation for:				
Land improvements	(5,844)	(828)	-	(6,672)
Buildings	(187,625)	(12,514)	36	(200,103)
Equipment	(82,036)	(11,470)	8,031	(85,475)
Library books	(62,076)	(4,812)	322	(66,566)
Software	(37,749)	(2,581)	30	(40,300)
Infrastructure	(173,511)	(7,231)	12	(180,730)
Total accumulated depreciation	<u>(548,841)</u>	<u>(39,436)</u>	<u>8,431</u>	<u>(579,846)</u>
Other capital assets, net	<u>\$ 575,045</u>	<u>\$ (3,693)</u>	<u>\$ (1,032)</u>	<u>\$ 570,320</u>
Capital Assets Summary:				
Capital assets not being depreciated	\$ 102,165	\$ 92,352	\$ (27,384)	\$ 167,133
Other capital assets	1,123,886	35,743	(9,463)	1,150,166
Total cost of capital assets	1,226,051	128,095	(36,847)	1,317,299
Less accumulated depreciation	(548,841)	(39,436)	8,431	(579,846)
Capital assets, net	<u>\$ 677,210</u>	<u>\$ 88,659</u>	<u>\$ (28,416)</u>	<u>\$ 737,453</u>

The University maintains various collections of inexhaustible assets for which no value can be practically determined. 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. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

The University capitalized interest on borrowings, net of interest earned on related debt of \$2.4 million during fiscal year 2007. There was no interest capitalization in fiscal year 2006.

## 7. LONG-TERM LIABILITIES

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

<b>2007</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
Compensated absences	\$ 58,358	\$ -	\$ (2,702)	\$ 55,656	\$ 22,343
College system debt owed to the Commission	1,166	-	(201)	965	204
Advances from federal government	27,345	95	(89)	27,351	-
Debt service assessment payable to the Commission	108,537	-	(4,699)	103,838	4,901
Leases payable	9,268	19,750	(4,194)	24,824	3,999
Bonds payable	216,108	-	(2,964)	213,144	3,139
Notes payable	238	3,880	(95)	4,023	95
Other noncurrent liabilities	9,059	6,736	(1,055)	14,740	899
Total long-term liabilities	<u>\$ 430,079</u>	<u>\$ 30,461</u>	<u>\$ (15,999)</u>	<u>\$ 444,541</u>	<u>\$ 35,580</u>

<b>2006</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
Compensated absences	\$ 52,913	\$ 5,445	\$ -	\$ 58,358	\$ 19,088
College system debt owed to the Commission	1,995	-	(829)	1,166	202
Advances from federal government	27,390	23	(68)	27,345	-
Debt service assessment payable to the Commission	112,422	341	(4,226)	108,537	4,698
Leases payable	11,718	1,815	(4,265)	9,268	3,558
Bonds payable	218,923	-	(2,815)	216,108	2,964
Notes payable	333	-	(95)	238	95
Other noncurrent liabilities	2,658	6,976	(575)	9,059	1,050
Total long-term liabilities	<u>\$ 428,352</u>	<u>\$ 14,600</u>	<u>\$ (12,873)</u>	<u>\$ 430,079</u>	<u>\$ 31,655</u>

## 8. COMPENSATED ABSENCES

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

### 2007

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Health or life insurance benefits	\$ 1,419	\$ 33,313	\$ 34,732
Vacation leave	20,924	-	20,924
	<u>\$ 22,343</u>	<u>\$ 33,313</u>	<u>\$ 55,656</u>

### 2006

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Health or life insurance benefits	\$ 1,525	\$ 39,270	\$ 40,795
Vacation leave	17,563	-	17,563
	<u>\$ 19,088</u>	<u>\$ 39,270</u>	<u>\$ 58,358</u>

The cost of health and life insurance benefits paid by the University is based on a combination of years of service and age. For the years ended June 30, 2007 and 2006, the amount paid by the University for extended health or life insurance coverage retirement benefits totaled \$1,437,123 and \$1,393,245, respectively. As of June 30, 2007 and 2006, there were 630 and 592 retirees currently receiving these benefits, respectively. As of June 30, 2007 and 2006, there were an additional 893 and 867, respectively, active employees eligible to receive these benefits in the future.

## 9. LEASES PAYABLE

- a. *Operating* – Future annual minimum rental payments on operating leases for years subsequent to June 30, 2007 are as follows:

<b>Fiscal Year Ended</b>	
<b>June 30,</b>	
2008	\$ 6,549
2009	5,856
2010	4,117
2011	3,718
2012	3,366
2013-2017	14,961
2018-2022	9,880
2023-2027	9,880
2028-2032	7,905
2033-2037	5
2038-2042	5
2043-2047	5
2048-2052	5
2053-2057	5
2058	<u>1</u>
Total	<u><u>\$ 66,258</u></u>

Total rental expense for the years ended June 30, 2007 and 2006 was \$7.9 million and \$8.9 million, respectively. The University leases 6 floors of a seven floor office building from the West Virginia University Foundation, Incorporated. Rental expense under the operating lease is \$1,975,000 per year through 2031. The University has no non-cancelable leases.



- b. *Capital* – The University leases certain property, plant and equipment under capital leases. Leased assets totaled \$27.9 million and \$21.4 million at June 30, 2007 and 2006, respectively. Future annual minimum lease payments and the present value of minimum lease payments on capital leases are as follows (dollars in thousands):

<b>Fiscal Year</b>	
<b>Ending June 30,</b>	
2008	\$ 5,100
2009	3,661
2010	1,830
2011	1,501
2012	10,223
2013-2022	<u>8,246</u>
Minimum lease payments	30,561
Less amount representing interest	<u>(5,737)</u>
Present value of minimum lease payments	24,824
Current Portion	<u>3,999</u>
Noncurrent Portion	<u><u>\$ 20,825</u></u>

## 10. BONDS PAYABLE

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

	<b>Original Interest Rate</b>	<b>Annual Principal Installment Due</b>	<b>2007 Principal Amount Outstanding</b>	<b>2006 Principal Amount Outstanding</b>
Auction Rate Certificates				
Federally Taxable Revenue Refunding and Improvemen, 2004 Series A due through 2035, variable rate		\$ 975 to 4,200	19,100	22,575
Revenue Refunding Bonds, 2004 Series B, due through 2021	3.5-5.0%	0 to 6,685	55,430	55,430
Revenue Improvement Bonds, 2004 Series C, due through 2035	4.3-5.0%	0 to 12,780	138,710	138,710
Unamortized Bond Premium			4,656	4,904
Loss on Bond Defeasance			(4,752)	(5,511)
Net Bonds Payable			213,144	216,108
Curent Portion			3,139	2,964
Noncurrent Portion			\$ 210,005	\$ 213,144

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

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

The 1997 Student Union Series A Bonds were used to advance refund the 1986 Student Union Fee Revenue Bonds. The 1997 Student Union Series B Bonds were issued to finance a portion of the costs of acquisition, construction and equipping of a new student union and related capital improvements, and to pay a portion of the costs of issuance and interest on the 1997 Series A Bonds.

### ***Refunded Debt***

On November 1, 2004, the Board issued \$220.0 million in revenue bonds as follows:

**2004 Series A** Federally Taxable Revenue Refunding and Improvement Bonds in the aggregate principal amount of \$25.9 million. The 2004 A Bonds are federally taxable auction rate certificates and were issued in two subseries designated as 2004 Subseries A-1 and 2004 Subseries A-2. The 2004 Subseries A-1 and A-2 Bonds bear interest at an auction rate which was 5.22% and 5.22%, respectively, at June 30, 2007 and 5.10% and 5.28%, respectively, at June 30, 2006. These bonds were used to advance refund outstanding 1997 Series A Dormitory and Athletics Revenue Bonds with a par amount of \$12.4 million and to finance a portion of the costs of certain capital projects at the University.

**2004 Series B** Revenue Refunding Bonds in the amount of \$55.4 million with an average interest rate of 4.7%. The 2004 Series B Bonds were issued to advance refund outstanding 1997 Series A and B Student Union Revenue Bonds and 1997 Series B Dormitory and Athletics Revenue Bonds with a par amount of \$54.0 million, and to pay the costs of issuance of 2004 Series B Bonds.

**2004 Series C** Revenue Improvement Bonds in the amount of \$138.7 million with an average interest rate of 4.9%. The 2004 Series C Bonds were issued to finance a portion of certain improvements at the University, including capitalized interest and to pay the costs of issuance of the 2004 Series C Bonds.

The bond proceeds of \$226.1 million included net original issue premium on the 2004 Bonds in the amount of \$5.3 million and \$0.8 million in accrued interest. \$70.9 million of the proceeds of 2004 Series A and B Bonds were placed into the 2004 Bonds Escrow Account with an escrow agent to provide for all future debt service payments on the 1997 refunded bonds. As a result, the 1997 series bonds are considered to be defeased and the related assets and liabilities of the defeased bonds are not included in the financial statements of the University. Defeased bonds outstanding, held by the escrow agent, at June 30, 2007 and 2006 were \$61.9 million and \$63.4 million, respectively.

It is estimated that the advance refunding of the 1997 series bonds will result in a reduction in the University's total debt service payments over the next 19 years of approximately \$8.4 million. The refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1.9 million. The reacquisition price exceeded the net carrying amount of the old debt by \$6.7 million. This amount is being netted against the new debt and deferred and amortized as interest expense over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

Approximately \$46.7 million and \$76.5 million at June 30, 2007 and 2006, respectively, represents unexpended proceeds of bond issuance, and is restricted to expenditures for capital improvements and bond related costs. This includes \$46.5 million and \$76.3 million in investments and approximately \$195,000 and \$156,000 in cash at June 30, 2007 and 2006, respectively. The investments are classified as noncurrent, but are available for immediate withdrawal.

The scheduled maturities of the revenue bonds are as follows (dollars in thousands):

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Payments</b>
2008	\$ 3,650	\$ 10,181	\$ 13,831
2009	3,825	10,012	13,837
2010	4,025	9,833	13,858
2011	4,200	9,647	13,847
2012	4,395	9,478	13,873
2013-2017	24,120	44,707	68,827
2018-2022	30,315	38,387	68,702
2023-2027	38,885	29,815	68,700
2028-2032	49,900	18,799	68,699
2033-2036	49,925	5,033	54,958
Bonds Payable	<u>213,240</u>	<u>\$ 185,892</u>	<u>\$ 399,132</u>
Unamortized Bond Premium	4,656		
Loss on Bond Defeasance	<u>(4,752)</u>		
Net Bonds Payable	213,144		
Current Portion	<u>3,139</u>		
Noncurrent Portion	<u>\$ 210,005</u>		

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

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

The State has chartered the Commission with the responsibility to construct or renovate, finance and maintain various academic and other facilities of the State's universities and colleges, including certain facilities of the University. 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 the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. The bonds remain as 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.

With the transfer of WVUIT from the State College System to the University System of West Virginia effective July 1, 1997, in accordance with the provisions of Senate Bill 591, WVUIT is required to make annual payments through 2012 to the Policy Commission for purposes of the State College System's debt service. The college system debt owed to the Commission as of June 30, 2007 and 2006 was \$965,000 and \$1.2 million, respectively.

## **12. RETIREMENT PLANS**

Substantially all eligible employees of the University participate in either the West Virginia State Teachers Retirement System (STRS) or the Teachers Insurance and Annuities Association - College Retirement Equities Fund (TIAA-CREF). Previously, upon full-time employment, all employees were required to make an irrevocable election between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants from West Virginia higher education. 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 University 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 Educators Money 401(a) basic retirement plan. New hires have the choice of either plan. As of June 30, 2007 and 2006, 66 and 45 employees, respectively, were enrolled in the Educators Money 401(a) basic retirement plan.

The STRS is a cost-sharing, defined benefit public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The University's contributions to the STRS were at the rate of 15% of each enrolled employee's total annual salaries in both 2007 and 2006. Required employee contributions were at the rate of 6% of total annual salaries in both 2007 and 2006. Participants in the STRS may retire with full benefits upon reaching age 60 with 5 years of service, age 55 with 30 years of service or any age with 35 years of service. Lump sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest 5 years of salary out of the last 15) multiplied by the number of years of service.

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

Contributions to the STRS for each of the last three fiscal years were approximately as follows (dollars in thousands):

<b>Fiscal Year Ending</b>				
<b>June 30,</b>	<b>WVU</b>	<b>Employees</b>	<b>Total</b>	
2007	\$ 2,000	\$ 1,000	\$ 3,000	
2006	2,000	1,000	3,000	
2005	3,000	1,000	4,000	

The TIAA-CREF and Great-West are defined-contribution benefit plans in which benefits are based upon amounts contributed plus investment earnings. Each employee who elects to participate in these plans is required to make a contribution equal to 3 or 6% of their total annual compensation. The University simultaneously matches the employees' 3 or 6% contribution. Contributions are immediately and fully vested.

Contributions to the TIAA-CREF for each of the last three fiscal years were approximately as follows (dollars in thousands):

<b>Fiscal Year Ending</b>				
<b>June 30,</b>	<b>WVU</b>	<b>Employees</b>	<b>Total</b>	
2007	\$ 18,000	\$ 18,000	\$ 36,000	
2006	17,000	17,000	34,000	
2005	16,000	16,000	32,000	

The University's total payroll for fiscal years 2007 and 2006 was \$351.0 million and \$326.1 million, respectively; total covered employees' salaries in the STRS, TIAA-CREF and the Educators Money Plan 401(a) plan were \$14.8 million, \$305.1 million and \$2.7 million in

fiscal year 2007 and \$15.0 million, \$281.2 million and \$1.5 million in fiscal year 2006, respectively.

### 13. NONMONETARY TRANSACTIONS

During fiscal year 2006, the West Virginia University Research Corporation entered into a land swap agreement with the West Virginia High Technology Consortium Foundation (the “WVHTC Foundation”) that involved a transfer of a 1.16 acre parcel of the Corporation’s property located in the I-79 Technology Park in exchange for a 1.16 acre parcel of the WVHTC Foundation’s land. Accounting for the land exchange is based on the recorded amount of the Corporation’s property.

During fiscal year 2007, the University entered into a like-kind exchange agreement with Michel Real Estate Partnership, LLP (“Michel”) that involved a transfer of 1.5 acre parcel of the University’s Mileground Road property together with an approximately 12,000 square foot building constructed by the University in exchange for a 0.90 acre parcel of Michel land and building on such land. The Monongalia County Development Authority facilitated the property transfer. Accounting for the property exchange was based on the net book value of the University’s property. No gain or loss was recorded on the exchange.

### 14. COMMITMENTS

- a. *Purchase Commitment* – The University has signed an agreement providing for the purchase of steam through the year 2030 from a nearby facility that commenced operations in late 1992. Under the agreement, the University has an annual minimum steam purchase requirement, purchased at an operating rate calculated in accordance with the agreement. This operating rate is adjusted quarterly based on actual production costs and other cost indices. Management believes that the rate is comparable to market rates. The University’s total payments for steam purchased under the agreement were \$8.5 million and \$11.1 million in fiscal years 2007 and 2006, respectively. An additional \$142,000 was accrued at June 30, 2007 to record the University’s liability to meet the minimum purchase requirement for the contract year ended September 30, 2007. Payments in future years will be dependent on actual operating costs and other cost indices in those years.
- b. *Construction Commitments* – The University has entered into contracts for the construction and improvement of various facilities. These outstanding contractual commitments totaled approximately \$66.7 million at June 30, 2007.
- c. *Other Commitments* – On September 7, 2005, the Board of Directors of the West Virginia University Research Corporation approved a borrowing plan by the Corporation of up to \$24.4 million to finance certain improvements at the University’s Health Sciences Center (HSC). The West Virginia University Board of Governors has approved the Corporation entering into such transaction. The Corporation has entered into construction loan and pledge agreements with the West Virginia Housing Development Fund (WVHDF), the West Virginia Economic Development Authority (WVEDA), and the West Virginia Infrastructure and Jobs Development Council (IJDC).

*WVHDF loan.* WVHDF will make a construction and term loan in the principal amount of up to \$6.0 million for the purpose of financing the construction of the Biomedical Research building and the HSC Learning Center and Library addition, and renovations to the existing HSC laboratories.

During fiscal year 2007, the Corporation drew down on the WVHDF line of credit in the amount of \$3.88 million which is recorded as a note payable.

The proceeds of the WVHDF loan are disbursed on a draw basis as construction progresses. The principal balance of the WVHDF loan bears interest at a fixed rate of 5.11% per annum. The rate is calculated on the basis of a 360-day year on amounts advanced. The note is due 240 months from the closing date of October 24, 2005. Interest is due and payable quarterly.

A note modification agreement dated April 26, 2007 allows the Corporation to accrue quarterly interest for the period beginning April 1, 2007 through January 31, 2009 and to add it to the principal amount of the loan. Commencing on February 1, 2009, such accrued interest will be amortized and paid over the remaining term of the loan. Accrued interest as of June 30, 2007 was \$65,000.

The loan is pledged by facilities and administrative revenues received by the Corporation under any grants, contracts, and other agreements on behalf of the HSC as follows:

- 1) 30% of the total HSC facilities and administrative revenues, up to a total of \$6.8 million (“threshold amount”) received by the Corporation in any single fiscal year.
- 2) 70% of the total HSC facilities and administrative revenues above the threshold amount received by the Corporation in such fiscal year.

*WVEDA loan.* WVEDA will make a construction and term loan in the principal amount of up to \$9.0 million for the purpose of financing a portion of the Blanchette Rockefeller Neurosciences Institute building.

*IJDC loan.* IJDC will make a construction and term loan in the principal amount of up to \$9.4 million for the purpose of financing a portion of the construction of certain improvements to the Blanchette Rockefeller Neurosciences Institute building and the Biomedical Research building.

## **15. AFFILIATED ORGANIZATIONS (Unaudited)**

The University has affiliations with separately incorporated organizations including West Virginia University Hospitals, Incorporated; Blanchette Rockefeller Neurosciences Institute; West Virginia University Alumni Association, Incorporated; University Health Associates; the Physician’s Office of Charleston; Potomac State College Alumni Association; Tech Alumni Association; West Virginia University at Parkersburg Foundation, Incorporated; and Tech Foundation, Incorporated. Oversight responsibility for these entities rests with independent Boards and management not otherwise affiliated with the University. These organizations do not meet the criteria for determination as component units of the University as described in GASB Statement No. 39. Accordingly, the financial statements of all such organizations are not included in the accompanying combined financial statements.



The National Aeronautics and Space Administration Independent Verification and Validation facility was established in Fairmont, West Virginia in 1993 in partnership with the University. Under a cooperative agreement with the University, verification and validation research programs are conducted at the facility. The facility is operated and maintained by the University's Facility and Services Division.

### **Related Party Transactions**

- a. *University Health Associates* - University Health Associates (UHA) is a West Virginia not-for-profit corporation and serves as the faculty practice plan of West Virginia University School of Medicine (WVUSOM) and West Virginia University School of Dentistry (WVUSOD). The membership of UHA consists of physicians who are faculty members of the WVUSOM and WVUSOD. UHA coordinates its activities with these schools by operating outpatient clinics staffed by such faculty, billing and collecting for professional medical services furnished by UHA's membership, appropriately distributing receipts generated by billings, providing educationally oriented clinical practice settings and opportunities, and providing other clinical practice management services.

The University is reimbursed by UHA for the use of certain facilities, Physician Office Center (POC) utility costs and other costs of the WVUSOM, including medical malpractice insurance premiums. The University reimburses UHA for costs associated with the services it provides to the University. During fiscal year 2004, the State Legislature reallocated West Virginia University Health Sciences Center state appropriations to the Medicaid program in Health and Human Services. The University Health Sciences Center currently receives some state appropriations through the Medicaid program from UHA.

Total funds disbursed to UHA and total funds collected from UHA totaled \$3.0 million and \$23.0 million in fiscal year 2007 and \$2.86 million and \$14.0 million in fiscal year 2006, respectively. There were no amounts due from UHA at June 30, 2007 and 2006 for such items as facility rental fees and utility cost reimbursement. There were no amounts due to UHA at June 30, 2007 and 2006.

- b. *West Virginia University Hospitals, Incorporated* - West Virginia University Hospitals, Incorporated (WVUH or the "Hospital") is a not-for-profit corporation, established in West Virginia, to facilitate clinical education and research of the University's Health Sciences Center (HSC). The Hospital's tertiary care teaching facility-Ruby Memorial, serves as the primary teaching hospital for the faculty and residents of the HSC and operates graduate medical education programs. The Hospital has entered into a Resident Support agreement with the University, under which the Hospital reimburses the WVUSOM for resident salaries and fringes support and for the cost of malpractice insurance for the residents. The Hospital also compensates the WVUSOM for a range of services via the Clinical Teaching Support agreement, Medical Direction and Support agreement, Mission Support agreement and Faculty Physician Support agreement. During fiscal year 2004, the State Legislature reallocated West Virginia University Health Sciences Center state appropriations to the Medicaid program in Health and Human Services. The University Health Sciences Center currently receives some state appropriations through the Medicaid program from the Hospital.

During fiscal year 2007 and 2006, \$23.9 million and \$20.1 million, respectively, was received from WVUH for such items as residents' support, reimbursement for medical

malpractice insurance for the residents, reimbursement of salaries and fringe benefits for hospital employees paid by the University, reimbursement for steam costs, rent and gas expenses. Accounts receivable at June 30, 2007 and 2006 include \$1.13 million and \$1.15 million, respectively, due from WVUH for such items. During fiscal year 2007 and 2006, \$378,200 and \$439,700, respectively, was paid to WVUH for nursing services in conducting clinical trials, facilities support services, autopsy services, family practice residents' salaries under the Community Residency Support Program, and capital projects. Accounts payable at June 30, 2007 and 2006 include \$60,100 and \$59,300, respectively, due to WVUH for such items.

#### **16. WEST VIRGINIA UNIVERSITY FOUNDATION, INCORPORATED (Unaudited)**

The West Virginia University Foundation, Incorporated (the "Foundation") is a separate non-profit organization incorporated in the State of West Virginia that has as its purpose "to aid, strengthen and further in every proper and useful way the work and services of West Virginia University . . . and its affiliated non-profit organizations . . ." Oversight of the Foundation is the responsibility of an independently elected Board of Directors. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. The Foundation does not meet the criteria for determination as a component unit of the University as described in GASB Statement No. 39. The economic resources held by the Foundation do not entirely or almost entirely benefit the University. Most of the University's endowments are under the control and management of the Foundation.

The Foundation's assets totaled \$988.1 million and \$802.1 million at June 30, 2007 and 2006, respectively, with net assets of \$546.5 million and \$456.9 million, respectively. Gifts, grants, pledges and bequests to the Foundation totaled \$59.0 million and \$40.6 million in fiscal years 2007 and 2006, respectively.

Total funds expended by the Foundation in support of University activities totaled \$43.2 million and \$40.3 million in fiscal years 2007 and 2006, respectively. This support and the related expenditures are primarily recorded in the University's combined financial statements.

#### **17. CONTINGENCIES**

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

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

The University owns various buildings that are known to contain asbestos. The University is not required by Federal, State or Local law to remove the asbestos from its buildings. The University is required under Federal Environmental, Health and Safety regulations to manage the presence of asbestos in its buildings in a safe condition. The University addresses its responsibility to manage the presence of asbestos in its buildings on a case by case basis. Significant problems of dangerous asbestos conditions are abated, as the condition becomes known. The University also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing or operating with the asbestos in a safe condition.

## **18. SUBSEQUENT EVENTS**

On August 20, 2007, the West Virginia University Research Corporation entered into an agreement with Union Carbide Corporation (“Union Carbide”) to receive a gift of 58.1 acres of land and several buildings located in Union Carbide’s Technical Center in South Charleston, WV. The Corporation has also entered into a license agreement with Union Carbide for the purpose of conducting due diligence on the donated property prior to the closing date. The title to the property has not yet been conveyed to the Corporation.

## **19. SEGMENT INFORMATION**

During fiscal year 2005, the Board issued revenue refunding and improvement bonds to finance a portion of the costs of certain capital projects at the University, including reimbursement for certain capital expenditures made prior to the issuance of such bonds, and to advance refund the outstanding 1997 Dormitory, Athletics facilities, and Student Union revenue and revenue refunding bonds.

Descriptive information for the University’s segment is shown below:

### **West Virginia University Board of Governors Auction Rate Certificates, Federally Taxable University Revenue Refunding and Improvement Bonds 2004 Series A; University Revenue Refunding Bonds 2004 Series B; and University Revenue Improvement Bonds 2004 Series C (Collectively the “2004 Bonds”)**

On November 1, 2004 the Board issued \$25,900,000 of 2004 Series A Bonds. The 2004 Series A Bonds are being used (1) to advance refund the \$13,710,000 State of West Virginia, University of West Virginia Board of Trustees, Dormitory Refunding Revenue Bonds 1997 Series A, and the \$3,250,000 State of West Virginia, University of West Virginia Board of Trustees, Refunding Revenue Bonds 1997 Athletic Facilities Series A, (2) to finance a portion of the costs of certain capital projects at the University, including reimbursement to the University for certain capital expenditures made prior to the issuance of the 2004 Series A Bonds; and (3) to pay all or a portion of the costs relating to the issuance of the 2004 Series A Bonds.

On November 1, 2004 the Board also issued 2004 Series B and C Bonds in the amounts of \$55,430,000 and \$138,710,000, respectively. The 2004 Series B Bonds are being used (1) to advance refund the \$4,250,000 State of West Virginia, University of West Virginia Board of Trustees, Revenue Bonds 1997 Athletic Facilities Series B, the \$10,735,000 State of West Virginia, University of West Virginia Board of Trustees, Dormitory Revenue Bonds 1997 Series B, the \$3,000,000 State of West Virginia, University of West Virginia Board of

Trustees, Refunding Revenue Bonds 1997 Student Union Series A, and the \$38,000,000 State of West Virginia, University of West Virginia Board of Trustees, Revenue Bonds 1997 Student Union Series B, and (2) to pay the costs of issuance of the 2004 Series B Bonds.

The 2004 Series C Bonds are being used to finance a portion of the costs of certain improvements at the University, including capitalized interest and reimbursement to the University for certain capital expenditures made prior to the issuance of the 2004 Series C Bonds, and to pay the costs of issuance.

The 2004 Bonds are limited obligations of the Board, payable from and secured by a pledge of Fees and Gross Operating Revenues received by the Board, any interest earnings thereon and on the funds and accounts held by the Bond Trustee, and funds representing capitalized interest. Fees include Institutional Capital Fees, Auxiliary Fees, and Auxiliary Capital Fees. Gross Operating Revenues include all rents fees, charges and other income received by or accrued to the University from the operation and use of the Auxiliary Facilities. The 2004 Bonds are also payable from (but not secured by) other moneys legally available to be used for such purposes.

**Condensed financial information for each of the University's segments follow:**

	<b>AUXILIARIES</b> As of/Year Ended <b>2007</b>	<b>AUXILIARIES</b> As of/Year Ended <b>2006</b>
<b>CONDENSED STATEMENTS OF NET ASSETS</b>		
Assets:		
Current Assets	\$ 22,049	\$ 26,484
Noncurrent and Capital Assets *	413,704	382,992
Total Assets	<u>435,753</u>	<u>409,476</u>
Liabilities:		
Current Liabilities	23,470	18,345
Long-Term Liabilities	213,017	218,044
Total Liabilities	<u>236,487</u>	<u>236,389</u>
Net Assets:		
Invested in Capital Assets, net of related debt	198,675	163,532
Restricted	49	17
Unrestricted	542	9,538
Total Net Assets	<u>\$ 199,266</u>	<u>\$ 173,087</u>
<b>CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>		
Auxiliary and Capital Fees	\$ 21,278	\$ 17,692
Operating Revenues	79,972	74,161
Operating Expenses	(94,216)	(91,199)
Net Operating Income	7,034	654
Nonoperating Revenues/Expenses:		
Investment Income	1,939	2,663
Net Transfers from the University	22,276	19,585
Other Nonoperating Income	3,960	3,677
Gifts	4,040	4,752
Other Nonoperating Expenses	(4,152)	(4,446)
Interest Expense*	(8,918)	(10,447)
Increase in Net Assets	26,179	16,438
Net Assets - Beginning of Year	173,087	156,649
Net Assets - End of Year	<u>\$ 199,266</u>	<u>\$ 173,087</u>
<b>CONDENSED STATEMENTS OF CASH FLOWS</b>		
Net Cash Provided by Operating Activities	\$ 16,457	\$ 3,915
Net Cash Flows Used in		
Capital and Related Financing Activities	(55,334)	(30,238)
Net Cash Flows Provided by		
Investing Activities	33,593	28,625
Increase (Decrease) in Cash	(5,284)	2,302
Cash - Beginning of Year	25,099	22,797
Cash - End of Year	<u>\$ 19,815</u>	<u>\$ 25,099</u>
<b>Reconciliation of cash</b>		
Cash classified as current assets	\$ 19,815	\$ 25,099
	<u>\$ 19,815</u>	<u>\$ 25,099</u>

\* Interest of \$1.6 million was capitalized for fiscal year 2007. There was no interest capitalized in fiscal year 2006.

20. FUNCTIONAL CLASSIFICATION OF EXPENSES  
(Dollars in Thousands)

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

Functional Classification	Year Ended June 30, 2007										Total
	Natural Classification										
	Salaries & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Loan Cancellations & Write Offs	Assessments by the Commission	Waivers in Support	Other Operating Expenses	
Instruction	\$ 139,187	\$ 40,547	\$ -	\$ 217	\$ 22,587	\$ -	\$ -	\$ -	\$ -	\$ 2,710	\$ 205,248
Research	57,887	22,766	-	568	25,622	-	-	-	-	4,263	111,106
Public Service	29,717	7,494	-	45	11,769	-	-	-	-	24	49,049
Academic Support	19,745	4,681	-	93	12,426	-	-	-	-	-	36,945
Student Services	15,943	4,796	-	22	6,355	-	-	-	-	-	27,116
Operation and Maintenance of Plant	18,529	6,020	-	17,628	15,263	-	-	-	-	-	57,440
General Institutional Support	37,185	9,554	-	57	28,422	-	-	-	-	654	75,872
Student Financial Aid	-	-	28,713	-	-	-	-	-	-	-	28,713
Auxiliary Enterprises	32,815	8,395	-	6,470	35,924	-	-	-	-	54	83,658
Depreciation	-	-	-	-	-	40,706	-	-	-	-	40,706
Assessments by Commission for Operations	-	-	-	-	-	-	-	2,349	-	-	2,349
Waivers in Support of Other State Institutions	-	-	-	-	-	-	-	-	434	-	434
Loan Cancellations and Write Offs	-	-	-	-	-	-	277	-	-	-	277
Total Expenses	\$ 351,008	\$ 104,253	\$ 28,713	\$ 25,100	\$ 158,368	\$ 40,706	\$ 277	\$ 2,349	\$ 434	\$ 7,705	\$ 718,913

Year Ended June 30, 2006

Functional Classification	Year Ended June 30, 2006										Total
	Natural Classification										
	Salaries & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Loan Cancellations & Write Offs	Assessments by the Commission	Waivers in Support	Other Operating Expenses	
Instruction	\$ 129,046	\$ 41,949	\$ -	\$ 196	\$ 19,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,723
Research	53,158	20,599	-	510	27,146	-	-	-	-	-	101,413
Public Service	29,471	8,535	-	41	11,974	-	-	-	-	-	50,021
Academic Support	19,153	5,318	-	93	8,188	-	-	-	-	-	32,752
Student Services	13,978	4,645	-	48	4,821	-	-	-	-	-	23,492
Operation and Maintenance of Plant	17,131	6,937	-	18,931	15,648	-	-	-	-	-	58,647
General Institutional Support	33,244	9,748	-	39	29,331	-	-	-	-	78	72,440
Student Financial Aid	-	-	24,077	-	-	-	-	-	-	-	24,077
Auxiliary Enterprises	30,877	8,429	-	6,648	33,745	-	-	-	-	-	79,699
Depreciation	-	-	-	-	-	39,436	-	-	-	-	39,436
Assessments by Commission for Operations	-	-	-	-	-	-	-	2,235	-	-	2,235
Waivers in Support of Other State Institutions	-	-	-	-	-	-	-	-	332	-	332
Loan Cancellations and Write Offs	-	-	-	-	-	-	249	-	-	-	249
Total Expenses	\$ 326,058	\$ 106,160	\$ 24,077	\$ 26,506	\$ 150,385	\$ 39,436	\$ 249	\$ 2,235	\$ 332	\$ 78	\$ 675,516

# West Virginia University Governance

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Bruce McClymonds	<i>President, West Virginia University Hospitals, Inc.</i>
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Sara A. Master	<i>Executive Assistant to the President</i>

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West Virginia University is an equal opportunity/affirmative action institution. The University does not discriminate on the basis of race, sex, age, handicap, veteran status, religion, sexual orientation, color, or national origin, as defined by the applicable laws and regulations. Further, faculty, staff, students, and applicants are protected from retaliation for filing complaints or assisting in an investigation under the University’s Equal Opportunity Policy/Affirmative Action Plan. Inquires regarding the University’s nondiscrimination policy may be directed to the Executive Officer for Social Justice, West Virginia University–Office of the President.



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