QUARTERLY FINANCIAL MANAGEMENT REPORT

EXECUTIVE SUMMARY

Net Assets
Net Assets increased $1.9 million or 3.7% over fiscal year 2003. Cash increased from $7.1 million to $9.6 million or 35.75% because $2.1 million in cash held in capital funds that was previously recorded as restricted cash was changed to unrestricted. The fee simplification legislation passed in the 2004 legislative session released the restrictions on these funds. Construction activity and equipment purchases contributed to the increase in capital assets. Total liabilities decreased 5.49% as the debt obligation due the West Virginia Higher Education Policy Commission (HEPC) declined and the long-term portion of the compensated absences liability decreased. The accounts payable amount in the annual financial report will be different because there are construction invoices that the University has not received as of this date for work completed prior to June 30.

State Budget Reduction
During the second quarter, the Governor ordered a 1.4% reduction in the University’s State appropriations. The total decrease was $155,000. Other budget adjustments were required to accommodate additional utility costs and other cost increases that exceeded the revenue realized from enrollment growth. The University cut departmental operating budgets $323,000 to balance the budget. Much of the reduction was absorbed through unfilled vacancies.

Revenues
As of June 30, 2004, total operating revenues were 103.6% of the total fiscal year 2004 budgeted revenues. Federal and State grants for financial aid increased over the previous year. The tuition and fee revenues changed as enrollment increased. Graduate tuition and fees increased $102,000.

Expenditures
Operating expenditures were 101.4% of the total fiscal year 2004 budget as of June 30. Depreciation expense increased 9.9% compared to the budget because newly built or renovated buildings were depreciated for the first time.

Shaw and Thacher Halls Asbestos Problem
During March, delaminating asbestos was discovered in Shaw and Thacher Halls. These residence halls were closed to the students before they returned from spring break. Additional housing was found on campus or procured off-campus for many of the displaced students.
Other students chose to commute from home. The students’ belongings were passed through a decontamination process by an asbestos abatement contractor. The costs associated with housing the students and returning their belongings will be approximately $865,000, including lost revenues. It will cost about $1.8 million to abate the asbestos and restore the residence halls. The University will issue debt to finance the abatement and restoration. Claims from students for damaged or lost possessions are being processed. An estimate of the liability will be included in the annual financial statements.

**Nonoperating Revenues and Expenditures**
Investment income declined 52.5% or $193,000 over the previous year. The amount of the State appropriations decreased $1,198,000.

**EXPLANATORY NOTES**

**Net Assets**

**Assets**
1. Appropriations due from primary government, this receivable decreased $95,000 compared to the previous year as funds allocated for capital projects were expended.
2. Grants and contracts decreased $475,000. The Department of Housing and Urban Development (HUD) owed the University $461,000 as of June 30, 2003.
3. Restricted cash and cash equivalents: $2.1 million in cash held in capital funds that was previously recorded in restricted cash and cash equivalents was changed to unrestricted. Restricted cash and cash equivalents declined $1.7 million as work progressed on the projects funded by the bond issue. The investments purchased with funds from the bond issue matured in February. The remaining money from the bond issue was invested in short term commercial paper.
4. The $4.7 million increase in capital assets compared to the previous year was caused by equipment purchases and building construction.

**Liabilities**
1. The accounts payable amount in the annual financial report will change because there are construction invoices that the University has not received as of this date for work completed prior to June 30.
2. Due to the HEPC increased $86,000 because the HEPC transferred more revenues for financial aid than the University expended.
3. Deferred revenues from the second and third summer sessions increased $146,000. The deferred revenues related to grants increased $116,000 because the funding for several grants was received in advance of expenditures.
4. The compensated absences liability decreased $114,000 compared to the previous year as the number of employees who were eligible for the insurance retirement benefits declined.
Operating Revenues
1. Tuition and fee revenues were 104.7% of the budgeted amount. Enrollment increased over
   the previous year. Revenues from graduate programs increased $102,000.
2. Federal revenues were 108% of the budgeted amount. Federal Pell Grants increased from
   last year. Library HUD grants revenues totaling $176,000 that were expended for
   furniture and did not exceed the $1,000 capitalization threshold were recorded as
   operating revenues. The Federal grants budget was increased $176,000.
3. State and local grants and contracts were 111% of the budgeted amount. State financial
   aid revenues increased $390,000 over the previous year.
4. Other revenues were 115% of the budget amount. The University received $127,000 in
   additional revenues related to the exclusive beverage contract.

Operating Expenses
1. Student services expenditures were 92.8% of the budget. Savings were realized from
   several vacant positions.
2. Operations and maintenance expenditures were 104% of the budget. Library expenditures
   from bond funds totaling $97,000 that did not exceed the $1,000 capitalization threshold
   were recorded as operating expenses.
3. Auxiliary expenses, the costs associated with housing the Shaw and Thacher residents
   and returning their belongings, will be approximately $865,000, including lost revenues.

Nonoperating Revenues and Expenses
1. The University’s budget for the state appropriation from general funds was $1,198,000
   less than the amount allotted for fiscal year 2003.
2. Investment income declined $216,000 or 55% because investment pool earnings were
   lower than they were during fiscal year 2003.

Other Revenue, Expenses, Gains or Losses
The University received $1.5 million from HUD for renovations to the Ruth Scarborough Library
 during fiscal year 2004.